

ABA Section of Intellectual Property Law, Trade Secrets and Interferences with Contracts Committee Annual Trade Secret Law Report 2013/2014



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1st Circuit

Corporate Technologies, Inc. v. Hartnett, 731 F.3d 6 (1st Cir. Sept. 23, 2013). The First Circuit held that a salesman violated his nonsolicitation covenant even though the customer initiated the contact. The former employee had executed at the commencement of his employment with Corporate Technologies an agreement that contained both nonsolicitation and nondisclosure provisions. The former employee subsequently joined a competitor after working with Corporate Technologies for more than a decade. Upon the former employee's hiring, the competitor sent an email blast announcing the hiring and prompting customers to contact the former employee. Corporate Technologies accordingly brought suit. The district court entered a preliminary injunction against the former employee and his new employer, finding that the preliminary evidence showed that the former employee had participated in sales-related communications and activities with certain of his customers for the new employer and, thus, that Corporate Technologies was likely to succeed in proving that the former employee had (with his new employer's help) violated the nonsolicitation covenant.

On appeal, the former employee and competitor argued that their conduct could not constitute improper solicitation as a matter of law because the customers made the "initial contact." The appellate court rejected this argument and found that such a rule would undermine the value of the nonsolicitation provision of the former employer. The appellate court also reasoned that the initial contact could be easily manipulated by an announcement, the initial contact could vary greatly in the degree in which it implicated a former employer's interests, and the significance of who makes the initial contact will vary greatly based on the industry and products or services at issue. In this case, the initial contact was only a small part of the business solicitation effort, which required extensive meetings, discussions, and customer-tailored bid design after Corporate Technologies' customers had reached out to the former employee at his new employer. Thus, the appellate found that the identity of the party making the initial contact is just one of many factors that courts should consider in determining whether a former employee has improperly crossed the line from acceptance of business to solicitation. The appellate court also determined that there was no need to apply the inevitable disclosure doctrine because there was evidence that it was likely already disclosed by the former employee. The court did not, however, touch whether the district court should not have incorporated the doctrine into its likelihood of success analysis on the claimed violation of the non-disclosure agreement.

Maine

Cianbro Companies v. Uremovich, 2013 WL 795144 (D. Me. Jan. 28, 2013). Michael Uremovich ("Defendant") founded Starcon International, Inc. ("Starcon"), which provides services to petrochemical companies and refineries in the United States. In 2010 Cianbro Companies ("Plaintiff") entered into a stock purchase agreement with the shareholders of Starcon and purchased 100% of Starcon's outstanding shares. Defendant received in excess of \$4.5 million for his shares. Before the sale could close, Plaintiff, recognizing the integral role that Defendant had played in Starcon, required Defendant to sign a non-competition and non-disclosure agreement. Two weeks before signing the agreement, Defendant registered two corporations: Great Lakes Energy Consultants ("Great Lakes") and Manhattan Mechanical Services ("Manhattan"). Plaintiff alleged that both corporations have directly competed with Plaintiff and Defendant disclosed confidential information, including customer lists, to the corporations. Plaintiff requested a preliminary injunction barring further breaches of the agreement. Defendant argued that the claims under the non-disclosure agreement must be dismissed because the Plaintiff does not allege that he published or made available confidential information to a "third-party person or entity." Defendant argued that the agreement permits him to make use of Starcon's confidential information for his own benefit. The court disagreed with this analysis, finding that no language in the agreement would permit the disclosure to a third-party entity simply because it is controlled by Defendant. Dispositive to the court's finding was the fact that neither Great Lakes, nor Manhattan, signed the agreement. Because they did not sign the agreement, they were third party entities with respect to the agreement. Any disclosures made by Defendant to Manhattan or Great Lakes would violate the agreement. The Court applied then applied this logic to the misappropriation of trade secrets, finding that Plaintiff alleged plausible claims.

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Outside Television, Inc. v. Murin, 977 F. Supp. 2d 1 (D. Me. Oct. 10, 2013). Outside Television, Inc. (“Plaintiff”), a producer of a television show for Lake Tahoe, sued Murin (“Defendant”), a former producer, for a violation of a non-compete clause and misappropriation of trade secrets. Plaintiff alleged that Defendant took the studio “playbook” and was using customer lists he obtained during his time at Plaintiff. The court rejected Plaintiff’s arguments and dismisses the case. The court ruled that Plaintiff had not established the customer lists had been used or obtained inappropriately. The court stated that there were few customers in the region and overlap was to be expected. Without additional proof the court could not bar Defendant from soliciting customers. Additionally, the court ruled that the “playbook” could not be considered a trade secret. The playbook consisted of information that was common to most news shows and the knowledge could be gained by anyone watching TV. As such, the information could not possibly be considered “secret.”

Massachusetts

Advanced Micro Devices, Inc. v. Feldstein, 951 F. Supp. 2d 212 (D. Mass. June 10, 2013). Advanced Micro Devices, Inc. (“Plaintiff” or “AMD”) filed suit against several former employees (“Defendants”) alleging each employee misappropriated trade secrets and violated non-solicitation agreements after resigning from Plaintiff and beginning jobs at Plaintiff’s largest competitor, Nvidia. Plaintiff had evidence that shortly before Defendants resigned they copied large amounts of data from their AMD computers onto external hard drives. Defendants argued that the copying of the data was to ensure that personal data, pictures, and emails were not lost when the work computers memory was wiped. However, the court did not credit this argument. Relying on the sheer quantity of data taken, the nature of the data, and the almost immediate employment at a significant competitor, the court found that the data was likely intended to be misappropriated. As a result, the court granted Plaintiff’s motion for a preliminary injunction. In a later argument, the court begrudgingly permitted Plaintiff’s claim under the Computer Fraud and Abuse Act (“CFAA”). The court held that that the more narrow approach to the CFAA was the correct approach, noting that the Plaintiff do not specifically allege fraudulent means were used to obtain the data or access the computer. However, the court was unwilling to dismiss the claim because the area was unsettled. Instead, the judge permitted AMD to plead more specifically with respect to their claims under the CFAA.

Aggreko, LLC v. Koronis, 2013 WL 6835165 (D. Mass. Dec. 19, 2013). Aggreko, LLC (“Plaintiff”) filed suit against Stephen Koronis (“Defendant”) alleging, among other things, breach of contract for disclosure of confidential information and misappropriation of trade secrets. Defendant resigned from Plaintiff after Plaintiff cut Defendant’s number of clients. Defendant’s paycheck was largely dependent on commissions. Shortly before leaving, Defendant had downloaded information concerning prospective clients and pricing and transferred it to an external hard drive. Defendant alleged that this was to create his territory sales report and determine how much he would lose on commissions in the future. Defendant began working for United Rentals, Inc. (“United”), a competitor, four days after resigning. Plaintiff sought numerous preliminary injunctions. Defendants agreed with most, only opposing two: an injunction to prevent Defendant from working with a competitor for two years and an injunction to prevent United working with any clients Defendant had previously worked with. The court denied both of the contested motions. For the misappropriation claim, the court reasoned that while there was undoubtedly confidential information taken, Plaintiff did not show that the information was taken or used improperly. For the breach of contract claim, the court agreed that Plaintiff would likely prevail on the merits but could not show irreparable harm. The court also determined that the balance of harms weighed heavily in Defendants favor. If the injunctions were given, Defendant would not have a means to earn a livelihood and United would be prevented from working with clients it had a long working relationship with.

Athenahealth, Inc. v. Cady, 31 Mass. L. Rptr. 346 (Mass. Super. May 2, 2013). Athenahealth, Inc. (“Plaintiff”) sought a preliminary injunction to bar Thomas Cady (“Defendant”) from working with a competitor. Defendant had been employed primarily in a sales position before his role was switched to leading teams responsible for the customer implementation process. In Defendant’s position at the competitor his primary responsibilities were team leadership and staff development. In order to support its injunction, Plaintiff argued that Defendant’s new job was so similar to his previous one that disclosure of trade secrets would be inevitable. The court held that Plaintiff’s argument was meritless. The court noted

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that the information Plaintiff argued was confidential (implementation of specific systems) was something that most system design companies had. The court also noted that Defendant had different responsibilities and those responsibilities were not substantially similar to his old position.

Corporate Technologies, Inc. v. Hartnett, 943 F. Supp. 2d 233 (D. Mass. May 3, 2013). Brian Hartnett (“Hartnett”) and OnX USA LLC (“OnX”)(collectively “Defendants”) were sued by Corporate Technologies, Inc. (“Plaintiff”) after Hartnett resigned from Plaintiff to work at OnX. Plaintiff alleged that Hartnett violated his non-solicitation and non-disclosure clauses and OnX tortuously interfered with a contractual relationship. OnX contacted Hartnett while Hartnett was still employed by Plaintiff. OnX offered Hartnett a job and promised to indemnify him for any breach of contract that may be found. Before resigning from Plaintiff, Hartnett downloaded 2012 consumer price quotes onto a USB drive. Plaintiff additionally took 25 pages of notes from his employment spanning 2010-2012. Shortly after Hartnett started his new job, OnX sent out an email burst to 100 clients, including 8 of Hartnett’s most active former clients. Court held that the artificial distinction between who contacted who first was inconsequential in this case. The court also stated that during former employee’s time at Plaintiff, it was incredibly unlikely that former employee did not pick up any confidential information that he would inadvertently disclose or use during negotiations with former clients. The court ruled that due to the similarity of positions, disclosure was inevitable. The court found that both inevitable disclosure of confidential information and ongoing breaches of non-solicitation agreements would cause irreparable harm. Weighing the balance of hardships, the court found that the injunction would only prohibit Hartnett from soliciting a small slice of the total market. On the other hand, Plaintiff faced substantial harm if the injunction was not granted. Turning to the final step, the court determined that public interest prevented the court from barring any deals that were already made. The court would not impose the non-solicitation agreement on a third party. Additionally the court found that there was enough evidence that a tortious interference with a contractual relationship claim would likely succeed. The evidence showed that OnX approached Hartnett and offered to indemnify him for breaches of the non-disclosure and non-solicitation provisions. The court found that this demonstrated the likelihood of improper motive.

EMC Corp. v. Breen, 31 Mass. L. Rptr. 114 (Mass. Super. Feb. 25, 2013). Plaintiff employer sued Defendant former executive for a violation of non-competition clause. Plaintiff sought a preliminary injunction, arguing that inevitable disclosure of confidential information would lead to future irreparable harm. Court denied Defendant’s argument that sales strategies were standard to most companies and therefore not a trade secret. The court holds that information such as “what components of market information [Plaintiff] decides to weigh, and how it weighs them through particular sales force organization, formulae and graphic methodology, is unique to [Plaintiff] and its sales culture.” The court also denied the Defendant’s second argument that such information quickly goes stale in the rapidly changing technology industry. The court also denied Defendant’s third argument that what confidential information he did possess was *de minimus*. Finally, the court determines that, though enforcing the covenant will harm Defendant, it would fly in the face of Massachusetts policy to not enforce an enforceable and otherwise valid covenant not to compete.

Energy Power Co. Ltd. v. Xiaolong Wang, 2013 WL 6234625 (D. Mass. Dec. 3, 2013). Energy Power Co. Ltd (“Plaintiff”) and Xiaolong Wang (“Defendant”) entered into an agreement where Defendant would work for Plaintiff on a number engineering projects. The parties’ relationship deteriorated and Defendant ended the employment relationship. Before leaving, Defendant had his secretary send him the engineering project files. In addition, he had her password protect and encrypt the files that remained on Plaintiff’s servers. Defendant then began to work for Plaintiff’s competitor. Plaintiff filed suit alleging misappropriation of trade secrets and a violation of the CFAA. The court granted a preliminary injunction on the CFAA, but denied the injunction for misappropriation. In granting the injunction, the court rejected Defendant’s arguments that he didn’t access the computer because his secretary did for him, he didn’t exceed authorization because he was allowed to use the computer, and that computers outside of the United States were outside the law. In denying the injunction for the misappropriation claim, the court first determined that choice of law dictated that Chinese law would govern, but under both Chinese and Massachusetts law, an injunction would be improper. The court reasoned that there was a legitimate dispute about who owned the trade secrets and, therefore, it could not determine if one party was likely to

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prevail. The court stated that normally they would look to the contract to determine ownership but there was a lack of a formal agreement in this case.

Envisn, Inc. v. Davis, 2013 WL 6571944 (D. Mass. Dec. 12, 2013). Envisn, Inc. (“Plaintiff”) brought suit against Kathleen Davis (“Defendant”) alleging, among other things, misappropriation of trade secrets. After being pushed at work by a superior, Defendant decided to resign. The night before resigning, Defendant downloaded software kits created by Plaintiff to her home computer. Defendant then made copies of the files on a CD and a USB drive. Defendant was aware that Plaintiff could detect the downloads, but stated that she had wanted them for her own records. When asked, Defendant returned the software but allegedly kept the customer lists that were saved to the USB drive. The court denied the grant of summary judgment because whether the information was obtained through improper means was still at issue. Plaintiff argued that as Defendant knew she was resigning, she did not have access to the database. On the other hand, Defendant argued that she had access because she had not yet resigned and was still employed.

Forman, Itzkowitz, Berenson & LaGreca, P.C. v. Tankel, Rosenberg & Co., P.C., 31 Mass. L. Rptr. 453 (Mass. Super. Oct. 8, 2013). Forman, Itzkowitz, Berenson & LaGreca, P.C. (“Plaintiff”) filed suit against Howard Forman (“Forman”) and Tankel, Rosenbert & co., P.C. (“Tankel”)(collectively “Defendants”) asserting that Forman’s employment with Tankel violated a non-competition clause and Forman disclosed confidential information to a competitor. Forman worked for Plaintiff from 1986 until 2012. Forman’s contract contained a non-competition clause lasting 2 and a half years after the contract ended and a non-disclosure agreement that continued indefinitely. Forman’s contract, and his position as a director, expressly ended in 1999 when he turned 65. Forman’s continued working as an hourly employee until 2012 when he retired completely from Plaintiff. Forman then proceeded to work for Tankel. Forman asserted that he continued to work at the request of family and friends who had asked him to remain their accountant. Plaintiff argued that Forman left and poached clients for a 33% commission on each of the clients. On a motion for summary, the court determined that the non-compete clause had expired about ten years before Forman began to work for Tankel. On summary judgment for the non-disclosure claim, Defendants argued the only client information provided was Forman’s recollection of the clients who had approached him to continue to do work for them. The court denied summary judgment stating that there was still a dispute as to whether Forman had brought anything else to Tankel.

FranCounsel Group, LLC v. Dessange Intern. SA, 980 F. Supp. 2d 1 (D. Mass. Sept. 30, 2013). FranCounsel Group (“Plaintiff”) advised foreign corporations on international business development matters. Plaintiff helped negotiate a contract between Dessange International (“Dessange”) and Fantastic Sams (“Sams”)(collectively “Defendants”) in return for a percentage of the royalties collected. Plaintiff filed suit after royalties were not paid alleging, among other things, that Defendants misappropriated trade secrets. Plaintiff argued that Sams misappropriated the information (Dessange’s name and interest) provided to them by Plaintiff. However, the court quickly dismissed this claim. The court ruled that there was no evidence the information was secret; instead, Plaintiff “[appeared] to have offered the subject information to Fantastic Sams gratuitously.” *Id.* at 6.

MOCA Systems, Inc. v. Bernier, 2013 WL 6017295 (D. Mass. Nov. 12, 2013). MOCA Systems, Inc. (“Plaintiff”) brought suit against Kevin Bernier (“Defendant”) after Defendant started a competitor in violation of a non-compete after his termination. Plaintiff also alleged that Defendant accessed Plaintiff’s computer systems after termination to obtain confidential information. The court denies a motion to dismiss without much discussion.

Ophthalmic Research Associates, Inc. v. SARcode Corp., 2013 WL 2247584 (D. Mass. May 22, 2013). Ophthalmic Research Associates, Inc. (“ORA” or “Plaintiff”) filed suit against SARcode Corp. (“Defendant”) alleging that Defendant misappropriated Plaintiff’s trade secrets and infringed on their copyright. The copyright in question was a 1-10 scale to determine the comfort level of a drop on each eye. The court found that the Plaintiff’s “product” lacked sufficient originality to become copyrighted. The court also considered a choice of law question for misappropriation of trade secrets. After determining that

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California law applied, the court dismissed the remaining claims without prejudice to permit Plaintiff to refile with sufficient facts.

New Hampshire

Contour Design, Inc. v. Chance Mold Steel Co., Ltd., 2013 WL 3815659 (D.N.H. July 22, 2013). Contour Design, Inc. (Plaintiff) designed and marketed ergonomic computer mice that were manufactured by Chance Mold Steel Co., Ltd. (“Defendant”). After the termination of their relationship, Defendant began to manufacture and sell Plaintiff’s designs. A trial found that Defendant willfully and maliciously misappropriated Plaintiff’s trade secrets for all but one type of mouse. Defendant sought damages from Plaintiff, arguing that the injunction barring the non-appropriated mouse had cost them significant amounts of business and gave Plaintiff possession of Defendant’s trade secret. The court dismissed this argument stating that the Defendant’s claims were barred by the unclean hands doctrine.

New Hampshire Right to Life v. Department of Life and Human Services, 976 F. Supp. 2d 43 (D.N.H. Sept. 30, 2013). This case concerned a request for documents under the Freedom of Information Act (“FOIA”) and the exceptions that protect documents. New Hampshire Right to Life (“Plaintiff”) requested the release of documents by New Hampshire Department of Health and Human Services (“Defendant”) concerning Defendant’s award of a sole-source replacement grant to Planned Parenthood of New England (“PPNE”). Defendant argued that the certain documents were exempt from FOIA demands because the documents were confidential commercial information. Plaintiff argued that the information could not be considered commercial because PPNE was a non-profit entity. The court disagreed with the Plaintiff, finding that commercial describes the type of information, not the type of entity that owns the information. The Plaintiff also argued that since some documents were required to be released to Defendant, they are not “confidential” under the meaning of the statute. Both parties agreed that information that was voluntarily released is considered confidential under the Freedom of Information Act. The court then focused on the potential harm caused by a release of the documents. The court reasoned that releasing either the “Fees and collections policy” or the “Manual of Medical Standards and Guidelines” would likely cause substantial harm to PPNE. The court made this determination based on several factors. The court reasoned that PPNE competes with other family planning centers for grants and other funding sources. Releasing information on how a Planned Parenthood is run would give competitors a leg up in the bidding process. Further, those same competitors compete with PPNE for patients. The court does not extend this protection to PPNE’s personnel files. The court held that it was very difficult to find such information confidential. Prospective employees are often told salary information before they are hired. If an employee decided they did not want the job, they could have easily disclosed the information. The court also noted that there was no policy that prevented full-time employees from discussing their salary with other employees or outsiders.

West v. Bell Helicopter Textron, Inc., 2013 WL 758346 (D.N.H. Feb. 27, 2013). Kurt West (“Plaintiff”) filed suit against Bell Helicopter Textron, Inc. (“Bell”) and Rolls Royce (“Rolls”)(collectively “Defendants”) alleging that improper manufacturing led to his helicopter crash. During discovery, Rolls filed motion for a protective order to designate certain documents confidential. However, the discussion of trade secrets was hampered by the fact that Rolls wouldn’t turn over the documents. The court noted that it could not determine if the information constituted trade secrets because Rolls Royce did not turn over the documents or provide much information to the court. As the burden was on the defendant and the defendant failed to provide the necessary information, the court denied the motion.

Puerto Rico

American Health, Inc. v. Chevere, 2013 WL 5297295 (D.P.R. Sept. 19, 2013). Dr. Sergio Chevere (“Defendant”) worked under a Consultant Agreement for American Health, Inc. (“Plaintiff”). Per the agreement Defendant had to keep confidential and not disclose or use the confidential information he had access to. Upon termination of the agreement, Defendant was required to return all confidential information obtained on demand. Defendant downloaded, retrieved, and sent to his personal email address Plaintiff’s confidential information without permission. Plaintiff’s records show that Defendant made 54 transfers of data. Thirty-seven days after transferring the data, Defendant notified Plaintiff of his

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decision to terminate the agreement within two days. Less than a month after termination, Plaintiff demanded the return of all confidential information, Defendant refused, and Plaintiff filed suit. Plaintiff requested a preliminary injunction on all charges. Plaintiff's first claim was under the Puerto Rico Commercial and Industrial Secrets Protection Act. The statute protects commercial secrets from improper appropriation. The court noted that the documents, including files such as "Cost Trends," "Forecasts," "Risk Factor analysis," and "Budgets," were plainly commercial secrets. The court found that the wire transfers were unnecessary for Defendant's job considering he had remote access to the files at any time. Coupled with Defendant's refusal to return the documents, the court held Plaintiff was likely to succeed in its claim and met the first element for a preliminary injunction.

The court performed similar analyses under the Stored Wire and Electronic Communications and Transactional Records act, as well as the Wire and Electronic Communication and Interception of Oral Communications Act finding that the Plaintiff is equally likely to succeed there. In considering the irreparable harm element for a preliminary injunction, the court noted the language of the Consultant Agreement. The agreement specified that "the use or disclosure of the confidential information to which he had access would cause American Health substantial loss and damages which could not be readily calculated, and for which there was no adequate remedy at law." Finding this persuasive, the court held that Plaintiff had met the second element. The court quickly found that both the balance of hardships and the public interest tilted in Plaintiff's favor, requiring the preliminary injunction.

Computer Automation Systems, Inc. v. Intelutions, Inc., 2013 WL 5937910 (D.P.R. Nov. 4, 2013). Computer Automation Systems, Inc. ("Plaintiff") created Special Education Automation System ("SEAS") to assist school districts in complying with Federal requirements. Plaintiff worked with the Puerto Rico Department of Education ("PRDE") and provided its software. In 2010, PRDE contacted Intelutions, Inc. ("Defendant") for local assistance with the software. Defendant became aware that PRDE was contracted with Plaintiff. Plaintiff and Defendant worked out an agreement where Plaintiff would provide data to Defendant. Defendant insisted the information was insufficient and requested an entire copy of the SEAS software system as a back-up for PRDE. Defendant assured Plaintiff that Plaintiff's intellectual property would be protected if Plaintiff transferred the data to Defendant. Plaintiff became aware that Defendant contracted with PRDE to provide software that would perform substantially the same services that Plaintiff's program had provided. Plaintiff alleged that Defendant had reverse engineered the program. Defendant moved to dismiss the claim on numerous grounds. First, the Defendant alleged that the Copyright Act preempted Plaintiff's trade secrets, tortious interference with contract, and fraud claims. The court ruled that it was too early in the proceedings to determine if the tortious interference with contract and fraud claims would be preempted. The court stated that it could not determine how the claims would proceed without further discovery. It was possible that the tortious interference with contract and fraud claims would be independent of the copyright claims and therefore not be preempted. The court also denied Defendants motion with regard to the trade secret preemption. The court noted that preemption is only proper when the claims are substantially the same. Under Puerto Rico law, trade secrets claims have an additional element requiring a breach of confidentiality. Because there was an additional, material element, there was no preemption. Defendant also moved to dismiss any claims under the Copyright Act, arguing that Plaintiff did not have a valid copyright because it was copyrighted more than 5 years after the product was created. The court declined to dismiss the claim holding that a copyright is presumed valid if it is obtained less than 5 years after the product is created. The court reasoned that this did not mean copyrights obtained after the 5 year mark were per se invalid. While acknowledging Defendant's arguments, the court essentially held that dismissal was improper at such an early stage.

Irizarry-Santiago v. Essilor Industries, 293 F.R.D. 100 (D.P.R. Aug. 28, 2013). Sobeida Irizarry-Santiago ("Plaintiff") filed suit against Essilor Industries ("Defendant") alleging age and national origin discrimination. During discovery, Plaintiff consistently failed to respond to discovery requests. After several court orders to turn over remaining documents, Plaintiff provided Defendant with 2,666 documents, including documents "that individually are not related to the claim, but that altogether allude to the claims presented." Among those documents were 19 confidential and proprietary documents belonging to Defendant that contained third party information. Defendant moved for a protective order alleging that the documents were confidential trade secrets and demanding Plaintiff turn over the

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originals. The court held that because the documents were protected by Defendant's confidentiality policy, a protective order was proper. However, the court reasoned that because Plaintiff considered the documents, as a whole, relevant to the case and the scope of discovery is broad, the court would not require Plaintiff to turn over the originals.

2nd Circuit

US v. Agrawal, 726 F.3d 235 (2d Cir. 2013), Docket No. 11-1074-cr. The Second Circuit upheld defendant Samarth Agrawal's conviction under the Economic Espionage Act and the National Stolen Property Act for theft of his employer Société Générale's source code. Agrawal had access to confidential code the bank used to conduct high frequency securities trades and printed the code onto thousands of sheets of paper which he brought to his home in New Jersey where he could use them to replicate Societe Generale's system for a competitor who promised hundreds of thousands of dollars.

New York

Brown & Brown v. Johnson, Feb 2014 App Div, 4th Judicial Dept. (CA 13-00340). The Appellate Division held that Florida's law on non-compete agreements was "truly obnoxious" to New York policy and could not be used against a NY employee of a Florida company. Upon hiring the defendant, Brown & Brown, Inc., a Florida-based insurance company, had her sign a non-compete agreement that included a non-solicitation clause and a Florida choice-of-law provision. After Brown & Brown terminated the defendant, she was hired by another company and plaintiff sued to enforce the restrictive covenant. The trial court held the choice-of-law provision was unenforceable because Florida had no reasonable relationship to the parties or dispute. On appeal, the appellate court held that though Florida had a reasonable relationship, the covenant was unenforceable because Florida's choice-of-law provision was "truly obnoxious" to New York policy. Such covenants are judicially disfavored in New York and require passing a three prong test to be upheld. In Florida, only the business interests of the party seeking to enforce the covenant are considered, no weight is given to undue hardship to the employee. The trial court properly determined that New York law would govern.

Front Inc v. Philip Khalil, et al, Feb 2013 App Div, First Department. Here, the Appellate Division, First Department denied the defendant's motion to dismiss the complaint against defendants who were UK nationals, finding that the allegations sufficiently established that their actions from abroad through an agent invoked New York jurisdiction. Allegedly, the defendant, who was employed by a design engineering firm that worked on a project for an Apple Store in Manhattan, was hired by the UK defendants and induced to disclose the firm's proprietary information regarding specific project details. The Court held that subjecting the UK defendants to New York jurisdiction would not offend due process.

Greystone Funding Corp. v. Ephraim Kutner et al, Nov 2013 NY Supreme Court, 651926-13. Greystone, a mortgage lender, sued Ephraim and Jonathan Kutner, both former employees. Ephraim signed a two-year employment agreement which included nondisclosure and non-compete provisions. Near the end of the two-year employment period, Ephraim and Greystone extended his employment for another two months. Before the two months however, Ephraim gave notice that he would not renew the employment agreement and Greystone terminated his employment immediately. The Court held that the defendant's termination without cause relieved him of his obligations arising from the restrictive covenants.

Janus et Cie v. Kahnke Aug 2013 SDNY 1:12-cv-07201. The plaintiff, a furnishings company, sued a former employee who took a similar position with a competitor. Citing the possibility of the disclosure of a proprietary account management system and client information, the plaintiff attempted to seek a preliminary injunction based on New York's inevitable disclosure doctrine. The defendant did not sign a non-compete but did sign a non-disclosure agreement. Finding that the plaintiff had not proven the defendant had breached the non-compete agreement or misappropriated any of its trade secrets, the court dismissed the claim, noting the inevitable disclosure doctrine is heavily disfavored in New York.

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Mitzvah Inc. v. Power May 2013 App Div, First Department. In Mitzvah Inc., the Appellate Division, First Department, denied the defendant's motion to dismiss and for summary judgment. The defendant previously worked for Pisa Brothers, a travel agency, before leaving to work for a competitor. The plaintiff acquired Pisa Brothers and alleged that the defendant used client information to transfer travel bookings which also transferred related commissions. The Court held that whether the defendant deceptively removed client lists and copied client folders was a factual issue to be tried. There was also evidence Pisa Brothers' computers were hacked and that the defendant forged client signatures to transfer travel bookings.

Reed Elsevier Inc. v. TransUnion Holding Inc., 13 Civ. 8739 Jan 2014 SDNY. Reed Elsevier Inc. ("REI") sued TransUnion over the latter's employment of a former REI employee. That employee had been working for a third party company that filed for bankruptcy; TransUnion then acquired substantially all of the company's assets in a bankruptcy auction and chose to assume the employee's contract. A previous agreement between REI and TransUnion provided that TransUnion would not hire additional former REI employees. Though the district court found that TransUnion's assumption of the employee's contract was a "hire," it declined to enforce the restrictive covenant. Upon conducting the three prong reasonableness analysis it specifically found the 31-month worldwide restriction unreasonable and unenforceable. Although New York law recognizes four legitimate protective interests to support a restrictive covenant, the court did not find the plaintiff's arguments persuasive.

TBA v. Proscenium Feb 2014 App Div, 980 N.Y.S.2d 459. TBA Global LLC appealed a Supreme Court order granting (1) defendants' motion for partial summary judgment on the finding that certain postemployment nonsolicitation agreements between the parties were unenforceable, and (2) denying plaintiff's motion to compel discovery. While the terms of the nonsolicitation agreements provided that Delaware law would govern, the parties disagreed whether New York or Delaware law should be applied. The Appellate Division, 1st Department, examined whether an actual conflict existed between the laws of each jurisdiction, "the laws in question must provide different substantive rules in each jurisdiction that are `relevant' to the issue at hand and have a `significant *possible* effect on the outcome of the trial." The moving party argued before the motion court that Delaware law does not differ significantly from New York law and applying New York law "should not make a material difference to the outcome." The Court applied the law of New York as the forum state.

The Appellate Division reversed the motion court's granting of partial summary judgment, finding that "the restrictions imposed are no greater than required to protect TBA's legitimate interests which include the protection of client relationships." The Court held that "TBA is not precluded from seeking to enforce the nonsolicitation covenants for the purpose of protecting its customer relationships and goodwill." The Appellate Division found the motion court erred in finding no evidence of misappropriation of customer lists or trade secrets, when plaintiff offered evidence that defendants had intimate knowledge of TBA's intellectual property and financial information; one defendant regularly forwarded confidential and proprietary TBA pricing and customer information to his personal email.

3rd Circuit

Jackson Hewitt v. Barnes, 2013 U.S. Dist. LEXIS 111049 (3d Cir. 2013). DJSG, a former Jackson Hewitt franchisee, and the Godbeheres were the co-guarantors of DJSG's franchise agreements with Jackson Hewitt. Jackson Hewitt filed a complaint against DJSG alleging trademark infringement, unfair competition and breach of contract based on the breach of a non-compete provision, and sought damages and injunctive relief. The district court granted a preliminary injunction, and DJSG filed for reconsideration. While this motion was pending, DJSG appealed the injunction. The District Court proceedings continued despite the appeal, and the Court required the parties to complete initial disclosures. When DJSG failed to comply with the scheduling order, Jackson Hewitt moved for a default judgment, and the District court granted the motion. DJSG appealed. The appellate court found that the district court did not abuse its discretion in granting the default judgment, as DJSG did not comply with the scheduling order, and the six factor test laid out in *Poulis v. State Farm Fire & Casualty Co.*, 747 F.2d 863, weighed in favor of a default judgment.

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Pennsylvania

Dresser-Rand v. Jones et al, 2013 U.S. Dist LEXIS 102536 (E.D. Penn. 2013). Jones and King worked as managers for Dresser-Rand, a company which manufactures industrial equipment and provides services to power plants, industrial plants, and refineries. Jones and King resigned from the company in early 2010. Just prior to their resignation, Albert Wadsworth incorporated another company, Global Power Specialist, Inc. (“GPS”). Jones and King began performing work for GPS prior to their resignation from Dresser-Rand. Prior to leaving Dresser-Rand, both Jones and Kings downloaded multiple Dresser-Rand documents on to external hard drives and flash drives. Dresser-Rand asserted various causes of action, including trade secret misappropriation and violations of the Computer Fraud and Abuse Act (“CFAA”). Defendants moved for summary judgment on the CFAA claim. Dresser Rand argued that King and Jones exceeded their authorized access to Dresser-Rand’s computers by downloading files and disposing of other files, and Wadsworth violated the CFAA by accessing the files sent to him by Jones and King. The court declined to find a CFAA violation, however, as there was no showing that Wadsworth had ever accessed Dresser Rand’s computers. Furthermore, Jones and King had user names and passwords to access the files on their Dresser-Rand laptops, and even if they subsequently misused this information, they could not be liable under the CFAA. As such, the court granted summary judgment to Defendants.

Eagle v. Morgan, 2013 U.S. Dist. LEXIS 34220 (E.D. Penn. 2013). Eagle, the former CEO, sued her former employer Edcomm following her termination from the company. After Eagle’s termination, Edcomm allegedly changed the password for her LinkedIn account, preventing her from accessing it, and then replaced her name and photo with that of Morgan, Eagle’s replacement.

In October 2012, the U.S. District Court for the Eastern District of Pennsylvania granted the defendants’ motion for summary judgment on Eagle’s Computer Fraud and Abuse Act and Lanham Act claims. The court denied summary judgment with respect to the state claims asserted by Eagle and retained jurisdiction over state law claims for invasion of privacy by misappropriation of identity, tortious interference with contract, unauthorized use of name in violation of Pa. C.S. § 8316, misappropriation of publicity, identity theft under Pa. C.S. § 8316, conversion, civil conspiracy, and civil aiding and abetting.

In its most recent ruling, the court found that Eagle had failed to establish tort liability against any of the individual defendants, and had failed to prove all of the elements of identity theft, conversion, tortious interference with contract, civil conspiracy and civil aiding and abetting. Furthermore, although Eagle had successfully proven her claims of invasion of privacy by misappropriation of identity, misappropriation of identity, and unauthorized use of name in violation of 42 Pa. C.S. § 8316, the court declined to permit recovery, finding Eagle’s assertion of damages was overly speculative and lacked corroborating evidence. Although Edcomm had engaged in unauthorized use of Eagle’s name, which had commercial value, her argument that each LinkedIn contact was worth \$250 was speculative, as she could not show she would have actually made any deals during the time she was locked out of the account. As such, Eagle could not recover.

Mercer Advisors, Inc. v. Bronson, 2013 US Dist Lexis 132890 (E.D. Penn. 2013). Mercer Advisors and Bronson entered into a valid and enforceable employment agreement containing a non-solicitation provision. Bronson terminated his employment and then breached the non-solicitation provision, and Mercer sought an injunction. The injunction was narrowly tailored and permitted Bronson to pursue his career so long as he did not solicit Mercer’s clients for a twelve month period. The court found that there was a binding and enforceable contract between the parties, and that Mercer was likely to suffer irreparable harm if the injunction was not granted, as it would mean the non-solicitation agreement had no bite. Furthermore, granting preliminary relief would not result in greater harm to Bronson, because the injunction only sought modest and reasonable restraints, and in a worst case scenario, Bronson would earn \$180,000 prior to acquiring his own clients.

Samuel, Son & Co., Inc. v. Beach, 2013 U.S. Dist. LEXIS 129486 (W.D. Penn. Sept. 11, 2013). In *Samuel*, the court denied a defendant’s early motion for summary judgment in a trade secret case because no discovery had taken place. The plaintiff brought action against a former employee and his

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new employer on grounds that the defendants had allegedly misappropriated and misused plaintiff's confidential business information and trade secrets. In particular, plaintiff alleged that the former employee emailed hundreds of pages of plaintiff's confidential customer, sales, vendor, and pricing information to a personal email account in anticipation of accepting employment with a direct competitor. Plaintiff subsequently moved for expedited discovery and a preliminary injunction. Defendants shortly thereafter moved for summary judgment and submitted affidavits that the alleged email forwards for done for the sole purpose of performing legitimate work at home for plaintiffs and that all the confidential customer information the former employee possessed at the time of his resignation had been either destroyed or returned to plaintiff. The plaintiff then moved for the court to deny/defer consideration on defendants' motion. The court granted plaintiff's motion to deny/defer consideration on defendants' motion for summary judgment and stated, "it is well-settled that the summary judgment process presupposes the existence of an adequate record." The court reasoned that no discovery had taken place, which severely undermined plaintiff's ability to respond to defendants' summary judgment motion. Accordingly, the court denied defendant's motion for summary judgment, but without prejudice.

Triage Consulting Group, Inc. v. Implementation Management Assistance, Inc., 2013 U.S. Dist. LEXIS 90706013 (E.D. Penn. July 11, 2013). In *Triage*, a Pennsylvania federal court affirmed a broad pleading standard for claims under the Uniform Trade Secrets Act and affirmed the ability to plead preempted claims in the alternative. Defendant Implementation Management Assistance, Inc. ("IMA") hired a long-time employee, Liana Hans, away from competitor Plaintiff Triage Consulting Group, Inc. ("Triage"). Hans allegedly had intimate knowledge of Triage's proprietary systems and allegedly shared that knowledge with IMA, in violation of her confidentiality agreement with Triage. IMA thereafter recruited another Triage employee, Sara Lewis, with the expressly stated purpose of allegedly seeking to use Triage's proprietary information and to steal Triage's clients. Hans and Lewis allegedly assisted in the development of IMA's own version of Triage's proprietary software. After Triage notified IMA that it believed IMA possessed its proprietary information, IMA allegedly agreed to allow Triage to investigate, to remove any Triage information on its systems, and to pay for the investigation and any removal. Rather than proceeding, however, IMA terminated Hans and allegedly recanted on its agreement to remove Triage's proprietary information from its system and to pay for the investigation. IMA also continued to employ Lewis. Triage then brought suit.

IMA sought dismissal of Triage's Pennsylvania Uniform Trade Secrets Act ("PUTSA") and breach of contract claims against Lewis and intentional interference with contractual relations claim against IMA. IMA argued that Lewis's mere knowledge or acquiescence of Hans' alleged improper use of Triage's information did not amount to "misappropriation" under the PUTSA. The court concluded that Triage adequately alleged that Lewis knew or should have known that she was using Triage's proprietary information to assist IMA in creating copycat systems, and that, in the ordinary course of her business with IMA, Lewis knew or had reason to know that she used Triage's proprietary information and whoever divulged it had a duty of secrecy to Triage. The court also denied the motion to dismiss as to the breach of contract claim and tort claim on the grounds that, although the PUTSA generally preempts "tort, restitutionary, and other Pennsylvania law," the PUTSA does not preempt breach contract claims against Lewis, and the tort claim was properly pled in the alternative.

New Jersey

Events Media Network Inc v. The Weather Channel Interactive, Inc., 2013 U.S. Dist. LEXIS 97514 (D. N. J. 2013). Events Media Network Inc. ("EMNI") and the Weather Channel entered into a licensing agreement in the spring of 2008. EMNI agreed that it would provide the Weather Channel with access to a continually updated database of information, including schedules for events and attractions throughout the United States. This information was compiled based on publicly available information. The Weather Channel was given broad rights to use and distribute this information, however, EMNI retained proprietary rights to the information and imposed confidentiality requirements on its use. Following the expiration of the agreement in 2011, some of these confidentiality provisions survived, and EMNI filed suit, alleging that the Weather Channel had misappropriated the information, and used it for purposes beyond those permitted by the contract, such as building maps and creating weather products. The Weather Channel filed a motion to dismiss the claims, alleging that EMNI was attempting to expand a simple contract

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dispute into a tort action for conversion and misappropriation of trade secrets. The court, however, found otherwise, finding the pleadings sufficiently alleged a violation of the Georgia Trade Secrets Act to survive a motion to dismiss. Here, the plaintiff allegedly earned a “competitive advantage from compiling publicly available information,” and thus, “those public domain elements” could be considered to have been integrated into a finished product that is deserving of trade secret protection.”

Precision Funding Group, LLC v. National Fidelity Mortgage, 2013 U.S. Dist. LEXIS 76609 (D.N.J. May 31, 2013). In *Precision*, a New Jersey federal court granted a defendant’s motion to compel arbitration pursuant to a noncompete agreement between a plaintiff and two former employees who had discontinued employment with the plaintiff and went to work for the defendant. The defendant was not a signatory to the subject employment agreements, but sought to compel the plaintiff to arbitrate its claims pursuant to the agreements on grounds that plaintiff’s allegations arose out of the agreements and that the claims brought in the present case and those in arbitration were “inextricably intertwined.” The court noted that while the plaintiff had no contractual obligation to arbitrate claims against the defendant, the arbitration could be compelled under a theory of equitable estoppel because plaintiff’s claims against the defendant arose directly from the actions of the employees who were subject to arbitration. Further, the court reasoned that a non-signatory merely needed to be “closely aligned” with parties to the agreement to compel arbitration, a standard satisfied by defendant’s employment of plaintiff’s former employees and plaintiff’s claims having arisen directly from that employment relationship. Accordingly, the court granted defendant’s motion to compel arbitration.

4th Circuit

Silicon Knights, Inc. v. Epic Games, Inc., No. 12-2489, 2014 WL 30865 (4th Cir. Jan. 6, 2014). Epic Games, Inc. (“Epic”), licensee of a video game engine, filed suit against licensor Silicon Knights, Inc. (“Silicon Knights”) alleging fraud. *See* *Silicon Knights, Inc. v. Epic Games, Inc.*, 917 F.Supp.2d 503 (E.D.N.C. 2012). Silicon Knights counterclaimed, citing copyright infringement and misappropriation of trade secrets by Epic. *Id.* The district court granted Epic’s fraud claim and denied Silicon Knights’ copyright infringement and trade secrets claims. *Id.* at 532.

Silicon Knights appealed, citing as a main issue the district court’s denial of its copyright infringement and trade secrets claims. *Silicon Knights, Inc. v. Epic Games, Inc.*, No. 12-2489, 2014 WL 30865 at *1 (4th Cir. Jan. 6, 2014). Silicon Knights raised several arguments under N.C. Gen.Stat. § 66-153, which grants the owner of a trade secret a civil remedy for misappropriation of the trade secret. *Id.* at *3. The Fourth Circuit reasoned that the copyright infringement and trade secret misappropriation damages were coextensive; therefore, the court did not revisit the trade secret claims, since the district court’s decision regarding the copyright infringement claims were already affirmed. *Id.*

Maryland

Cognate BioServices, Inc. v. Smith, Civ. No. WDQ-13-1797, 2014 WL 988857 at *2 (D. Md. Mar. 12, 2014). Plaintiffs filed suit against Alan K. Smith (“Smith”) and Alan Smith Consulting, Inc. (collectively “Defendants”) in federal court on June 19, 2013, citing violations of the Computer Fraud and Abuse Act, misappropriations of products, and misappropriations of trade secrets. *Id.* at *2. From December 2003 to May 2010, Smith was the President and CEO for plaintiff company Cognate and had access to the Plaintiffs’ trade secrets. *Id.* Smith owed a duty of confidentiality to the Plaintiffs “to preserve the secret confidential and proprietary nature” of those trade secrets. *Id.* Smith did not return his Cognate-issued laptop until more than two years after his termination, and on several occasions after leaving Cognate, Smith improperly accessed or copied Plaintiffs’ trade secrets. *Id.* at *1-2.

Plaintiffs allege that the Defendants “wrongfully appropriated ... Plaintiffs’ Trade Secrets ... for Defendants’ own use and for the use of MacroCure,” a company that Smith serves as the Head of U.S. Operations. *Id.* at *2. Defendants argue that the federal action should be dismissed or stayed since the case is “parallel to an on-going state court action.” *Id.* at *3. The court reasoned that the overlap between the claims in separate cases, including state trade secret misappropriation claims, may not include the facts required to successfully resolve the Plaintiffs’ federal CFAA claim. *Id.* at *4. Therefore, the

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Defendants' motion to dismiss was denied. *Id.* at *7. The court also denied the Plaintiffs' motion to preserve Smith's Cognate laptop and other forms of electronic storage devices, finding insufficient risk of evidential destruction in lieu of such an order. *Id.* at *7.

Innovative Therapies, Inc. v. Meents, CIV.A DKC 12-3309, 2014 WL 858651 at *15 (D. Md. Mar. 4, 2014). In a corporation's case against a terminated shareholder, the district court stated that Rule 45(d)(3)(B) of the Federal Rules of Civil Procedure permits, but does not require, a court to quash or modify a subpoena if it requires the disclosure of a trade secret or similar confidential information. Such information is not absolutely privileged; the trade secret must contain "important proprietary information" and the party challenging the subpoena must make a "strong showing that it has historically sought to maintain the confidentiality of this information." *Id.* (quoting *Gonzales v. Google, Inc.*, 234 F.R.D. 674, 684 (N.D.Cal. 2006)). The requesting party must then demonstrate the trade secret's relevance and necessity to the case. *Id.* If the requesting party succeeds, the court will employ a balancing test, weighing "the requesting party's need for disclosure against the resisting party's potential for injury." *Id.* Courts may also balance the parties' interests by entering a protective order limiting disclosure of trade secrets to counsel or the parties. *Id.*

Structural Preservation Systems, LLC v. Andrews, CIV. MJG-12-01850, 2014 WL 689376 at *1 (D. Md. Feb. 20, 2014). The district court denied a Defendant's motion to compel discovery pursuant to Local Rule 104.7 in a case arising out of the Defendants' alleged use, disclosure, and misappropriation of the Plaintiffs' confidential information and trade secrets relating to, *inter alia*, strategic plans, pricing models, customized planning tools, client lists, and proprietary techniques and processes.

North Carolina

Adjabeng v. GlaxoSmithKline, LLC, No. 1:12-CV-568, 2014 WL 459851 at *3 (M.D.N.C. Feb. 5, 2014). The district court denied defendant GlaxoSmithKline's motion to seal "confidential, proprietary and trade secret information" that appeared in summary judgment briefs and other documents. *Id.* at *3. GlaxoSmithKline contended that "its competitive and financial interests would be harmed by public disclosure of this information because intellectual property is core to its business and would be valuable to its competitors" *Id.* The court stated that confidentiality claims cannot be granted arbitrarily and without sufficient evidentiary support, even "in patent cases where such claims are highly likely to be valid," and found no sufficient evidence to support GlaxoSmithKline's contentions. *Id.* The court did give GlaxoSmithKline additional time to file evidence in support of confidentiality. *Id.* at *4.

Furniture Distributors, Inc. v. Software Support-PMW, Inc., No. 3:12-CV-90-GCM, 2014 WL 421913 at *1 (W.D.N.C. Feb. 4, 2014). Following trial, plaintiff Furniture Distributors, Inc. ("FDI") moved for attorney's fees under the North Carolina Trade Secrets Protection Act ("NCTSPA"), providing that a judge may award attorney fees if a misappropriation claim was made in bad faith. *Id.* at *1; see also N.C. Gen.Stat. § 66-154(d). FDI argued that the award of fees was appropriate because at trial, defendant Software Support-PMW, Inc. failed to produce any evidence that FDI had violated the NCTSPA and that the defendant "knew or should have known that its claims were frivolous and malicious or in bad faith." Furniture Distributors at *1. The court agreed that the claims were meritless, brought in bad faith, and that merely used "as a defensive tactic." *Id.* at *2. The court notes that the NCTSPA claim was "especially meritless since FDI never had a "specific opportunity to acquire [any] trade secret," and the defendant never presented evidence to prove that FDI had done so. *Id.*

Horner Intern. Co. v. McKoy, 754 S.E.2d 852 (N.C. Ct. App. 2014). Horner International Co. filed a complaint, motion for a temporary restraining order, preliminary injunction, and permanent injunction against Bill McKoy, a former employee who later found employment with Horner's competitor. McKoy assisted Horner in setting up a new manufacturing plant in 2006 and, thereafter, served as the plant's manager. *Id.* at 854. In May 2006, McKoy signed a Non-Competition Agreement and an Agreement Not to Disclose Trade Secrets ("ANDTA") as conditions of employment. *Id.* McKoy resigned in October 2012 and began working for a competing company thereafter. *Id.* The trial court enjoined McKoy from disclosing Horner's confidential information and trade secrets, as contained in the ANDTS, but denied the motion for a non-competition agreement.

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On appeal, the Court of Appeals affirmed the trial court's denial for a non-compete agreement, finding the request overbroad and unenforceable. *Id.* at 858. However, the court disagreed with defendant McKoy's contention that Horner failed to plead the trade secrets at risk with "sufficient particularity" and only pointed out the mere opportunity for McKoy to misappropriate the trade secrets. *Id.* The court determined that the plaintiff company's complaint alleged with "great detail and specificity" the information that the defendant allegedly provided to his new employer, describing "various raw materials and raw material treatments," in addition to various technical processes. *Id.* at 859. The court held that, *inter alia*, McKoy's knowledge of trade secrets and the opportunity to use those in his work for Horner's competitor created a threat of misappropriation under the North Carolina Trade Secrets Protection Act and, therefore, affirmed the trial court's grant of a preliminary injunction.

Out of the Box Developers, LLC v. LogicBit Corp., No. 10 CVS 8327, 2014 WL 1168923 (N.C. Super. Mar. 20, 2014). In a "highly contentious trade secret dispute," plaintiff Out of the Box filed two separate motions in October 2013 seeking discovery sanctions, a show-cause order, and contempt for violation of a protective order entered under Rule 26(c) of the North Carolina Rules of Civil Procedure. *Id.* at *1. The protective order at issue governed materials that potentially contained trade secrets or confidential information and would not be produced by the parties "without some degree of protection under Rule 26(c)." *Id.* at *2. The order specifically permitted either party to deem as confidential anything "that the party, in good faith, believed contained trade secrets or other confidential material," and any and all materials produced in the case could be used solely "for the prosecution or defense of the case." *Id.* at *3.

In North Carolina, sanctions are authorized if "a party ... fails to obey an order or provide or permit discovery, and the court questioned whether a protective order fell within the definition of "an order to provide or permit discovery." *Id.* at *1; see also North Carolina Rule of Civil Procedure Rule 37 ("Rule 37"). Several defendants had previously been accused of sharing information protected by the protective order; however, this motion focused on the accusations against defendants LogicBit Corp. and Francisco Rivera. See generally *Id.* at *4-8. The Business Court concluded that a protective order is, in fact, "an order to provide or permit discovery" within the scope of Rule 37 and as a result, the court had the authority to impose sanctions. *Id.* at *7. Consequentially, several of Rivera and LogicBit's counterclaims against Out of the Box were stricken, including their counterclaim for misappropriation of trade secrets. *Id.* at *8.

South Carolina

In re Business Court Pilot Program Expansion Statewide, 753 S.E.2d 245 (S.C. 2014). A civil matter in which a principal claim is made under the South Carolina Trade Secrets Act may appropriately be assigned to an appropriate South Carolina Business Court, regardless of the amount in controversy. *Id.* at 246.

Virginia

A & G Coal Corp. v. Elkem Materials, Inc., No. 2:13CV00045, 2014 WL 710971 (W.D. VA. Feb. 24, 2014). The district court recognized that a court may seal a complaint, redact parts of a complaint, and/or close a courtroom in certain civil cases when disclosure would reveal trade secrets. *Id.* at *2.

Atwood v. CertainTeed Corp., CIV.A 1:13-CV-1006, 2014 WL 896974 (E.D. Va. Mar. 5, 2014). Plaintiff Bryan Atwood sued defendant CertainTeed Corp. on July 16, 2010, claiming that CertainTeed violated the Virginia Uniform Trade Secrets Act ("VUTSA") and breached the terms of a prior non-disclosure agreement by using Atwood's idea for a new type of roofing shingle (the "Concept") in a patent application and disclosing Atwood's Concept to develop and sell roofing products. *Id.* at *1. Defendant CertainTeed sought summary judgment, claiming that a CertainTeed employee invented the subject of the patent prior to Atwood's disclosure. *Id.*

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Atwood must establish that the Concept was a secret when he disclosed it. Id. at *2. Under VUTSA, information is “secret” when it:

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Id.; see also Va.Code § 59.1-336. Atwood had disclosed his Concept to a competitor of CertainTeed on a non-confidential basis prior to disclosing his Concept to CertainTeed, disproving any claim to the Concept’s confidentiality. Atwood at *2. Therefore, CertainTeed could not have “disclosed, used, or misappropriated” the Concept in violation of VUTSA or the contract, and summary judgment was granted in CertainTeed’s favor. Id. at *3.

Audio-Video Group, LLC v. Green, No. 1:14CV169 (JCC/TCB), 2014 WL 793535 (E.D. Va. Feb. 26, 2014). Defendant Christopher Green was employed as a sales engineer by plaintiff Audio-Video Group (“AVG”) from June 2006 until January 6, 2014. Upon employ, Green signed a confidentiality agreement, effective for ten years from the date of AVG’s last disclosure of confidential information to Green. Id. at *1. Following Green’s termination, AVG discovered that Green had performed audio-visual services for customers and potential customers outside the scope of his employment. Id. AVG filed suit against Green, citing violations of the Virginia Uniform Trade Secrets Act (“VUTSA”) and Maryland Uniform Trade Secrets Act (“MUTSA”) as two main claims. Id. AVG sought a preliminary injunction that would, *inter alia*, enjoin Green from disclosing their confidential and proprietary information and direct Green to return originals and copies of AVG’s confidential information. Id.

The Court examined the Virginia and Maryland state trade secret claims simultaneously, since “the same analysis ... appl[ies] under either Virginia or Maryland law as both states have adopted trade secret statutes which closely track the Uniform Trade Secrets Act.” Id. at *4 (quoting *Motor City Bagels, LLC v. Am. Bagel Co.*, 50 F.Supp.2d 460, 478 (D.Md. 1999)). An alleged trade secret must establish independent economic value, that it is not known or readily ascertainable by proper means, and that it is subject to reasonable efforts to maintain secrecy. Id. The court recognized that at least some of AVG’s confidential information constituted trade secrets. Id.

The court next questioned whether AVG’s trade secrets were misappropriated. VUTSA recognizes misappropriation of trade secrets when a trade secret is improperly acquired or when a trade secret is disclosed or used. Id. As applicable to the case, “misappropriation of trade secrets consists of the disclosure or use of the trade secret of another by a person who, at the time of disclosure or use, ‘knew or had reason to know that his knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use.’” Id. (quoting *Colello v. Geographic Servs., Inc.*, 283 Va. 56, 70-71 (2012)). The court stated that AVG could likely show that Green improperly used AVG’s trade secrets despite his duty of confidentiality. Id. at *5. AVG was warranted in seeking injunctive relief regarding their property still in Green’s possession and the use of AVG’s confidential and proprietary information. Id. at *6. Because “public interest favors the protection of confidential business information and the enforcement of valid contracts,” enjoining Green from using or disclosing AVG’s confidential information was warranted. Id. However, the court denied AVG’s request to prevent Green from soliciting AVG’s customers, whether current or potential, even without the use of confidential information. Id.

JTH Tax Inc. v. Knight, No. 2:13CV583, 2014 WL 1050905 at *5 (E.D. Va. Mar. 17, 2014). Plaintiff JTH Tax, Inc., doing business as Liberty Tax Service (“Liberty”), sued the defendant, a former franchisee. Id. at *5. In short, the defendant failed to comply with post-termination provisions; continued to identify herself as a Liberty franchisee and utilize Liberty’s name, signs, marks, corporate information, and customer list; and otherwise failed to comply with Liberty’s non-compete and non-solicitation covenants. Id. Liberty alleged, *inter alia*, misappropriation of trade secrets in violation of Virginia Code § 59.1-336, *et seq.* Id. Defendant did not respond to letters of demand, file documents with the court, and failed to appear in court. Id.

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Liberty specifically alleged that the defendant misappropriated trade secrets by retaining Liberty's confidential customer lists and official operation manual, which contains proprietary information about Liberty's tax system. *Id.* at *10. Liberty also asserted that the defendant used their trade secrets to operate her competing tax business. *Id.* Under Virginia law, to obtain relief for misappropriation of a trade secret, a party must prove "(1) the existence of a trade secret ... and (2) its misappropriation by the defendant." *Id.* at *11. The court found that both of these prongs were satisfied and recommended default judgment in Liberty's favor on the trade secrets claim. *Id.*

The court held that the defendant had "no equitable interest in continuing to misappropriate Liberty's trade secrets" and that "preventing ... misappropriation of trade secrets serves the public's interest in maintaining fair competition and compliance with applicable trademark laws." *Id.* at *11-12. For this reason, among others, the court recommended a permanent injunction against the defendant. *Id.* at *12.

Nuvotronics, LLC v. Luxtera, Inc., CIV.A No. 7:13CV00478, 2014 WL 1329445 (W.D. VA. Apr. 2, 2014). The district court listed trade secrets' location of development and disclosure as a determining factor in deciding whether or not to grant a transfer of venue. *Id.* at *4.

West Virginia

BriovaRx, LLC v. Johnson, No. 3:13-CV-12049, 2014 WL 989206 (S.D.W. Va. Mar. 13, 2014). The district court recognized that Federal Rule of Civil Procedure 26(c)(1)(G) allows a court, for good cause, to issue an order requiring that a trade secret or other such confidential information not be revealed or, alternatively, be revealed only in a specific manner. *Id.* at *2. For the court to apply the rule, a two-prong test must be passed. First, the material must actually be a trade secret or other such confidential information; second, there must be a good cause basis for granting such a restriction. The protection-seeking party bears the burden of establishing sufficient facts to pass this test. *Id.* Such protective orders should be "sparingly used and cautiously granted." *Id.* (quoting *Baron Fin. Corp. v. Natanzon*, 240 F.R.D. 200, 202 (D.Md.2006)).

In re American Medical Systems, Inc. Pelvic Repair Systems Product Liability Litigation, MDL No. 2325, 2014 WL 1329940 (S.D.W. Va. Mar. 31, 2014). The district court recognized that Federal Rule of Civil Procedure 45(d)(3)(B)(i) authorizes a court to quash or modify a subpoena that necessitates disclosure of a trade secret or other such confidential information. *Id.* at *1.

In re Boston Scientific Corp. Pelvic Repair Suystems Product Liability Litigation, MDL No. 2356, 2014 WL 1329944 (S.D.W. Va. Mar. 31, 2014). The district court recognized that Federal Rule of Civil Procedure 45(d)(3)(B)(i) authorizes a court to quash or modify a subpoena that necessitates disclosure of a trade secret or other such confidential information. *Id.* at *1.

5th Circuit

Daniels Health Sciences, L.L.C. v. Vascular Health Sciences, L.L.C., 710 F.3d 579 (5th Cir. 2013). Plaintiff, Daniels Health Services, contracted with Vascular Health Services, Defendant, to market and sell its drug, Provasca. After the relationship ended, Defendant began to manufacture, market and sell a competing drug, Arterosil, a drug very similar to the Provasca. Plaintiff sued Defendant for misappropriation of trade secrets, breach of contract, and trademark violations. The district court granted a preliminary injunction against Defendant as to the trade secret misappropriation and breach of contract. Defendant filed a motion to stay the injunction with the Fifth Circuit. The Court affirmed the grant of the preliminary injunction in favor of the Plaintiff, but remanded the case for the district court to narrow the scope of the injunction. The injunction prohibited the "use, dissemination, destroying, selling, conveying, or distributing of any information and/or intellectual property that [Defendant] and operatives received from [Plaintiff]," which the Court considered too broad in relation to Rule 65(d).

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Heil Trailer Intern. Co. v. Kula, 542 Fed.Appx. 329 (5th Cir. October 16, 2013). Plaintiff, Heil Trailer, sued its former employees and their new employer for misappropriation of trade secrets, under the common law and the Texas Theft Liability Act (TTLA), and for violation of the Computer Fraud and Abuse Act. (The statutory cause of action under the TTLA is no longer available in Texas with enactment of the TUTSA). Plaintiff sought a preliminary injunction to prevent the new employer from using the trade secrets until trial. However, the district court denied the motion. In denying the motion, the district court applied the six factors from *In re Bass* to determine whether a trade secret exists. These factors are: (1) the extent to which the information is known outside the business of the entity claiming the trade secret, (2) the extent to which it was known by employees and others involved in the business, (3) the extent of the measures taken by the entity to guard the secrecy of the information, (4) the value of the information to the entity and its competitors, (5) the amount of effort or money expended by the entity in developing the information, and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others. The district court concluded that there was evidence to support trade secret status as to the first five factors, but not for the sixth factor. Plaintiff appealed to the Fifth Circuit. The Fifth Circuit vacated the district court's order and remanded the case for further proceedings reasoning that the district court mistakenly applied the factors conjunctively as if all of the elements were required, which is inconsistent with Texas law.

Innovation First Intern., Inc. v. Zuru, Inc., 513 Fed.Appx. 386 (5th Cir. February 19, 2013). Plaintiff, Innovation First, is a robotic toy manufacturer with facilities in both Texas and China. Lu, an employee of Innovation First, worked in the China facility to design a robotic toy fish for the company's HEXBUG line. The toy incorporated several of Innovation First's trade secrets. Lu subsequently resigned from Innovation First and signed a contract with Zuru, a British Virgin Islands company headquartered in China, for the production and marketing of a robotic fish. Innovation First brought a trade secret misappropriation action against Zuru in Texas court when it learned of the product marketed by Zuru. Zuru removed the case to federal district court and filed a motion to dismiss for lack of personal jurisdiction along with a motion to dismiss for forum non conveniens. The district court found that it had personal jurisdiction, but dismissed the case based on forum non conveniens believing the better forum to be China rather than Texas. Innovation First appealed this decision to the Fifth Circuit arguing that, among other things, the district court failed to afford its choice of forum (Texas) proper deference. However, the Court noted that the district court did in fact afford proper deference to Innovation First's preference; however, the district court assumed China would not be inconvenient for Innovation First considering it had facilities in China.

Target Strike, Inc. v. Marston & Marston, Inc., 524 Fed.Appx. 939 (5th Cir. April 17, 2013). Plaintiff, Target Strike, owns proprietary technology that it used to analyze publicly available data and identify seventy-three target areas on federal land in Nevada with a high potential for mining gold and other precious metals. This information was shared with an environmental services firm so field work could be conducted as well as with members of a joint venture for purposes of exploration. When a disagreement arose, both the environmental services firm and the remaining members of the joint venture continued to locate and explore the areas found. Plaintiff sued both the environmental services firm and the remaining members of the joint venture for misappropriation of trade secrets because of this alleged scheme. The district court rendered summary judgment against Plaintiff reasoning that the statute of limitations had run on the claim. Plaintiff appealed to the Fifth Circuit, which affirmed the district court's ruling. The Court applied the three year statute of limitations recognized in Texas and concluded that the three years had run. However, the Court noted that Texas courts apply the discovery rule to trade secret misappropriation claims. Applying the discovery rule, the Court determined that Plaintiff should have discovered the misappropriation earlier. The Court noted that Plaintiff should have diligently monitored the areas in and around the seventy-three target areas and could have done so by visiting the sites, by visiting the county courthouse to search for claims, by searching the Bureau of Land Management website or by hiring someone to monitor each site.

U.S. v. Wen Chyu Liu, 716 F.3d 159 (5th Cir. 2013). Defendant, Wen Chyu Liu, was convicted under the Economic Espionage Act (18 U.S.C. §1832(a)(5)) for conspiracy to steal trade secrets. Defendant worked for Dow Chemical Co. for 27 years in research and development of chlorinated polyethylenes (CPE) and had been required to sign a confidentiality agreement. Prior to his retirement, Defendant and

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his wife formed a chemical company, Pacific Richland. Some Chinese companies expressed an interest in the manufacture of related products that used CPE as a precursor. Defendant recruited a number of Dow employees to steal proprietary information from Dow to assist him in developing a CPE process to be marketed to the Chinese companies. Defendant entered into agreements with two Chinese companies to sell them “Dow technology.” During trial, Defendant attempted to introduce testimony about CPE from its expert, a chemical engineer. However, the Court excluded the testimony because the witness had “never been to a CPE plant, never worked in a CPE plant, never been accepted as an expert in CPE, and can’t talk about the significance of the operating conditions of a CPE plant, or the effect on the CPE process.” On appeal, the Fifth Circuit concluded that the district court erred in not admitting the testimony. Specifically, the expert’s lack of specialization should go to the weight of the evidence, not its admissibility. However, the Court also concluded that the error was harmless. Given the “numerous exhibits” offered by the Government, it is unlikely that the expert’s testimony would have persuaded the jury to disregard the claim. The conviction was affirmed.

Wellogix, Inc. v. Accenture, L.L.P., 716 F.3d 867 (5th Cir. 2013). Plaintiff, Wellogix, sued Defendant, Accenture, for misappropriation of trade secrets under Texas common law and for theft of trade secrets under the Texas Theft Liability Act (TTLA). The jury verdict was in Plaintiff’s favor and the trial court denied Defendant’s motions for judgment as a matter of law and new trial. Defendant appealed to the Fifth Circuit. On appeal, Defendant argued that there was insufficient evidence to support the jury’s finding that Plaintiff’s technology contained trade secrets. However, the Court concluded that Plaintiff presented evidence that all six *In re Bass* factors weighed in its favor. Defendant also argued that there was insufficient evidence that supported the jury’s finding that Defendant improperly acquired Plaintiff’s trade secrets. The Court found that there was sufficient evidence, particularly Plaintiff showed that it entered into six confidential agreements with Defendant, Defendant had access to Plaintiff’s trade secrets through marketing agreements, Defendant had access to Plaintiff’s trade secrets uploaded to its confidential electronic portal, and there was an email from Defendant that referred to “harvesting IP” from Plaintiff. Defendant next argued that there was insufficient evidence to support the jury’s finding that Defendant used Plaintiff’s trade secrets. Again, the Court found there was sufficient evidence to support use since, among other things, Defendant used a document platform that gave the option to use Plaintiff’s content. There was also sufficient evidence to support the jury’s award of \$26.2 million in compensatory damages to Plaintiff, as there was evidence of business value both before and after the misappropriation. Last, there was sufficient evidence to support the jury’s award of \$18.2 million in punitive damages since Defendant acted with malice. Specifically, Plaintiff presented evidence that Defendant intended to misappropriate the trade secrets and intended to cause Plaintiff substantial business harm. The large punitive damages award did not violate due process.

Louisiana

Barrister Global Services Network, Inc. v. Seifert, No. 12-02759, 2013 WL 5506132 (E.D. La. September 30, 2013). Plaintiff, Barrister Global Services Network, brought action against its former employee, Seifert, and his new employer, Core ID Services, a subsidiary of S&A. The claims against S&A included breach of the Louisiana Unfair Trade Practices Act and/or the Louisiana Uniform Trade Secrets Act. S&A filed a Motion to Dismiss for lack of personal jurisdiction under 12(b)(2). S&A first alleged that the jurisdictional allegations were conclusory. However, the Court noted there were numerous statements in the complaint that were very specific as to jurisdiction. It was sufficient that Plaintiff alleged Seifert resigned and stole confidential information, Seifert went to work for S&A after resigning and that S&A elicited that information from Seifert, and S&A adopted Plaintiff’s business protocol and methodologies, all in an effort to obtain an unfair competitive advantage over Plaintiff. S&A also argued that there was no specific personal jurisdiction. The Court applied the effects test and additional Fifth Circuit case law to conclude that there was sufficient allegation of specific personal jurisdiction. Specifically, the Court noted that “an act done outside the state that has consequences or effects within the state will suffice as a basis for jurisdiction in a suit arising from those consequences if the effects are seriously harmful and were intended or highly likely to follow from the nonresident defendant’s conduct.” However, “causing a foreseeable injury in the forum alone is not sufficient to confer specific jurisdiction. More contacts with the forum state are needed, such that the defendant should reasonably anticipate being haled into court there.” Here, the Confidentiality and Non-Compete

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Agreement was executed with Seifert in the forum state under the forum state's law; the alleged eliciting of confidential information from Seifert by S&A caused harm directly to Plaintiff and was done to obtain an unfair competitive advantage over Plaintiff, a Louisiana corporation; and if the allegations are proven the disclosure of the confidential information will threaten Plaintiff's business which will cause harm in Louisiana. The motion was denied.

Innovative Manpower Solutions, LLC v. Ironman Staffing, LLC, 929 F.Supp.2d 597 (W.D. La. 2013). Plaintiff, Innovative Manpower Solutions, sued a former manager and a competitor for misappropriation of trade secrets under the Louisiana Uniform Trade Secrets Act (LUTSA), among other claims. Plaintiff filed a motion for preliminary injunction. The Court granted the motion, but based on other claims. For the LUTSA claim, the Court did not believe Plaintiff was likely to succeed on the merits. Specifically, the Court did not believe the items claimed as trade secrets rose to that level of protection because Plaintiff did not take sufficient steps to maintain their secrecy. File cabinets containing personnel information were kept unlocked, access to the information was not restricted, and employees were not apprised of the need for secrecy.

Mississippi

Blacklidge Emulsions, Inc. v. Blankenship, No. 1:13CV293-LG-JMR, 2013 WL 6492876 (S.D. Miss. December 10, 2013). Plaintiff, Blacklidge Emulsions, Inc. ("BEI"), a company that manufactures and sells asphalt products, sued former employee, John Blankenship; his wife, Rachel Blankenship; their company, Grace Fuel, Inc.; and BEI's competitors, Seaboard Asphalt and Specialty Emulsions, Inc., alleging that prior to his resignation, John Blankenship contacted and solicited BEI's customers and clients and sold or attempted to sell asphalt products and/or services on behalf of himself, his wife, and Grace Fuel, LLC. BEI also claimed John violated a Non-Compete and Confidentiality Agreement by marketing and selling products similar to those manufactured and sold by BEI. Specifically, among other claims, BEI claimed the Defendants misappropriated trade secrets and confidential information. Defendants, Rachel Blankenship and Grace Fuel, LLC, filed a Motion to Dismiss for Lack of Personal Jurisdiction. The Court denied the Motion to Dismiss, noting that Mississippi's long-arm statute does not require that the prong of the tort that caused the injury be committed in Mississippi when the injury occurs in that state. Ultimately, BEI's prima facie evidence that Rachel and Grace Fuel conspired with John Blankenship to steal the customers and trade secrets of BEI established specific personal jurisdiction.

New South Equipment Mats, LLC v. Keener, No. 3:13CV162TSL-JMR, 2013 WL 5946371 (S.D. Miss. November 05, 2013). Plaintiff, New South Equipment Mats, LLC sued former employee Defendant, Jon M. Keener, for, among other claims, damages under the Computer Fraud and Abuse Act ("CFAA") and conversion under Mississippi state law. Defendant Keener allegedly accessed New South's computers, collected proprietary information, and transmitted it to another email address, thus impairing the integrity of the information and/or data. Defendant filed a motion to dismiss these claims. The Court granted the motion ruling that Plaintiff had failed to sufficiently plead damages under the CFAA because the claim failed to allege a 'loss' or 'damage,' as defined by the act, in excess of \$5,000 as required. The act of copying electronic information from a computer system is not enough to satisfy the CFAA's damage requirement. Additionally, 'damage' under 18 U.S.C. 1030(a)(5) was not alleged in any of Plaintiff's claims. The Court also ruled that the Mississippi Uniform Trade Secrets Act ("MUTSA") preempts Mississippi conversion law since the act of misappropriation of confidential information is premised on the same facts as an act upon which a claim under the MUTSA could have been made.

Texas

American Registry of Radiologic Technologists v. Bennett, 939 F.Supp.2d 695 (W.D. Tex. 2013). Plaintiff, American Registry of Radiologic Technologists, sued Defendant, Bennett, for, among other claims, misappropriation of trade secrets. Plaintiff is a nonprofit organization that develops and administers exams for those individuals seeking certification in a medical radiologic technology field. Plaintiff also maintains a registry of the certified individuals (ARRT-certified). Defendant obtained her ARRT certification in 2001 and started a company providing instructional courses and study materials for state licensing exams in 2007. In this role, Defendant asked the prep course students who had already

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taken the tests to e-mail her questions that appeared and she would send the list out to students preparing for the test. Plaintiff asserts that Defendant misappropriated its trade secrets by “unlawfully and improperly soliciting, obtaining and distributing questions appearing on Plaintiff’s examinations.” Defendant sought summary judgment arguing that the test questions were not trade secrets. The Court determined that each of the *In re Bass* factors was satisfied so the exam questions were trade secrets. However, the Plaintiff failed to demonstrate that the questions were obtained by improper means. The Court noted that nothing in the e-mails indicated that the students had recently taken an ARRT test, nor was there any evidence that the students had registered for or taken an ARRT test. The Court denied Defendant’s motion for summary judgment so the issue could be resolved at trial. At trial, the Court determined that Defendant had used improper means to acquire Plaintiff’s trade secrets. See *American Registry of Radiologic Technologists v. Bennett*, No. SA-12-CV-00109-DAE, 2013 WL 4520533 (W.D. Tex. August 26, 2013). Specifically, Defendant acquired the questions by inducing the students to violate their nondisclosure agreements with Plaintiff. Last, the use prong of the claim was satisfied because Defendant provided those questions to the students, but she was not authorized to do so. Therefore, the Court found Defendant liable for misappropriation of trade secrets.

Baker Hughes Inc. v. Homa, No. H-11-3757, 2013 WL 5775636 (S.D. Tex. October 25, 2013). Plaintiff, Baker Hughes, sued two former employees, their new employer, an Australian company with its subsidiaries, and a consultant for the Australian companies for trade secret misappropriation, among other claims. The claims against the employees were settled and dismissed while the action against the new employer was severed and stayed due to a bankruptcy proceeding. The Australian Defendants filed a motion to dismiss for lack of personal jurisdiction. The Court applied the *Calder* effects test and granted the motion. Specifically, the Court noted that in order to justify personal jurisdiction, Plaintiff must show more than that the Defendants received and possessed the trade secret information. Defendants must have targeted a resident of the forum state. There was no evidence that Defendants used or implicated Plaintiff’s trade secret information nor sold the same products as Plaintiff. Further, there was no evidence that Defendants targeted Plaintiff’s customers nor competed with the company for business in Texas.

Beta Technology, Inc. v. Meyers, No. H-13-1282, 2013 WL 5602930 (S.D. Tex. October 10, 2013). Plaintiff, Beta Technology, Inc., brought suit against two former employees and the new companies they formed for violation of the Computer Fraud and Abuse Act (CFAA), among other things. Defendants filed a Motion to Dismiss for Lack of Subject Matter Jurisdiction, which the Court treated as a 12(b)(6) motion. Plaintiff alleged that one former employee, Meyers, violated both Sections 1030(a)(4) and (5) of the CFAA. The Court concluded Plaintiff sufficiently stated a claim for violation of 1030(a)(4), that is, that Meyers exceeded his authorization to access the computer. The Fifth Circuit has stated, “access to a computer and data that can be obtained from that access may be exceeded if the purposes for which access has been given are exceeded.” Meyers authorization to use the computer system and data was established by company policy. Plaintiff alleged that Meyers directly violated this policy by making unauthorized copies of Plaintiff’s confidential information and then deleting stored information from the computer. Plaintiff further alleged that Meyers did this to compete with Plaintiff in violation of the company policy, which prohibited use of the system for “private or personal business activities.” In addition, Plaintiff alleged that Meyers downloaded confidential information before deleting the files, which sufficiently alleged that he did take something of value from the system. Plaintiff also sufficiently stated a cause of action under 1030(a)(5)(A), which forbids damaging a computer without authorization. Meyers was not authorized to delete data from the computer, but installed a permanent deletion program to wipe the computer. Furthermore, Plaintiff sufficiently stated a cause of action under 1030(a)(5)(C) concerning access without authorization as there was inference from the Complaint that Meyers accessed the computer after his employment terminated. Last, Plaintiff sufficiently alleged the damages requirement for the civil claim under the CFAA by showing that significant expense went into assessing and recovering the data Meyers deleted from the system which resulted in a loss of more than \$5,000 in any one-year period.

Engenium Solutions, Inc. v. Symphonic Technologies, Inc., 924 F.Supp.2d 757 (S.D. Tex. 2013). Plaintiff, Engenium Solutions, sued a former partner and his new company, Symphonic Technologies, for misappropriation of trade secrets, among other claims. Defendants filed a motion for summary judgment, which in part addressed the misappropriation claim, arguing that there was no evidence that Defendants

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actually used Plaintiff's trade secrets and there was no causal link between the injury Plaintiff suffered and the Defendants' alleged use. As to use, the Court concluded that a jury could infer that the similarities in the Defendants' program were due to Defendants' use of Plaintiff's trade secret information. In addition, a question remained as to whether Plaintiff would have retained a prospective client, Kraton Polymers, as a client but for the Defendants' alleged misappropriation. Therefore, the Court denied the motion for summary judgment with respect to the claim of misappropriation.

Mobius Medical Systems, LP v. Sun Nuclear Corp., No. 4:13-CV-3182, 2013 WL 6498981 (S.D. Tex. December 10, 2013). Plaintiff, Mobius Medical Systems, sued Defendant, Sun Nuclear Corp., for misappropriation of trade secrets, among other claims. The parties had entered into an exclusive software distribution agreement whereby Defendant would be the exclusive distributor of Plaintiff's DoseLab software. Even with the success of the software, Defendant elected to terminate the agreement and develop its own software, which the parties agreed could be competing software. Defendant would remain the exclusive distributor for Plaintiff's software for a transition period. In its suit, Plaintiff sought a preliminary injunction based on Defendant's "disassembling, decompiling, or reverse engineering DoseLab's algorithms, visualization techniques, configurations and parameters, and other DoseLab-exclusive technology." The Court applied the *In re Bass* factors and concluded Plaintiff had met its burden of showing that at least some of the screenshots of Defendant's software were representations of Plaintiff's underlying trade secrets. The remaining requirements for the preliminary injunction were satisfied so the Court ordered issuance of the injunction upon Plaintiff posting bond.

Orthoflex, Inc. v. ThermoTek, Inc., No. 3:10-CV-2618-D, 3:11-CV-0870-D, 2013 WL 6980482 (N.D. Tex. December 10, 2013). OrthoFlex, Inc., a durable medical equipment provider, sued ThermoTek, Inc., a medical device manufacturer, for breach of express warranty, breach of implied warranty and breach of contract. ThermoTek then sued Orthoflex and its principal, Mike Wilford, for, among other things, unfair competition and misappropriation of trade secrets. ThermoTek filed a Motion to Compel and for sanctions after learning about emails that OrthoFlex, Inc. failed to produce in response to its discovery requests. The magistrate judge denied the motion because the discovery sought was confidential commercial information and trade secrets. On review under the clearly erroneous standard, the district court found the magistrate judge was mistaken in the above factual finding, clarifying that the magistrate judge was deciding whether the information plaintiffs withheld was, as a matter of fact, a trade secret or confidential commercial information within the meaning of Fed. R. Civ. P. 26(c)(1)(g). Additionally, because the court was exercising diversity jurisdiction, Texas law governed Orthoflex's assertion of trade secret privilege and its ability to resist discovery seeking trade secret information. Tex. R. Evid. 507 suggests the court should weigh the degree of the requesting party's need for trade secret information with the potential harm of disclosure to the resisting party. The district court found the magistrate judge erred when he declined to compel production of trade secret information under the presumption that competitive harm exists when the parties are competitors.

Spear Marketing, Inc. v. BancorpSouth Bank, No. 3:12-CV-3583-B, 2013 WL 3297593 (N.D. Tex. July 01, 2013). Plaintiff, Spear Marketing, sued Defendants for trade secret misappropriation, among other claims. Defendant, Bancorp South, contracted with Plaintiff to use its proprietary cash management system, VaultWorks. Later, Plaintiff approached Defendant, Argo Data Resource, about selling its VaultWorks system. After learning the details of the system and expressing an interest in the system, Argo Data ceased communications. Bancorp South subsequently terminated its agreement with Plaintiff concerning VaultWorks and Bancorp South began working with Argo Data Resource. Defendants filed a motion to dismiss for failure to state a claim under 12(b)(6), which the Court denied. First, Defendants alleged that copyright law preempted Plaintiff's trade secret misappropriation claim. The Court applied a two-prong test to determine if the claim was preempted. For the first prong, the Court considered whether the claim fell within the subject matter of copyright. The Court concluded that at least some of the alleged trade secrets were not specific expressions that would be covered by copyright; therefore, the claim was not preempted. Next, Defendants alleged that Plaintiff failed to show the existence of a trade secret. The Court applied the *In re Bass* factors and concluded the pleadings were sufficient to establish a cause of action for trade secret misappropriation.

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StoneEagle Services, Inc. v. Gillman, No. 3:11-CV-2408-P, 2013 WL 6008209 (N.D. Tex., November 13, 2013). In a suit alleging, among other things, that Defendant, Talon Transaction Technologies, Inc. of Texas (“Talon”), misappropriated the trade secrets of Plaintiff, StoneEagle Services, Inc., Defendants entered into an Agreed Protective Order with Plaintiffs to govern the use by Plaintiff of discovery marked “Confidential” in the current action. Plaintiff sought to modify the language in the Agreed Protective Order to allow Plaintiff to use certain financial information, already produced by Defendant in reliance on the Agreed Order, in a related state action. The Court denied the modification, holding that an agreed protective order is a contract, and that the parties’ intent can only be found within the four corners of that contract. The plain language of the Order did not allow the parties to use any “Confidential” documents outside of the present action. The Court also pointed out the United States Court of Appeals for the Fifth Circuit has recognized that a party may use the discovery process in the state governing it and that “questions of discoverability in the state litigation of materials discovered in the federal litigation are, of course, for the state courts...before whom the litigation...is pending.”

Ultraflo Corp. v. Pelican Tank Parts, Inc., 926 F.Supp.2d 935 (S.D. Tex. 2013). Plaintiff, Ultraflo Corp, sued a former employee and his new employer, Pelican Tank Parts, for trade secret misappropriation, among other claims. Defendants filed a motion for partial summary judgment arguing that there were no trade secrets that would support the claim for misappropriation. The Court concluded that genuine issues of material fact still existed concerning the misappropriation claim; therefore, the Court denied the motion. Specifically, issues remained as to whether Plaintiff’s drawings and dimensions for the 390 butterfly valve were trade secrets, whether Plaintiff had taken reasonable steps to protect those trade secrets, whether the information was publicly disclosed, whether Defendant former employee improperly used the trade secret, and whether Plaintiff was damaged.

United Services Automobile Association v. Mitek Systems, Inc., 289 F.R.D. 244 (W.D. Tex. 2013). Plaintiff, USAA, sued Defendant, Mitek Systems, Inc., for misappropriation of trade secrets. Specifically, USAA disclosed trade secret information to Mitek Systems and Mitek Systems signed three separate confidentiality agreements concerning the information. Mitek Systems subsequently used the information in its software and patent applications in violation of those agreements. Mitek Systems filed a Motion Requiring Pre-discovery Identification of Trade Secret Claims. Specifically, Mitek Systems requested USAA to “provide a list to Mitek that (1) separately breaks out each of the individual alleged trade secrets that USAA claims Mitek has misappropriated; and (2) identifies all such claims with sufficient particularity so that the reader understands how each such claim differs from public domain information- including public USAA patent filings.” USAA responded that there is no Pre-Discovery Identification requirement in Texas or the Fifth Circuit. However, the Court, relying on persuasive authority from other jurisdictions, granted the motion. The Court cited FRCP Rule 16(c)(2)(L) which gives the district court broad discretion to “adopt special procedures for managing potentially difficult or protracted actions that may involve complex issues, multiple parties, difficult legal questions, or unusual proof problems.”

6th Circuit

Kendall Holdings, Ltd. v. Eden Cryogenics, LLC, 521 F. App'x 453 (6th Cir. April 5, 2013). In a case relating to trade secrets in the cryogenics industry, the Sixth Circuit reversed summary judgment for the defendants, finding a genuine issue of material fact precluded summary judgment on limitations, the existence of trade secrets, and the intersection of trade secret and copyright law. Plaintiff had filed suit after learning that its former employee had gone into the cryogenics business, and likely was using plaintiff’s drawings, customer lists and pricing information to unfairly compete with plaintiff.

The district court granted summary judgment on limitations grounds, noting that one of the defendants, a former employee of the plaintiff, had been allowed to retain purportedly “confidential” drawings after his employment with plaintiff ended in 1999. The court reasoned that any misappropriation must have occurred at that time, and therefore plaintiff’s claim was barred by the four-year limitations period set forth in the Ohio Uniform Trade Secrets Act (“OUTSA”).

The Sixth Circuit rejected the district court’s reasoning, explaining that a question of fact existed as to whether the defendant was allowed to keep the drawings, and thus did not commit “misappropriation”

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until he used them in a manner outside the scope of the plaintiff's consent. The Sixth Circuit also rejected defendant's argument that the drawings cannot be a trade secret as a matter of law because the plaintiff took insufficient measures to maintain their confidentiality. The court explained that the determination of whether measures taken to protect confidential information are reasonable is governed by a multi-factor test under Ohio law, and is generally a question for the trier of fact.

Finally, the Sixth Circuit rejected the defendants' argument that, under the Copyright Act, the defendant former employee held ownership rights in the drawings – precluding any argument that the drawings were the trade secrets of the plaintiff. Defendants argued that the former employee had no “work for hire” agreement with the plaintiff. The court rejected that argument due to the existence of disputed facts. Accordingly, that defense likely remained viable going forward in the *Kendall Holdings* matter. The court's opinion is a good reminder that work for hire agreements are critically important in protecting a company's intellectual property, including even its trade secrets.

Kentucky

Babcock Power Inc. v. Kapsalis, Case No. 13-cv-717, 2013 WL 6815060 (W.D. Ky. Dec. 24, 2013). In *Babcock*, the court entered an injunction precluding the defendant from using a customer contact list created by his former employer, the plaintiff. The defendant argued that the customer contact list contained only the name, address and phone number of the plaintiff's customers, and that such information was “readily ascertainable” through public sources. The court rejected those arguments, noting that the plaintiff had reason to be suspicious of defendant's actions, as defendant had also “absconded with an external hard drive.” Furthermore, the contact list had been developed at great cost over many years, and was plaintiff's “business play book.”

Michigan

Dana Ltd. v. Am. Axle & Mfg. Holdings, Inc., 1:10-CV-450, 2013 WL 603104 (W.D. Mich. Feb. 19, 2013). In pretrial motion practice, the *Dana* court discussed the requirement, under Michigan law, for a trade secret plaintiff to specifically identify the trade secrets at issue. The court noted that “[u]nder Michigan law, a plaintiff alleging misappropriation of trade secrets is required to identify the trade secrets at issue clearly, unambiguously, and with specificity.” (Citations and quotations omitted). The court stated that the plaintiff had identified broad categories of potential trade secrets in its amended complaint, and had produced a substantial volume of documents allegedly taken by the defendants. Plaintiff's expert, however, identified only 15 documents as trade secrets, and its corporate representative was unable to specifically identify plaintiff's trade secrets. The court noted that plaintiff submitted a much more substantial itemization of its trade secrets at summary judgment – after the close of discovery.

Nevertheless, the court allowed the plaintiff to argue that documents listed on plaintiff's proposed pretrial order reflected trade secrets – even though those documents were not identified by plaintiff's corporate representative during his deposition, or by plaintiff's expert. The court explained that the *defendant* had not issued discovery that specifically asked plaintiff to identify its trade secrets, or use the documents produced by plaintiff to ascertain the scope of plaintiff's trade secret claim. The court suggested that the defendant had made a strategic decision not to press the plaintiff to specify its trade secrets, and could not complain “on the eve of trial” that plaintiff had only recently identified documents as proof of trade secret misappropriation.

This case demonstrates the muddled standards often applied to the scope of a plaintiff's burden to identify trade secrets. It remains unclear in many jurisdictions at which stage of a litigation trade secrets must be identified, the level of specificity required, and whether a trade secret defendant must prompt the plaintiff to identify its trade secrets.

Industrial Control Repair, Inc. v. McBroom Electric Co., Inc., Case No. 09-2712-CK, 2013 WL 5576336 (Mich. App. Oct. 10, 2013). In rejecting plaintiff's trade secrets claims, the court held that a list of customers, and the particular needs of those customers, are not trade secrets. Plaintiff offers industrial repair services termed “asset management.” Plaintiff claimed that one of its former employees had joined

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defendant, and had successfully solicited plaintiff's customers for repair jobs. The appellate court affirmed the dismissal of plaintiff's trade secret claims, holding that, under Michigan law, customer identities, customer information and customer lists cannot constitute trade secrets. The *Industrial Control* court cited other decisions that also suggest, in broad terms, that customer-related information cannot constitute trade secrets under Michigan law.

Ohio

Allied Erecting and Dismantling Co., Inc. v. Genesis Equipment & Manufacturing, Inc., Case No. 13 CV 1716, (N.D. Ohio May 30, 2014). In *Allied Erecting*, the court dismissed plaintiff's claims on limitations grounds at the pleading stage, finding that plaintiff's allegations of a series of actions by defendants constituted a "continuing misappropriation."

Plaintiff Allied alleged that the defendants misappropriated Allied's trade secrets regarding to a "multi-tool" for the dismantling and scrap processing industries. Allied first filed suit against defendants in 2003. At a 2010 trial, the jury Allied \$3,046,800 in damages under an unjust enrichment theory. The court rejected Allied's request for a continuing royalty on defendants' sales of competing products, and the Sixth Circuit affirmed that ruling in January 2013. 511 Fed. App'x. 398 (6th Cir. Jan. 8, 2013). In May 2013, Allied attempted to institute a request for "supplemental relief," including an injunction and damages, based on "continuing" improper conduct by defendants. The district court ruled that, to the extent the request for supplemental relief was based on new acts, it should be filed as a separate lawsuit. Allied thereafter filed a new action.

Through a motion to dismiss filed pursuant to Fed. R. Civ. P. 12(b)(6), defendants asserted that all claims were barred by the OUTSA's four-year statute of limitations. Defendants noted that Allied claimed that the misappropriation began in 2003, and had filed suit in 2006. In response, Allied alleged that the trade secrets were being used in "new and egregious ways."

The court ruled that Allied's claims were time-barred, noting that the OUTSA provides that, for limitations purposes, "a continuing misappropriation constitutes a single claim." The court found that Allied's claims suggested that defendants had "expanded" their efforts to profit from their prior misappropriations – but that those allegations showed that the claims were based on the "original misappropriation" beginning in 2003. The *Allied* court suggested that its decision was the first to construe the "continuing misappropriation" language of the OUTSA.

Mar Oil Co. v. Korpan, 973 F. Supp. 2d 775 (N.D. Ohio 2013). In ruling on a motion to exclude plaintiff's damages expert, the court addressed available categories of damages under the Ohio Uniform Trade Secrets Act ("OUTSA"). The case arose from plaintiff's claims that defendants misappropriated plaintiff's trade secrets relating to exploration for oil and gas reserves in Northwest Ohio. Plaintiff had engaged defendant Korpan to assist with those exploration efforts. Plaintiff claimed that it invested millions of dollars in that exploration, particularly in developing seismic data to be used to identify potential reserves.

After the term of the consultancy ended, defendant Korpan retained certain materials relating to plaintiff's exploration, including data regarding seismic readings. Korpan began to work with other parties (also defendants) to lease properties with potential oil and gas reserves. Plaintiff sued seeking lost profits and other damages, including the loss of a prospective investment by a third party.

Prior to trial, the court rejected challenges to Plaintiff's expert's calculation of damages based on the cost of plaintiff's acquisition of seismic data. The court reasoned that, if defendants utilized plaintiff's trade secret seismic data in their own work, they avoided the cost of creating their own data. Accordingly, those potential costs were a valid measure of damages.

The court granted the defendants' motion to exclude damages opinions relating to a "lost investment" in the plaintiff corporation. The court reasoned that an additional investment would not necessarily lead to

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additional profits, the proper measure of trade secret damages, and it would be difficult to quantify the impact of a lost investment.

O.M.A., S.R.I. v. Simon DeYoung Corp. et al., No 10 CV 861, 2014 WL 587171 (N.D. Ohio Feb. 14, 2014). In *O.M.A.*, a district judge rejected portions of a magistrate judge's report and recommendation to grant summary judgment for the defendant because the plaintiff had not shown that defendants had misappropriated "the entirety" of the plaintiff's trade secrets.

The case arose from a business relationship between plaintiff, an Italian company that manufactures machines that braid wire and related products, and defendant Simon DeYoung Corporation. Plaintiff and Simon DeYoung marketed their products together, shared warehouse space, and plaintiff invested in Simon DeYoung. Many years later, the defendants allegedly secretly formed a company that manufactured a braiding machine competitive to plaintiff's machines. Plaintiff alleged that the defendants' machine incorporated plaintiff's trade secrets regarding the design, configuration, materials, and methods of production. Defendants agreed that plaintiff has trade secret rights, but argued that there were material differences between the plaintiff's and defendants' braiding machines.

In ruling on defendants' motion for summary judgment, the magistrate judge found that defendants had met their burden to show that there were material differences between the parties' machines. Accordingly, the magistrate judge found that plaintiff had not proved that its trade secrets were misappropriated "in their entirety," and recommended that summary judgment be entered in favor of defendants.

The district judge disagreed, rejecting defendants' argument that a plaintiff must show that the entirety of its trade secrets were misappropriated. The court noted that the OUTSA allows claims for misappropriation of trade secrets relating to "the whole or a portion" of a device. Noting that plaintiff's expert had identified a number of purported trade secrets found in both plaintiff's and defendants' machine, the district judge declined to grant summary judgment for defendants.

7th Circuit

United States v. Hanjuan Jin, 733 F.3d 718 (7th Cir. 2013). Defendant was convicted of criminal theft of trade secrets and violations of the Economic Espionage Act, after copying thousands of documents containing her employer's proprietary information about one of its cellular phone systems before attempting to board a flight to China. The defendant argued that her conviction should have been reversed, as the technology in question was losing popularity in the marketplace and thus her employer was unharmed by defendant's actions. However, the Seventh Circuit affirmed the conviction, explaining that even if the technology had limited current or future commercial applications, the fact that it was still in use meant that if her employer learned of the loss of confidentiality, it would likely have to take steps to protect itself and its customers from security breaches as a result of misuse of the information. Further, if a competitor had been able to place a competing product on the market in a very brief period of time—which may have been possible using the employer's secrets in lieu of developing the technology anew—it may have been able to undercut the employer in the marketplace, causing the employer competitive harm. Given this, the employer was harmed by the theft of information, and the information did have economic value, despite the technology's seeming obsolescence.

Illinois

Buckley v. Abuzir, 2014 IL App (1st) 130469. Plaintiff filed suit against defendant in a veil-piercing action in an attempt to collect from defendant a judgment obtained against a competitor for violations of the Illinois Uniform Trade Secrets Act. Plaintiff alleged that defendant, even though not a shareholder, officer, or director of the judgment debtor, created the judgment debtor as a sham corporation for the purpose of stealing plaintiff's customer lists and recipes. The Illinois Appellate Court, reversing the lower court's dismissal of the complaint, held that plaintiff's allegations were sufficient to state a veil-piercing claim, based on allegations that the plaintiff operated the corporation as an alter ego despite not having an official ownership interest or management position with the corporation. Plaintiff's allegations that

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defendant had established the corporation with the purpose of misappropriating plaintiff's trade secrets were sufficient at the pleading stage to meet the requirement that veil-piercing be necessary to avoid injustice or inequity.

Mktg. Werks, Inc. v. Fox, 13 C 7256, 2013 U.S. Dist. LEXIS 147371 (N.D. Ill. Oct. 11, 2013). On plaintiff's motion for a TRO, court ruled that the plaintiff had shown a likelihood of success on the merits of its Illinois Uniform Trade Secret Act claim, arising from the misappropriation by a former employee of his employer's full account strategy (including pricing, budgets, market and consumer research, data, designs, and plans) for one of its clients for the upcoming year, with the aim of securing the business for the employee's new venture.

However, the TRO was nonetheless denied for lack of irreparable harm. Because the client awarded the contract on an annual basis, and because, in the court's determination, any misappropriated information would likely be "outdated" after one year, the court determined that any harm suffered by plaintiff would only last for one year, after which it could rebid for the contract. The plaintiff had also failed to show that loss of the client would significantly affect its revenues. Thus, there was no showing of irreparable harm, and a TRO would not issue. Also, because only a single one-year contract would be swayed by the alleged misappropriation, the value of which could be determined by a damages expert with the help of plaintiff's data on the benefits it had received under its contracts with the client over recent years, the court determined that an award of damages could make plaintiff whole if it prevailed.

The court also held that other considerations weighed against issuing a TRO, including the plaintiff's failure to "implement stronger protections for its confidential information and trade secrets," and "to restrict or investigate [its employee's] computer use until it learned that [he] was going to be a competitor." Additionally, plaintiff apparently delayed seeking a TRO until almost two weeks after it learned that its former employee was a finalist for the client's business, undermining its contentions that a TRO was necessary.

SBS Worldwide, Inc. v. Potts, No. 13 C 6557, 2014 U.S. Dist. LEXIS 15763 (N.D. Ill. Feb. 7, 2014). Allegations that pricing data, combined with certain "charge codes" that allowed defendant to reverse engineer plaintiff's pricing formula for each of its particular customers and thus underbid plaintiff for contracts, was sufficient to allege that information could comprise trade secrets, distinguishing case from situations in which pricing information given to all potential customers were held to not be trade secrets. Similarly, a non-disclosure policy, password protection, limitation of access to certain employees, and other security measures were sufficient to establish reasonable efforts to maintain the secrecy of the information for purposes of a 12(b)(6) motion to dismiss, even though the plaintiff did not specially label the confidential information or enter into confidentiality agreements with each employee. Misappropriation was also sufficiently alleged, based on allegations that a former employee "took documents containing trade secrets in violation of [company] policy, attempted to cover his tracks by erasing the evidence, and has since used the information to poach business from [the company]'s former customers."

However, because the complaint failed to draw any line between trade secret information and other proprietary and confidential information, common-law claims of tortious interference with business relations, unfair competition, and unjust enrichment were preempted by the Illinois Uniform Trade Secrets Act and dismissed. Plaintiff's Computer Fraud and Abuse Act (CFAA) claim also failed, because plaintiff had failed to allege a compensable "loss" under the CFAA. The court interpreted such compensable losses to include matters such as "an interruption of service, loss of data, or even a suspected loss of service or data." Even if defendant had wrongly copied information from plaintiff's systems, plaintiff had not lost access to that information, and any efforts to ascertain the extent of defendant's conduct, rather than being a "loss," were in response to a potential loss of confidentiality of trade secret information, and not any loss of data or interruption of computer services.

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Indiana

Distrib. Serv., Inc. v. Stevenson, 1:13-cv-01409-JMS-DKL, 2014 U.S. Dist. LEXIS 56902 (S.D. Ind. Apr. 24, 2014). The plaintiff/former employer filed suit against a former employee and the former employee's new employer, alleging (among other claims) breach of written restrictive covenants, including a post-employment non-compete and confidentiality agreement, and misappropriation of trade secrets. The parties filed cross-motions for partial summary judgment regarding the enforceability of the restrictive covenants. The court granted the defendant/former employee summary judgment on the non-compete because it was overly broad as to the scope of activities it covered, prohibiting the defendant from being an employee in any capacity for an entity that competed with the plaintiff/former employer. In so holding, the court rejected the plaintiff/former employer's contention that the provision nonetheless was enforceable under *Ackerman v. Kimball Int'l*, 634 N.E.2d 778 (Ind. Ct. App. 1994), because the defendant/former employee was given trade secrets. The court ruled that even if the information at issue (identity of customers, customer preferences, and customer pricing) was considered trade secrets—an assumption as to which the court expressed “serious doubts”, the non-compete was not saved by the so-called *Ackerman* doctrine, which involves lack of a geographic limitation in a restrictive covenant and which, in any event, did not automatically save an invalid non-compete. As to the confidentiality agreement, the court found that genuine fact issues as to the confidential status of customer lists, the identity of key customer personnel, and customer preferences required the denial of both cross-motions.

Tecnomatic, S.P.A. v. Remy, Inc., 954 F. Supp. 2d 860 (S.D. Ind. 2013). The court granted the plaintiff's motion to reconsider its previous dismissal of plaintiff's trade secrets misappropriation claim. In its previous dismissal order, the court found that plaintiff's complaint was time-barred under the Indiana Uniform Trade Secrets Act's (“IUTSA”) three-year statute of limitation, rejecting plaintiff's contention that the five-year statute of limitation under the Illinois Uniform Trade Secrets Act should apply. In addition, the court had found that plaintiff's complaint was time-barred because it was filed more than three years after a letter from plaintiff's counsel to defendants expressing concern that misappropriation had occurred, defeating plaintiff's contention that it was unaware of any misconduct due to defendant's alleged fraudulent concealment. The court also had ruled that the plaintiff's “very broad” unjust enrichment claim was not preempted by the IUTSA.

On reconsideration, the court held that the inquiry into when a misappropriation claim accrues—which involves consideration of when the plaintiff knew, or in the exercise of reasonable diligence, could have discovered that it had a claim for misappropriation of trade secrets—was distinct from consideration of any fraudulent concealment. Viewing the plaintiff's allegations in the light most favorable to the plaintiff, the court concluded on reconsideration that plaintiff's counsel's letter merely reflected a suspicion—not the required knowledge—of trade secret misappropriation. The court held that this finding was corroborated by the “vague” response by one of the defendants' counsel to the letter of plaintiff's counsel, in which that defendant denied any intent to misappropriate and failed to provide the specific information requested by plaintiff's counsel. Accordingly, the court ruled that plaintiff's claim could not be dismissed at the pleadings stage as time-barred. Having allowed the trade secrets misappropriation claim to proceed, the court then reconsidered its previous ruling that the plaintiff's unjust enrichment claim was not preempted by the IUTSA. On reconsideration, the court also held that the plaintiff's unjust enrichment claim was preempted by the IUTSA. According to the court, if the information at issue in that claim was trade secrets, then the claim was preempted by the IUTSA. If the information did not qualify as trade secrets, then the plaintiff had no protectable interest in it.

Wisconsin

Marine Travelift, Inc. v. Marine Lift Sys., No. 10-C-1046, 2013 U.S. Dist. LEXIS 114197 (E.D. Wis. Aug. 13, 2013). Plaintiff filed a motion to seal documents containing sales strategy, pricing information, and profitability projections. The court denied the motion as to all documents. Regarding the sales strategy documents, the court found that the documents contained only general strategy that could not qualify as a trade secret. The court declined to seal two price quotations the plaintiff submitted years ago because the person to whom they were disclosed was not subject to a confidentiality agreement and the price quotations were not based “unique or complicated information.” Finally, the court held that the

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profitability projections were too general to qualify as a trade secret and already were contained in the public record as part of another filing in the case.

Marine Travelift, Inc. v. Marine Lift Sys., No. 10-C-1046, 2013 U.S. Dist. LEXIS 170825 (E.D. Wis. Dec. 4, 2013). Plaintiff brought claims against a former distributor for, among other things, misappropriation of trade secrets, misappropriation of confidential and proprietary information, unfair competition from disclosure of trade secrets, and breach of a contractual confidentiality provision. Plaintiff alleged these claims arose from the defendant's disclosure of information to plaintiff's competitors as part of defendant's efforts to find a different, more profitable line of products to distribute. The court granted the defendant summary judgment on all of these claims. As to the misappropriation of trade secrets claim, the court found that the plaintiff had failed to identify its claimed trade secrets with sufficient particularity by merely referring to general descriptions such as "engineering calculations" and "performance testing data." The court granted defendant summary judgment on the misappropriation of confidential and proprietary information claim because Wisconsin law did not recognize a separate tort for misappropriation of non-trade secret information (although the court noted that disclosure of such information could give rise to liability on other grounds such as breach of duty of loyalty) and because the plaintiff had failed to specifically identify the information at issue. As to the breach of contract claim, the court found that the plaintiff had failed to present any admissible evidence that the defendant had disclosed any specific information. Plaintiff's unfair competition claim similarly did not survive summary judgment because the plaintiff failed to come forward with admissible evidence that the defendant disclosed any information of the plaintiff's that was protected under either the parties' agreement or Wisconsin statutory or common law.

Sean Morrison Ent'm't, LLC v. O'Flaherty Heim Egan & Birnbaum, Ltd., 13-cv-753-bbc, 2014 U.S. Dist. LEXIS 28696 (W.D. Wis. Mar. 6, 2014). Plaintiff, the principal financier of a reality show involving mixed martial art competitions between women, filed claims for trade secret misappropriation and tortious interference with plaintiff's business relationships against the show's contestants and the attorneys who represented them in an earlier suit. Plaintiff alleged that in the earlier suit—which involved a breach of contract claim against the plaintiff for failure to pay the contestants—the defendants revealed the results of the competitions before the series aired. The attorneys moved to dismiss on several grounds. The court chose not to "wade into the thicket" of the Wisconsin attorney immunity doctrine, declining to rule on the attorneys' contention that they could not be liable to third parties for their acts as attorneys. Instead, the court dismissed the trade secrets misappropriation claim on the grounds that the results of the competition could not be a trade secret because the plaintiff could not allege how anyone else could have profited from that information. The court dismissed the tortious interference claim because plaintiff failed to satisfactorily allege several elements of that claim, including that plaintiff had not alleged that the prior suit disrupted any of his business relationships.

8th Circuit

Hallmark Cards, Incorporated v. Monitor Clipper Partners, LLC, 2014 WL 3408853 (8th Cir. 2014). Plaintiff hired a research company to prepare and deliver confidential market research regarding the greeting card market. The research company prepared a series of PowerPoint presentations containing its findings. The research company was closely affiliated with the defendant, a private equity firm. When the defendant became interested in acquiring a competing greeting card company, the research company provided the plaintiff's research findings to the defendant. The defendant used the research findings to price its bid for the plaintiff's competitor. After bringing a successful arbitration against the research company, evidence came to light indicating that the defendant had received five PowerPoint presentations containing the market research findings. The plaintiff sued the private equity firm for misappropriation of trade secrets used in its acquisition of the competitor. A jury awarded the plaintiff compensatory and punitive damages. The district court denied the defendant's motions for judgment as a matter of law, including on the issue of whether the PowerPoint presentations constituted a trade secret.

On appeal, the defendant argued that the research findings were not the subject of efforts to maintain their secrecy. The defendant also argued that the presentations did not derive independent economic value at the time it acquired them, four years after their creation. The court rejected both arguments.

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First, the court found that, although the plaintiff had published certain general conclusions, the unpublished data in support of those conclusions remained secret. The value of the underlying evidence, the court reasoned, was more than the broad conclusions that the plaintiff published. Second, the court found that the economic value of the research may have diminished before it was acquired by the defendant, it retained value because other research data was scant. Accordingly, the court concluded that the jury had sufficient evidence upon which to base its finding that the PowerPoint presentations constituted trade secrets. The court of appeals also rejected the defendant's claims that the jury award constituted a double recovery in light of its arbitration award, and that punitive damages were wrongly awarded.

Arkansas

LaPointe v. New Technology, Inc., 2014 Ark. App. 346 (2014). Plaintiff corporation, a die and machine part manufacturer, brought an action against a former director and officer. Before resigning, the defendant allegedly downloaded CAD files for the plaintiff's customer and, contrary to customary practice, mailed the computer files to each of the plaintiff's customers. The defendant also established a new corporation with the intent of competing with the plaintiff. The plaintiff sued the defendant for breach of fiduciary duty, tortious interference with contractual relationships and business expectancies, and misappropriation of trade secrets. The plaintiff sought and was granted a preliminary injunction. The district court found that the facts supported and injunction, and prohibited the defendant from using the claimed trade secrets, including CAD files, customer machining and tooling, engineering prototypes, custom molds, drawings, and information regarding customers. On interlocutory appeal, the defendant argued that the district court erred by concluding that the confidential information at issue constituted a trade secret. Specifically, the defendant argued that the plaintiff failed to take reasonable steps to protect its confidential information. For example, the defendant argued, the plaintiff did not have customers sign confidentiality agreements, did not have employees sign noncompete agreements, nor that the drawings were labeled as confidential information. In its defense, the plaintiff contended that only a small number of individuals, mostly owners, had access to the confidential information, and that such information was stored behind a computer firewall with password protection. Relying on the fact that the defendant was an officer of the corporation, however, the court concluded that entry of the preliminary injunction was not erroneous. It may not have been clear error for the district court to conclude that the plaintiff's confidential information was a trade secret, but in the case of a closely held corporation with few employees, the court was satisfied that the plaintiff met its burden.

The Ballard Group, Inc. v. BP Lubricants USA, Inc., 2014 Ark. 276 (2014). The plaintiff is a marketing firm that claimed as trade secrets certain methods and algorithms related to event marketing. The plaintiff sued its former customer and an employee for, among other claims, misappropriating those trade secrets. The district court granted the defendant's first motion to dismiss but gave the plaintiff leave to amend. The defendant successfully moved to dismiss the amended complaint as well. The district court concluded that, although the plaintiff had properly alleged the existence of trade secrets, the complaint failed to allege that either of the defendants had acquired, disclosed or used those secrets. Instead, a non-party was responsible for the misappropriation. On appeal, the Supreme Court of Arkansas concluded that the district court had read the allegations in the complaint too narrowly. The court concluded that the complaint sufficiently alleged that the employee-defendant, acting within the scope of her employment with the customer-defendant, used the trade secrets acquired by the non-party. The court reiterated its rule that misappropriation of a trade secret includes use of a trade secret taken by another. Thus, the court reversed and reinstated the plaintiff's trade secret claim.

Minnesota

RELCO, LLC v. Keller, 2014 WL 2921895 (Minn. Ct. App. June 30, 2014). The plaintiff designs and manufactures systems and equipment for factories. The plaintiff purchased assets from the defendant related to lactose processing and permeate processing systems. As part of the asset sale, the defendant signed non-competition and non-disclosure agreements and acted as a consultant. A subsequent agreement between the parties assigned the plaintiff rights to a patented permeate processing system. The defendant later joined two of the plaintiff's former employees at a company that competes with the

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plaintiff. Plaintiff sued for various claims, including misappropriation of trade secrets by the defendant. The defendant successfully moved for summary judgment on the plaintiff's claims.

On appeal, the plaintiff sought review of two claims of misappropriation. For the first, the plaintiff asserted that certain mass-balance sheets constituted trade secrets. The evidence presented at the district court demonstrated that the templates or underlying calculations used in the creation of the mass-balance sheets were not unique or generally unascertainable. Although mass-balance sheets could constitute trade secrets, the plaintiff failed to present evidence regarding their specific sheets. Moreover, the plaintiff failed to demonstrate that the defendant accessed the mass-balance sheets. The second claim for trade secrets was a broad assertion regarding documents retained by the defendant after the asset sale. Again, the court of appeals agreed with the district court that the plaintiff had failed to establish that these documents constituted trade secrets. Additionally, there was no evidence in the record that the defendant disclosed the files he retained.

TE Connectivity Networks, Inc. v. All systems Broadband, Inc., 2013 WL 6827348 (D. Minn. Dec. 26, 2013). Several former employees of the plaintiff formed and were employed by the defendant corporation. The defendant subsequently developed fiber connectivity products that competed directly with the plaintiff's products. Plaintiff sued for misappropriation of trade secrets, tortious interference with contract, and unjust enrichment. The defendant moved to dismiss the complaint for failure to state a claim upon which relief can be granted. The defendant argued that the pleading standard required the plaintiff to allege facts with particularity, including the name of any particular person who used the particular item of confidential information and when such use occurred. The district court rejected this argument, noting that the defendant's proposed standard was tantamount to the plaintiff proving its case before discovery. Under the standard for a motion to dismiss, the court concluded that, taking the complaint as a whole, the plaintiff had alleged sufficient facts to state a claim for misappropriation of trade secrets. The court reasoned that the plaintiff made specific allegations regarding the products with trade secrets, the nature of those secrets, and the former employees alleged to have misappropriated the secrets.

Nebraska

First Express Services Group, Inc. v. Easter, 840 NW.2d 465 (Neb. 2013). Plaintiff is an insurance agency that sells crop insurance. One of the defendants was a former employee who sold crop insurance for the plaintiff. In 2009, the employee resigned and went to work for a competing agency, also a defendant. At the time she resigned, the defendant took the plaintiff's customer list and began transferring those customers to her new agency. The plaintiff sued the defendants for breach of contract, unjust enrichment, and misappropriation of trade secrets. The Plaintiff claimed that its customer list was a trade secret. At trial, the jury found for the plaintiff on all claims and awarded damages. The Supreme Court of Nebraska reversed the jury's finding of misappropriation of trade secrets by the defendant. The court concluded that because the customers' identities and contact information was ascertainable from public sources or by other proper means, the customer list was not a trade secret. Notably, although the Nebraska Trade Secrets Act is based on the Uniform Trade Secrets Act, the definition of a "trade secret" under Nebraska law is narrower. Rather than define a trade secret as something that derives economic value from "not being generally known to, and not being readily ascertainable by proper means," the Nebraska version of the Act omits the qualifiers "generally" and "readily." Thus, the court reasoned, that if the claimed trade secret is at all ascertainable by any means that are not improper, the claimed secret does not qualify for protection under the act. Applying this standard to the plaintiffs' customer list, the court found that the information on the list was available from sources such as the Internet, land or title searches, and the customers themselves. The court reiterated its reluctance to protect customer lists as trade secrets because they often embody information that is available from public sources.

South Dakota

Atmosphere Hospitality Management, LLC v. Shiba Investments, Inc., 2013 WL 6687295 (D.S.D. Dec. 18, 2013). Plaintiff sought preliminary injunction to enjoin the defendants from using a hotel brand and its processes that were the subject of agreements between the parties. The plaintiff is a hotel

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hospitality business that marketed a “green” hotel design concept and operating standard. The defendants owned a hotel located in Rapid City, South Dakota. After lengthy negotiations, the parties entered into a licensing agreement and a management agreement to rebrand the hotel using the plaintiff’s concept. The defendant later invoked cancellation clauses in both agreements, but sought to keep the brand and technology independent of the agreements. The plaintiff sued for breach of contract and misappropriation of trade secrets. In its analysis of the motion for a preliminary injunction, the court concluded that the agreements were ambiguous, and were capable of more than one meaning. But the plaintiff failed to provide adequate parol evidence to demonstrate a likelihood of success on the merits. Moreover, because the agreements arguably supported the defendant’s position that it was entitled to keep the technology and the brand, the plaintiff’s misappropriation of trade secrets claim was not likely to succeed either. Having failed to adequately distinguish between the technology incorporated into the agreements and any other possible trade secret, the court denied the plaintiff’s motion for a preliminary injunction.

9th Circuit

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 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.

Arizona

Unisource Worldwide, Inc. v. Swope, No. CV-12-02036-PHX-NVW, 2013 WL 4029170 (D. Ariz. Aug. 8, 2013). In *Unisource Worldwide*, an Arizona federal district court ruled that the AUTSA preempts any common law claim that “necessarily rises or falls with misappropriation.” A dispute arose when former Unisource employees allegedly resigned and began working with a competitor. Unisource brought suit for breach of the restrictive covenants, breach of the duty of loyalty and fiduciary duty, violation of the AUTSA, tortious interference with contractual and business relations, and civil conspiracy. The employees moved to dismiss the claims on grounds that the restrictive covenants were unenforceable and the business torts were preempted by the AUTSA. The court ultimately ruled that, among other things, to the extent Unisource’s claims were based on the employees’ use of confidential information, they were preempted; to the extent those claims did not involve the use of confidential information, they were not preempted. The court also found the civil conspiracy claim preempted because it was based entirely on the employees’ alleged misuse of trade secrets. Accordingly, the court granted the employees’ motion to dismiss, but allowed Unisource to amend its complaint to clarify the precise nature of its claims.

California

All Am. Semiconductor, LLC v. APX Tech. Corp., G046613, 2013 WL 4434345 (Cal. Ct. App. Aug. 14, 2013) (unpub.). In *All Am. Semiconductor*, the California Court of Appeal awarded attorneys’ fees for a bad faith trade secret misappropriation claim. The plaintiff had purchased all the assets of a bankrupt company, and, based on statements in the bankruptcy bid solicitation materials, erroneously believed it had purchased the rights to certain proprietary memory module designs. When the plaintiff was unable to

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locate any design plans for the memory modules among the bankrupt company's assets, and no paper files whatsoever, the plaintiff grew suspicious. Upon finding empty directories on the bankrupt company's computers, the plaintiff concluded that those empty directories must have contained data related to the designs and someone must have erased the data. Based on these mistaken beliefs, the plaintiff filed a nine-count complaint against the bankrupt company's former general manager and vice president, his new company, and APX Technology Corporation — the company that actually designed the memory modules. Among other things, the complaint alleged misappropriation of trade secrets based on the defendants' supposed misappropriation of the memory module designs.

Discovery, including several depositions, revealed no evidence that the bankrupt company had ever designed any memory modules, let alone had any trade secrets. Based on this evidence, APX moved for summary adjudication on the misappropriation claim. The trial court granted summary adjudication in favor of APX and awarded attorney's fees for the plaintiff's bad faith prosecution of the misappropriation claim. On appeal, the Court held that the trial court correctly found that the plaintiff failed to provide any evidence it owned a trade secret. Specifically, the plaintiff failed to identify what constituted a trade secret in any alleged memory module design. Instead, the Court held, the plaintiff attempted to show it could have designed memory modules, based on an inference that some scrubbed data could have been software that could be used to design memory modules, and that former engineers could have designed such modules. Missing was any evidence the bankrupt company actually designed the memory modules, or evidence of what part of the design was trade secret and unknown to the public and competitors.

Angelica Textile Servs., Inc. v. Park, 220 Cal. App. 4th 495 (2013), as modified (Oct. 29, 2013), as modified on denial of reh'g (Nov. 7, 2013), review denied (Jan. 29, 2014). In *Angelica Textile Services, Inc. v. Park*, a California Court of Appeal found that there was no preemption of claims for breach of contract, unfair competition, conversion, or tortious interference because the claims were based on facts distinct from the trade secret claim and the conversion claim asserted the theft of tangible documents. A dispute arose when Park, a former offer of the plaintiff laundry services company, left to start a competing business and began recruiting plaintiff's workforce and successfully outbidding plaintiff for customer contracts. Plaintiff brought suit against Park and his new employer for a host of claims, including misappropriation of trade secrets, unfair competition, breach of contract, interference with business relationships, and breach of fiduciary duty.

On a motion for summary judgment the trial court ruled that all of the plaintiff's non-CUTSA claims were preempted by CUTSA and, thus, were consequently dismissed. The jury ultimately ruled against the plaintiff on the trade secret misappropriation claim and the plaintiff appealed. The Court of Appeal held that CUTSA does not displace contract claims or other civil remedies that are not based on misappropriation of trade secrets. For example, Angelica's breach of fiduciary duty, unfair competition, and interference with business relations claims against Park were not predicated on facts related to either Park's breach of his duty of loyalty or his alleged misappropriation of trade secrets and therefore were not displaced by the Act.

Anheuser-Busch Companies, LLC v. Clark, No. 2:13-CV-00415-GEB, 2013 WL 3788426 (E.D. Cal. July 18, 2013) In *Anheuser-Busch v. Clark*, a California federal district court found that a return of personal property claim based on the taking of "confidential, proprietary, and/or trade secret information" was preempted because there was no other basis beside trade secrets law for a property right in the taken information. The court looked to both the unifying purpose of the CUTSA and to precedent on the issue, but more interestingly, it looked to the unique language of the CUTSA preemption provision and determined that it intentionally preempts even more than UTSA. It found that California intentionally rejected the UTSA § 7(a) explicit preemption clause, which "displaces conflicting ... law" and instead chose savings clauses exempting a narrower set of remedies than UTSA. The court thus found that CUTSA implicitly supersedes all claims not specifically mentioned in its savings clauses, thereby rejecting the notion of non-trade secret confidential information.

Farmers Insurance Exchange v. Steele Insurance Agency, 2013 WL 3872950 (E.D. Cal. July 25, 2013) The California federal district court in *Farmers Insurance* enforced a non-solicitation of customers provision to protect trade secrets despite absence of express language in provision tethering it to trade

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secrets. The plaintiff alleged that that former employees had breached their restrictive covenant agreements with the plaintiff and continued to breach their continuing contractual obligations by, among other things, soliciting and diverting business from plaintiff's customers and using plaintiff's confidential business information. The former employees moved to dismiss plaintiff's complaint on grounds that, among other things, the at-issue restrictive covenant agreement was an invalid noncompete that violated California Business and Professions Code section 16600.

In ruling on the motion to dismiss, the court noted that a lengthy line of cases have consistently held former employees may not misappropriate the former employer's trade secrets to unfairly compete with the former employer. The court also highlighted that California courts have repeatedly held a former employee may be barred from soliciting existing customers to redirect their business away from the former employer and to the employee's new business if the employee is utilizing trade secret information to solicit those customers. Accordingly, the court held that plaintiff had sufficiently pled facts to establish a cause of action based on the non-solicitation clause on grounds that it could be enforced against the former employees for the purpose of protecting plaintiff's alleged trade secrets.

Integrated Practice Solutions, Inc. v. Wilson, No. 13CV00088 BTM WMC, 2013 WL 3946061 (S.D. Cal. July 31, 2013). In Integrated Practice Solutions, a California federal district court found specific jurisdiction over a South Dakota company for its alleged involvement in trade secret theft. Plaintiff IPS was a Washington corporation with its principal place of business in San Diego County, California, that designed, sold, and serviced practice management computer software for chiropractors and other healthcare professionals, including features to aid with billing, scheduling patient visits, managing patient records, and tracking inventory. A dispute arose when a former IPS sales representative and Vice President of Sales joined a competitor and allegedly misappropriated about 6,000 "leads" from IPS's purported confidential customer list. IPS brought action against the former employee and the competitor for, inter alia, misappropriation of trade secrets. Future Health subsequently filed a motion to dismiss for, inter alia, lack of personal jurisdiction. Additionally, IPS filed a motion to dismiss for jurisdictional discovery.

The competitor contended that it was a South Dakota based company and IPS did not establish sufficient minimum contacts between it and California. The competitor argued that IPS provided no allegations that the competitor had any California residents as employees, any sales to California customers, or any California offices. Moreover, the competitor argued that it did not meet the former employee in California or negotiate his employment contract in California and hiring a California resident alone is insufficient to establish minimum contacts. The district court rejected the competitor's arguments and found the court had specific jurisdiction based on the competitor's involvement with the alleged actions of the former employee misappropriating IPS's customer list. The district court reasoned that misappropriation of trade secrets is an intentional tort and, thus, the competitor would have purposefully availed itself of doing activities in or directed towards California. The district court further reasoned that IPS offered correspondence from the competitor that implied that the competitor was aware that the sales representative allegedly misappropriated IPS's customer list. Thus, the court denied Future Health's motion to dismiss and granted IPS's motion for jurisdictional discovery, but limited such discovery to the specific issue of the competitor's knowledge of and possible ratification of the former employee's alleged misappropriation.

Meras Engineering, Inc. v. CH2O, Inc., No. C-11-0389 EMC, 2013 WL 146341 (N.D. Cal. Jan. 14, 2013). In Meras, a California federal district court dismissed a California employee's challenge of his non-compete agreement based upon an enforceable forum selection provision. Events were set in motion on January 26, 2011, when Rich Bernier and Jay Sughroue left their employment with CH2O and went to work for Meras Engineering. Bernier and Sughroue had signed non-competition agreements with CH2O that contained choice of law and forum selection provisions stating that all suits arising under the agreement would be heard in Thurston County, Washington. Both Bernier and Sughroue worked and lived in California and visited CH2O's Washington office only twice. On the same day that Bernier and Sughroue left CH2O, they filed suit along with Meras in the Northern District of California seeking declaratory judgment against CH2O to void their non-competes. Six days later, on February 2, 2011, Meras filed suit against Bernier and Sughroue in Washington state court seeking enforcement of the

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same non-competition agreements. Bernier and Sughroue then successfully removed the Washington case to federal court and moved to dismiss, stay, or transfer the Washington case to the Northern District of California under the first-to-file rule. The Washington federal court denied this motion because of the forum selection clause in the agreements. Following Bernier's and Sughroe's unsuccessful attempts to transfer the Washington case, the Washington court granted two separate stipulated stays.

With the proceedings in Washington stayed until the resolution of Bernier's bankruptcy case, CH2O brought a motion to stay the California case pending the outcome of the Washington case. CH2O based its argument on the fact that Washington courts had already ruled that the choice of law clause in Bernier's and Sughroue's non-competes was enforceable and therefore Washington law should decide this case. Judge Chen rejected Plaintiffs' claim that the enforcement of the forum selection would violate California public policy. The basis of Plaintiffs' argument was that the enforcement of the forum selection clause would lead to the application of Washington law, which, because Washington allows for certain non-competition agreements, would create a result that is contrary to California public policy. Judge Chen took issue with this three-part chain of events and Plaintiffs' conflation of enforcing a forum selection clause and deciding what law applies. Judge Chen noted that forum selection and choice of law are two very distinct questions, and there was nothing in the forum selection clause that "dictate[s] a priori" that Washington law would apply. In other words, simply having a case heard in a different forum is not contrary to California public policy. Therefore, by severing the tie between where the case is heard and what law will apply, Judge Chen reasoned that the forum selection clause in Bernier's and Sughroue's non-competes was enforceable and valid and that their case should be dismissed.

Altavion, Inc. v. Konica Minolta Systems Laboratory Inc., Cal.Rptr.3d —, 2014 WL 1846104 (Cal.App. 1 Dist. 2014). In *Altavion*, the California Court of Appeal held that general ideas, including combinations of ideas, are protectable as trade secrets. The appellate court noting the overlap in protection for ideas under patent law and trade secret law. 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. If a patentable idea is kept secret, the idea itself can constitute information protectable by trade secret law. The Court 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 of Appeal held that information was protectable trade secret information. The middle tier comprised the design concepts underlying DST, which were disclosed only to K-M and only pursuant to the NDA. The evidence showed that K-M 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.

Oregon

K.F. Jacobsen & Co., Inc. v. Gaylor, No. 3:12-CV-2062-AC, 2013 WL 2318853 (D. Or. May 28, 2013). Employer brought action against its former employee, seeking damages and an injunction in connection with, inter alia, employee's alleged violation of the Stored Communications Act (SCA) and conversion of confidential documents and other property. Employee moved to dismiss. The Oregon federal district court held that, inter alia, the employer stated a claim for conversion under Oregon law and the conversion claim was not preempted by the Oregon Trade Secrets Act. In particular, the Court reasoned that Oregon courts have not addressed the extent to which the Trade Secrets Act preempts civil remedies but a number of courts in other states have extended the preemptive effect of the language found in OR. REV. STAT. 646.473 to claims that are based on the same operative facts as a claim for trade secret misappropriation under the Trade Secrets Act. The Court also stated that where the essence of the claim relates primarily to the alleged misappropriation of a trade secret, the claim is displaced by the preemptive language of the Trade Secrets Act. The Court highlighted that its federal district has specifically held that the Trade Secrets Act preempts conversion claims based on alleged misappropriation of trade secrets.

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Analyzing plaintiff's claim, the Court noted that plaintiff alleged that the defendant "misappropriated and converted to his own use the confidential and proprietary information of plaintiff." Plaintiff also alleged that a large number of misappropriated documents, "some of which may be additional misappropriated trade secrets of plaintiff or confidential and proprietary information of plaintiff" re-main in defendant's possession and control. Accordingly, the Court found that the term "confidential and proprietary information" could be construed broadly enough to include information that does not fall with the definition of "trade secret" under the Trade Secrets Act. Thus, the court found that to the extent plaintiff's conversion claim sought damages for the conversion of information other than trade secrets, it was not preempted by the Trade Secrets Act.

10th Circuit

Colorado

Cont'l Credit Corp. v. Dragovich, No. 13-CV-01349-WYD-MJW, 2013 WL 3303976 (D. Col. July 1, 2013). Plaintiff seeks a preliminary injunction to enjoin Defendant from disclosing its trade secrets to an alleged competing credit repair company, Go Clean Credit. Plaintiff also seeks to enjoin Defendant from contacting and working with plaintiff's customers and referral sources and from working for a direct competitor for one year according to the terms of the Confidentiality Agreement and Covenant Not to Compete. In January 2010, plaintiff Continental, a Colorado company, hired Defendant as a Regional Account Manager with an annual base salary of \$32,500 and as part of his employment responsibility, Defendant created and maintained a Referral Source List. Plaintiff claimed that this Referral Source List is protected as a trade secret. In January 2013, Defendant was hired by Go Clean Credit, an Arizona company, as an outside sales representative with an annual base salary of \$66,000 with the potential for additional commissions. The Court of Appeals found that Continental failed to demonstrate a substantial likelihood of success on the merits of its Misappropriation of Trade Secrets and Breach of Contract claims. Continental failed to meet its burden of showing that the Referral Source List is a trade secret and also failed to show that Dragovich was a management employee. The court vacated the Temporary Restraining Order and denied Continental's request for a preliminary injunction.

GeoSpec1 Sys., LLC v. Infrastructure Corp. of Am., No. 13-CV-00407-PAB-BNB, 2013 WL 4011053 (D. Col. Aug. 6, 2013). Plaintiff filed this case asserting claims against Defendant for breach of contract, copyright infringement and misappropriation of trade secrets. In regards to the misappropriation of trade secrets claim, the Court found that the facts alleged in the complaint, accepted as true, support a finding that plaintiff's custom software code is a trade secret under the Utah Uniform Trade Secrets Act. In addition to this, the allegations in the complaint supported the finding that plaintiff took reasonable steps to maintain the secrecy of its custom software code, that Defendant misappropriated plaintiff's custom object code, and that Defendant's misappropriation injured plaintiff through allowing Solugenix to insert Break Points in plaintiff's object code in an attempt to trace and reengineer plaintiff's custom software code.

Although GeoSpec demanded payment and requested that ICA cease and desist using GeoSpec's software updates until it has paid the outstanding balance, ICA did not pay the balance and kept using GeoSpec's object code.

However, although GeoSpec sufficiently establishes a claim of misappropriation of trade secrets, it had not requested a specific remedy for this claim. Without a specific request, the Court found that it is inappropriate to speculate about GeoSpec's possible requested relief. Accordingly, the Court denied GeoSpec's misappropriation claim without prejudice.

L-3 Commc'ns Corp. v. Jaxon Eng'g & Maint., Inc., No. 10-CV-02868-MSK-KMT, 2013 WL 5437775 (D. Colo. Sept. 27, 2013). Defendants brought a Motion for Partial Summary Judgment on the Plaintiffs' counterclaims for misappropriation of trade secrets and breach of contract, L3's response, and the Defendants' reply. Following a complex litigation with L3, Jaxon asserted certain counterclaims, although the only such counterclaim remaining was a claim for patent misuse. The instant substantive motion by the Defendants seeks summary judgment on L3's 7th-11th claims for relief. Claim 7 alleged that the former

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L3 defendants violated the Colorado Uniform Trade Secrets Act by misappropriating certain trade secrets of L3. Claims 8 through 10 each alleged that the former L3 Defendants breached various contracts with L3 by, among other things, misappropriating the trade secrets. Claim 11 alleged that Mr. Lubell further breached another contract he had with L3, again by misappropriating the trade secrets.

The Defendants' motion contended that of the 117 specific trade secrets identified by L3 as being misappropriated, at least 101 of them were not treated by L3 as secret and confidential, thus entitling the Defendants to summary judgment on these claims. L3's statutory misappropriation of trade secrets and its breach of contract claims all turned on the question of whether certain material misappropriated by the former L3 Defendants constituted a trade secret under Colorado law. The owner of such information "must have taken measures to prevent the secret from becoming available to persons other than those selected by the owner to have access thereto for limited purposes." Whether a secret's owner has sufficiently attempted to protect the secrecy of that information is typically a question of fact to be resolved by the fact-finder. The Defendants argued that L3 failed to take reasonable steps to secure the secrecy of the HEMP testing information by failing to secure such information within its own offices and distributing such information to customers without taking steps to insure that the customers continued to preserve the secrecy of the information. The court concluded that L3's actions were consistent with L3 engaging in reasonable efforts to secure the secrecy of its trade secret information albeit Defendant's contentions suggesting that L3's precautions were less than complete. Moreover, in other respects, the court considered the Defendant's arguments to be an attempt to hold Plaintiff to the type of "extreme and unduly expensive procedures" that courts do not require. Accordingly, the Court found that the record did not unambiguously reflect that, as a matter of law, L3 failed to reasonably protect the secrecy of its trade secrets. Therefore, the Defendants' motion for summary judgment was denied.

Lassiter v. Integrity Solution Services, Inc., F.Supp.2d 2013 WL 5630066 (D. Col. October 15, 2013).

To the extent ISS argues that the disputed materials constitute or contain trade secrets, its argument is not supported by the majority of the relevant factors under [Hertz. See 576 F.3d at 1108](#). ISS admits that the information is "generally known throughout the industry" and is necessarily disseminated to all employees in the course of training. The only specific factual assertion that ISS offers in support of the conclusion that these documents contain trade secrets is that it spent \$80,000.00 developing its training materials. However, ISS does not explain which materials are included within this figure or whether it would cost a competitor a similar sum to recreate them, nor does it provide any other relevant information regarding its investment in these materials.

ISS argues that "[t]he discoverability of alleged confidential information is generally subject to the 'balancing test' articulated in *Martinelli*." Docket No. 30 at 4. However, the *Martinelli* court was concerned with the constitutional right of privacy, guaranteed by the Fourteenth Amendment, that "encompasses the power to control what we shall reveal about our intimate selves, to whom, and for what purpose." Accordingly, there is no basis for applying the *Martinelli* test to this matter.

Port-a-Pour, Inc. v. Peak Innovations, Inc., No. 13-CV-01511-WYD-BNB, 2014 WL 2766775 (D. Colo. June 17, 2014).

This case came to the court through Plaintiff's Motion for Preliminary Injunction. Plaintiff contended that Defendant misappropriated its trade secrets, which Defendant used illegally in manufacturing its competing silos. Plaintiff Port-a-Pour is in the concrete business and has two US patents and a US trademark regarding its products. It licensed its designs, patents and the "Port-a-Pour" trademark to Defendant under agreements that its intellectual property rights and trade secrets are proprietary and exclusively owned by the company. Plaintiff claimed that Defendant usurped the rights of the agreement and continued to use the rights for their own benefit. They sought to enjoin Defendant's illegal use of its rights. Among the claims included the misuse of protected information in violation of Colorado Uniform Trade Secrets Act. In the confidentiality agreements that the parties executed, it included terms that they would not disclose or misuse Port-a-Pour's proprietary information or its trade secrets except as permitted under the agreement. They expressly understood and agreed that the information shall be deemed trade secrets that shall not be disclosed to any third party under any circumstances. The Colorado Uniform Trade Secrets Act governed and there were six factors taken into consideration. The court concluded that Port-a-Pour established that its protected information under the parties' agreements constituted its trade secrets under Colorado law under each of the six factors. In

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regards to whether Peak's use of the Protected information in the Peak Horizontal Silos constitutes a misappropriation of Port-a-Pour's trade secrets, evidence was presented that Peak retained Port-a-Pour's drawings which are trade secrets after the termination of the Licensing Agreement. Moreover, Port-a-Pour presented more evidence in regards to the preliminary injunction motion. The court found that this shows a likelihood of success under the CUTSA for misappropriation of a trade secret. The court found, in conclusion that Plaintiff met its burden of showing a likelihood of success on its claim for misappropriation of trade secrets delivered to Peak under the Licensing Agreement.

Kansas

AgJuction, LLC v. Agrian Inc., No. 14-CV-2069-DDC-KGS (D. Kan. June 6, 2014). Defendants filed a motion to dismiss all ten counts asserted by the plaintiff, including Count V, the claim that the defendant misappropriated trade secrets.

Plaintiff and defendant are makers and sellers of agronomy-related software and they entered into an agreement, under which the plaintiff granted defendant a license to access and use the plaintiff's software for the purpose of reselling or sublicensing the software to other companies.

The plaintiff alleged that the defendant unlawfully copied plaintiff's proprietary software to create and begin selling a nearly identical competing product. Further, the plaintiff claims that the employee defendants, as former employees of the plaintiff's company, took confidential information about the plaintiff's proprietary software with them when they departed and provided it to the defendant, breaching their Employee Agreements and violating Kansas Uniform Trade Secrets Act.

The Court denies defendants motion to dismiss Count V. First, the Court finds that the plaintiff has sufficient details to establish the existence of trade secrets by specifying that the propriety agronomy software and related data as a trade secret. Second, the Court finds that the plaintiff does not need to claim the specific acts that the employees did to violated the Kansas Uniform Trade Secret Act; rather, it is sufficient to claim that the defendant had "knowingly received secret information provided by each of the Employee Defendants."

New Mexico

In re Mosley, 7-11-15299 TS, 2013 WL 1137061 (Bankr. D.N.M. Mar. 19, 2013). The matter was before the court on the debtor's Motion for Summary Judgment to Dismiss Plaintiff's causes of action on the Pleadings, plaintiff's response thereto, and Defendant's supporting reply. The motion was denied because the court found that there is no genuine issue about the facts based on Defendant's admissions in his answer to Plaintiff's Amended complaint for Objection to Dischargeability and Discharge. The facts provided that the Contract prohibited Defendant from using any confidential or proprietary trade secret information obtained during the term of his employment or at any time thereafter, and that Defendant represented when entering into the Contract that he would not use any confidential or proprietral trade secret information obtained during the term of his employment, or anytime thereafter. Plaintiff's complaint in the District Court Action contained claims for misappropriation of proprietary information and trade secrets, and conspiracy to misappropriate proprietary information and trade secrets. Due to a combination of the factors, the court concluded that the motion should be denied.

Oklahoma

Skycam LLC v. Bennett 09-CV-294-GKF-FHM, 2013 WL 5328937 (N.D. Okla. Sept. 20, 2013). Plaintiff Skycam and Defendant Actioncam are companies that manufacture competing aerial camera systems for use in the broadcast of sporting events. Skycam sued Bennett, a former employee for breach of a separation agreement that prohibited him from using or disclosing Skycam's trade secrets and confidential or proprietary information. One of the claims were federal and state claims of misappropriation of trade secrets. In extension of the ongoing litigation since 2012, This case arises from Defendants Bennett and Actioncam who filed a motion for New Trial asserting that there were numerous

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errors that warrant retrial. They asserted that the court erred in its grant of Royalty injunction; Jury verdicts in favor of Plaintiff Skycam on its trade secret misappropriation, breach of contract, Lanham Act/ODTPA, and punitive damage claims were against the weight of the evidence.

Regarding the royalty injunction claim, the Defendants argued that the imposition of a royalty injunction was improper but the court rejected defendant's argument. The Oklahoma Uniform Trade Secret Act ("OUTSA") expressly permitted imposition of a reasonable royalty, and Skycam fulfilled the elements required to obtain a permanent injunction. The court further found that a prohibitory injunction with respect to trade secrets would eliminate its ability to use its aerial camera and put it out of business. Therefore, it concluded that exceptional circumstances exist and issuance of a royalty injunction rather than a prohibitory injunction was appropriate under OUTSA.

Defendant also claimed that the jury verdicts in favor of Skycam on its claim for breach of contract, trade secret misappropriation, unfair competition and punitive damages were against the weight of the evidence. However the court concluded in regards to the trade secret misappropriation claim, that plaintiff presented ample evidence supporting such a conclusion and that it did not "effectively permit the jury to assume that Plaintiff (1) had offered sufficient evidence to potentially support 44 trade secrets, and (2) that a question existed as to whether Defendants misappropriated each of these trade secrets." The court also noted that the defendants did not seek a special interrogatory requiring the jury to make an individual determination with respect to each of the 44 alleged trade secrets, and thus had waived the objection. The same conclusion was reached in regards to the claim for breach of contract, unfair competition and punitive damages. Therefore, Defendant's motion for New trial was denied.

Utah

Storagecraft Tech. Corp. v. Kirby, 744 F.3d 1183 (Utah Ct. App. Mar. 11, 2014). Defendant appealed from a district court order entering an order awarding exemplary damages of \$1.46 million and \$2.92 million for trade secret misappropriation. Plaintiff is a software company and Defendant is a former director of the software company.

Defendant had disclosed trade secrets after a fallout with his colleagues to a rival company. Defendant asserted that although he disclosed the information to the rival company that he had never used the trade secret for his own personal profit, and that there was no proof that the rival company made commercial use of the trade secret either.

However, nothing in Utah law, in the state's trade secret statute categorically restricts the availability of "reasonable royalty" damages to cases in which the misappropriator used a trade secret commercially rather than disclosed it to others. The law doesn't distinguish between a misappropriator's venial motives and rather states that when someone steals a trade secret and discloses it to a competitor who he new was an able competitor when he intentionally discloses it, he effectively assumes for himself an unrestricted license in the trade secret. Therefore, the Court of Appeals held that the plaintiff was not precluded from seeking "reasonable royalty" damages under Utah's Uniform Trade Secrets Act; jury award of \$2.92 million was not unreasonable, and that any error in District Court's admitting expert's assumptions that developers worked 40-hour weeks for 15 to 20 months to develop source code for purposes of calculating damages was harmless.

Xyngular Corp. v. Innutra, LLC, 2:13-CV-685 TS, 2013 WL 5775859 (D. Utah Oct. 24, 2013). Plaintiff Xyngular Corporation brought a Motion for Temporary Restraining Order and Preliminary Injunction. The Court denied the Motion for reasons cited below. In 2010, plaintiff entered into an agreement with Defendant James Ayres in which Ayres agreed to act as the face and voice of Plaintiff. Unless one party gave notice to the other of its intention not to renew, the agreement was to renew automatically for an additional one year period. On 2012, Ayres gave notice of his intent not to renew the 2010 Agreement, but Plaintiff and Ayres continued to negotiate the terms of a new agreement though a new contract was never signed. It is disputed whether Ayres was subject to the non-compete, product development, and duplication provisions that are found in the 2010 Agreement and in a later unsigned agreement. On February 19, 2013, Ayres sent an email to Xyngular stating that, as of April 1, 2013, Ayres would

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discontinue his services for Xyngular. Around this same time, Ayres became involved with Defendant Innutra, a competing nutritional supplement company. Certain Xyngular distributors received an unsolicited email from Innutra, providing them a username and password to access Innutra's website for distributors. Plaintiff alleged that Defendants used Plaintiff's confidential information to send these emails. Plaintiff further alleged that Innutra engaged in false advertising in promoting its products. Plaintiff filed this action on July 23, 2013. An Amended Complaint was filed on September 5, 2013, and this Motion was filed the same day. Plaintiff brings claims which includes claim for misappropriation of trade secrets.

Under the Utah Uniform Trade Secrets Act (the "UTSA"), a plaintiff may seek injunctive relief for "actual or threatened" misappropriation of its trade secret. The threshold issue in any trade secret misappropriation case under the UTSA was the existence of a "trade secret." Plaintiff initially argued that Defendants misappropriated their Lean formula, which Plaintiff asserts is a trade secret. However, Plaintiff stated at oral argument that it had insufficient evidence at this time to show misappropriation. Based on this concession, the Court found that Plaintiff failed to establish a likelihood of success on this claim. Also, plaintiff argues that Defendants misappropriated its distributor information and that this information should be protected as a trade secret to the same extent that customer lists are protected. However, customer lists constitute trade secrets only in limited circumstances and plaintiff has provided nothing to rebut the assumption that trade secret protection will not attach. Therefore, plaintiff has not shown that it is likely to succeed on this claim. Therefore, it fails on the first standard for a temporary restraining order to succeed which is that a plaintiff must show a substantial likelihood of success on the merits. Therefore, the plaintiff's motion for temporary restraining order and preliminary injunction is denied.

11th Circuit

Arthur J. Gallagher Service Co. v. Egan, 514 F. App'x 839 (11th Cir. (Fla.) 2013) (unpublished). Egan served as an Assistant Vice President at Gallagher, an insurance brokerage company. As part of his role, Egan sold and serviced accounts for the organization. Before his employment, Egan signed an offer summary, which proposed an annual salary of \$265,000 and incentive payments. Egan also signed an Executive Agreement, which contained a nonsolicitation provision prohibiting Egan from soliciting his former accounts for two years post-termination. When Gallagher lowered Egan's salary and changed his incentive package four years into his employment, Egan resigned and accepted employment with a competitor, Genesee. Soon after, Egan began soliciting his former Gallagher customers. Two of Gallagher's subsidiaries sued, claiming that Egan violated his Executive Agreement, misappropriated confidential information, and induced customers to switch companies. In response, Egan claimed that the reduction of his salary and the change in incentive plan constituted a breach of contract and invalidated the Executive Agreement.

The District Court rejected Egan's argument and granted a preliminary injunction restraining Egan from violating the Executive Agreement. Egan appealed and argued that, among other things (1) the companies lacked standing to bring suit and (2) he could prevail on his antecedent breach claim because the offer letter created a promise to pay \$265,000 and he was also orally promised that amount. The Eleventh Circuit disagreed. First, the Executive Agreement expressly provided that its provisions applied to "its subsidiaries." Second, the Executive Agreement stated that Gallagher could modify his compensation "from time to time." Finally, the Executive Agreement contained a clause providing that it superseded all previous agreements between the parties.

Florida

Axiom Worldwide, Inc. v. HRTD Group Hong Kong Ltd., 2013 U.S. Dist. LEXIS 77650 (M.D. Fla. June 1, 2013) (unpublished). A medical device company, Axiom, sued several of its former employees who worked for HRTD, a company that bought Axiom's assets from one of Axiom's lenders. Axiom sought a declaratory judgment stating that the employees misappropriated trade secrets, including the contents of its website and design drawings. The court found that Axiom was not entitled to the declaratory judgment. As an initial matter, the court expressed doubt that a public website could constitute a trade secret. In addition, there was no evidence that the design drawings, which the court presumed could constitute a trade secret, were "misappropriated." The design drawings were

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inadvertently physically delivered to the employees and HRTD as part of the asset transfer. Such inadvertence was insufficient to constitute misappropriation by improper means, as defined in Florida's statutory misappropriation scheme. In addition, the court found that, because of their belief that the trade secrets had been purchased by HRTD, the former employees could not have known that they had a duty to maintain the secrecy of those trade secrets.

Deman Data Sys., LLC v. Schessel, 2013 U.S. Dist. LEXIS 81851 (M.D. Fla. June 11, 2013) (unpublished). A software company, Deman, sued its former president, Schessel, for breach of fiduciary duty. Specifically, Deman alleged that Schessel refused to perform his duties and failed to disclose certain information, including: (1) his termination from his prior position, (2) the circumstances surrounding a lawsuit filed against him by his former employer, (3) material information regarding a fraud investigation concerning him, and (4) a guilty plea to a felony charge of filing a false or fraudulent tax return. Schessel moved to dismiss the claim, arguing that the only source of fiduciary duty came from the employment contract between him and Deman and a fiduciary duty claim cannot be dependent on the existence of a contractual relationship. The court rejected this argument, noting that the Florida Supreme Court had limited that theory to product liability claims. Nonetheless, the court partially granted Schessel's motion, finding that Deman did not allege facts indicating when the failures to disclose occurred or whether Schessel owed a duty to disclose the information that he withheld. Nor did Deman specify how the non-disclosures caused damages. Accordingly, the court held that Deman had not sufficiently pled a breach of fiduciary duty claim based on non-disclosure. The claim based upon Schessel's alleged failure to perform duties, however, was allowed to stand.

Pittsburgh Logistics Systems, Inc. v. Stover, 2013 U.S. Dist. LEXIS 69673 (M.D. Fla. May 16, 2013) (unpublished). Three employees of Pittsburgh Logistics ("Pittsburgh"), a transportation logistics business, left the company and began working for a competitor, Crowley Logistics ("Crowley"). Pittsburgh claimed that the employees' employment with Crowley violated their noncompete agreements. In addition, Pittsburgh claimed to have discovered that one of the employees' emailed confidential information to himself just before leaving his employment with Pittsburgh. Based on this information, Pittsburgh sued and sought a temporary restraining order (1) prohibiting the employees from working with Crowley or any other competitor for one year, (2) restraining the employees from deleting or altering their email accounts until the court could determine whether they emailed confidential Pittsburgh information, and (3) prohibiting them from using or disclosing any confidential Pittsburgh information obtained during their employment. The court partially granted Pittsburgh's request. Specifically, the court granted an injunction restraining the employees' alteration of their email accounts, noting that Pittsburgh had demonstrated the necessary requirements to secure an order. However, the court refused to enjoin the employees from working at Crowley, holding that the harm to Pittsburgh was outweighed by the harm to the employees if the court took the drastic measure of removing the employees from their employment.

Power Equip. Maintenance, Inc. v. Airco Power Servs., Inc., 2013 U.S. Dist. LEXIS 91484 (S.D. Ga. June 28, 2013) (unpublished). Power Equipment, a company providing maintenance support to electricity providers, employed Onofry and Burrows as the Executive Vice President of Turbine Services and the Vice President of Maintenance Services, respectively. At some point during Onofry's and Burrows' employment, Power Equipment identified Airco as a potential acquisition. Onofry assisted with the research and negotiation for the potential acquisition, but ultimately the transaction did not go through. At some point later, Onofry and Burrows decided to leave Power Equipment to work for Airco, which had since been purchased by a private equity firm. Before announcing their resignations, Onofry and Burrows allegedly surreptitiously accessed Power Equipment's confidential information by emailing confidential documents to their personal email accounts. Furthermore, Power Equipment alleged that Burrows continued to steal proprietary information after he announced his resignation, by having an administrative assistant print a confidential contract for him. Once Burrows resigned, Power Equipment claimed that he used company credentials to log into a subscription-based database of industry information. Based on these actions, Power Equipment sued Onofry and Burrows and alleged, among other things, misappropriation of trade secrets, violations of the Computer Fraud and Abuse Act ("CFAA"), and breach of the duty of loyalty. Onofry and Burrows moved to dismiss the CFAA claims.

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The Court granted the motion. The CFAA prohibits unauthorized access to a protected computer as well as access that exceeds authorization. Under a plain reading of the CFAA, the complaint did not provide any facts to support that Onofry or Burrows lacked access or exceed their authorized access. On the contrary, both individuals had full access to Power Equipment's confidential information at all times. In so holding, the court rejected the "agency" theory of access, in which an employee's access is exceeded or terminated when his actions are no longer taken in the interest of the employer. Instead, the court held that, even though Burrow's use of the industry database may have been improper, it was authorized because Power Equipment gave him the access credentials to use the database. In other words, "simply accessing an employer's computer for nonbusiness reasons [was] insufficient to support a claim under the CFAA." The court similarly rejected claims based on Burrows receiving a confidential contract from an assistant, holding that the CFAA requires that an individual *actually* access information and not merely receive it.

Thyssenkrupp Elevator Corp. v. Hubbard, 2013 U.S. Dist. LEXIS 89058 (M.D. Fla. June 25, 2013) (unpublished). Hubbard, a Service Operations Manager, signed a noncompete agreement with General Elevator. Four years later, Thyssenkrupp acquired General Elevator through a 100 percent stock purchase transaction. Hubbard continued to work as a Service Operations Manager until his resignation a year later. After his resignation, Thyssenkrupp sued Hubbard, claiming that he had violated his noncompete agreement. Hubbard moved to dismiss, arguing that, under Fla. Stat. § 542.335, Thyssenkrupp could not enforce the agreement because the noncompete agreement did not expressly authorize enforcement by a party's assignee or successor. The Court denied the motion to dismiss, holding that § 542.33 did not render the agreement unenforceable by Thyssenkrupp. First, a plain reading of the statute indicated that courts are not to refuse enforcement of a contract *if* it contains an express authorization for enforcement by a successor. In other words, the statute did not affect contracts without express authorization. Second, Florida law provides that the surviving company of a merger has all the rights, privileges, duties, and liabilities of the merged corporation. Accordingly, because General Elevator was acquired by way of a 100 percent stock purchase, the noncompete agreement was enforceable by Thyssenkrupp, the surviving corporation.

Zodiac Records, Inc. v. Choice Environmental Servs., 112 So. 3d 587 (Fla. Dist. Ct. App. 2013). Plaintiff Choice Environmental Services ("Choice") entered into a consulting agreement with defendants Carlo Piccinonna and his company Zodiac Records, Inc. ("Zodiac") that contained a five-year customer nonsolicitation covenant and a five year covenant against disclosure of trade secrets. Following expiration of the agreement, Piccinonna formed a new company called Great Waste and Recycling Services ("Great Waste") that competed with Choice. Choice then sued Piccinonna, Zodiac, and Great Waste for breach of the customer nonsolicitation provision and sought injunctive relief. Under Fla. Stat. § 542.335, where "a restrictive covenant [is] sought to be enforced against a former employee [or independent contractor] . . . a court shall presume reasonable in time any restraint 6 months or less in duration and shall presume unreasonable in time any restraint more than 2 years in duration." However, "[i]n determining the reasonableness in time of a postterm restrictive covenant predicated upon the protection of trade secrets, a court shall presume reasonable in time any restraint of 5 years or less." At a hearing on Choice's motion for injunctive relief, Choice's counsel stipulated that Choice was not proceeding under a trade secrets claim but that the five-year duration of the customer nonsolicitation was nonetheless reasonable because it was designed to protect trade secrets. Following this hearing, the trial court entered an injunction enforcing the nonsolicitation covenant against the defendants. On appeal, the Fourth District of the Florida Court of Appeal vacated the trial court's order, finding that, by stipulating that it was not relying on the misappropriation of trade secrets, Choice waived its ability to assert that the five-year term of Fla. Stat. § 542.335 applied.

Georgia

Crippen v. Outback Steakhouse Int'l, L.P., 321 Ga. App. 167 (2013). Plaintiff Outback Steakhouse International ("OSI") sued its former executive Crippen for breach of fiduciary duty and breach of a noncompete agreement (among other claims) after it discovered that Crippen owned a minority interest in three restaurants and consulted with seven companies that supplied food and other related materials to restaurant operations. The trial court granted summary judgment to OSI and against Crippen on OSI's

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claims for breach of contract and breach of fiduciary duty. On appeal, the Georgia Court of Appeals affirmed the trial court's grant of summary judgment to OSI on its claim for breach of contract¹ but reversed the trial court's grant of summary judgment to OSI on its breach of fiduciary duty claim. Although it was undisputed that Crippen owned and performed work for outside companies, this fact alone was insufficient to establish a breach of fiduciary duty because there was an open question as to whether, and to what extent, Crippen's outside interests were in any way contrary to, in competition with, or adverse to his employer. Accordingly, the Georgia Court of Appeals remanded the case to the trial court for trial on this claim.

Crippen v. Outback Steakhouse Int'l, L.P., 321 Ga. App. 167 (2013). Plaintiff Outback Steakhouse International ("OSI") sued its former executive Crippen for breach of fiduciary duty and breach of a noncompete agreement (among other claims) after it discovered that Crippen owned a minority interest in three restaurants and consulted with seven companies that supplied food and other related materials to restaurant operations. The trial court granted summary judgment to OSI and against Crippen on OSI's claims for breach of contract and breach of fiduciary duty. On appeal, the Georgia Court of Appeals reversed the trial court's grant of summary judgment to OSI on its breach of fiduciary duty claim² but affirmed the trial court's grant of summary judgment to OSI on its claim for breach of contract. The agreement in question provided that Crippen would not "individually or jointly with others, directly or indirectly, whether for [his] own account or for that of any other person or entity, engage in or own or hold any ownership interest in any person or entity engaged in a restaurant business." Moreover, the agreement provided that Crippen would "devote one hundred percent (100%) of [his] full business time, attention, energies, and effort to the business affairs of [OSI]." Because Crippen did not argue in the trial court that this covenant was overbroad and because it was undisputed that Crippen violated these terms, the Court of Appeals held that OSI had established its breach of contract claim as a matter of law.

Drawdy CPA Servs. P.C. v. North Ga. CPA Servs., P.C., 320 Ga. App. 759 (2013). The plaintiff, a CPA firm, sued a former employee for misappropriation of trade secrets, alleging that, after setting up a competing CPA firm, the former employee accessed clients' tax records using a "client portal" on the plaintiff's website. The Georgia Court of Appeals affirmed the trial court's denial of an interlocutory injunction against the former employee. Although a computer program or data may be a trade secret, the plaintiff did not allege that the former employee misappropriated the client portal software itself. Rather, the former employee only used the portal to access the clients' tax records with the clients' permission and the plaintiff acknowledged that the tax records were the clients' property.

Holton v. Physician Oncology Servs., LP, 292 Ga. 864 (2013). Defendant Holton was the vice president and chief executive officer of plaintiff Physician Oncology Services, which provides radiation therapy services to cancer patients. After the plaintiff terminated Holton, Holton accepted employment with a competitor of the plaintiff. The plaintiff immediately sought a temporary restraining order and then an interlocutory injunction to prevent Holton from working for the competitor, alleging that Holton had violated covenants in a restrictive covenant agreement, misappropriated trade secrets in violation of the Georgia Trade Secrets Act, and would inevitably disclose and use the plaintiff's trade secrets. The trial court granted an interlocutory injunction, finding that Holton would inevitably disclose the plaintiff's trade secrets and confidential information if he went to work for the competitor.

On appeal, the Georgia Supreme Court held that the inevitable disclosure doctrine is not an independent claim under which a trial court may enjoin an employee from working for an employer or disclosing trade secrets. Accordingly, the court reversed the part of the order enjoining Holton from the inevitable disclosure and use of trade secrets. However, the court expressly declined to address whether the inevitable disclosure doctrine may be applied as evidence to support a claim of actual or threatened misappropriation. Because the trial court did not reach the plaintiff's claim for actual or threatened

¹ See Sections 14.3.14 and 14.6.14 for a summary of the court's rulings on the breach of contract claim and damages.

² See Sections 14.2.14 and 14.6.14 for a summary of the court's rulings on the breach of fiduciary duty claim and damages.

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misappropriation of trade secrets, the Georgia Supreme Court remanded the case to the trial court for a final adjudication on the merits.

Lapolla Indus., Inc. v. Hess, 750 S.E.2d 467 (2013). Premium Spray hired five former employees of a competitor, Lapolla. Upon learning of the hires, Lapolla sent a demand letter to Premium Spray and one of its employees, Hess, claiming that their conduct violated the former employees' noncompete covenants with Lapolla. In response, Premium Spray filed a declaratory action in Georgia, seeking a judgment that the noncompete agreements were void and unenforceable as a matter of law and, as such, Premium Spray was not liable for tortious interference. Lapolla moved to dismiss. The trial court denied the motion to dismiss, held that the non-compete agreements were unenforceable, and issued a declaration that any activities in violation of the non-compete covenants "are not tortuously interfering with and cannot tortuously interfere with Lapolla's contractual relations with the former Lapolla employees." Lapolla appealed.

First, Lapolla claimed that Premium Spray, as nonparties to the non-compete agreements, lacked standing to bring a declaratory action with respect to those agreements. The Court rejected this argument, noting that the declaratory judgment statute is broad and allows such courts "to declare rights and other legal relations of any interested party" in cases of an actual controversy. Because Premium Spray and Hess were uncertain of their legal right to continue to employ the former employees, or to hire additional Lapolla employees, the Court held that they had sufficient standing to bring the declaratory action.

Second, Lapolla argued that the action should have been dismissed based on the forum selection and choice of law clauses in the former employees' noncompete agreements, which specified that Texas law applied and that all actions be brought in Harris County, Texas. The Court disagreed, noting that the noncompete and other restrictive covenants were unenforceable under Georgia law as it existed when the agreements were executed. A Texas court, however, would likely enforce the choice of law clause, apply its own law, and enforce the covenants. Therefore, based on the interest of Georgia's public policy, the Court held that the trial court did not err by refusing to enforce the forum selection and choice of law clauses.

Matthew Focht Enters., Inc. v. Lepore, 2013 U.S. Dist. LEXIS 127894 (N.D. Ga. Sep. 9, 2013) (unpublished). In March 2009, Matthew Focht Enterprises ("MFE") engaged Lepore as an independent contractor to market MFE's payment processing services to merchants. The relationship was governed by an Agreement containing three provisions prohibiting Lepore from, among other things, soliciting or providing competing services to any MFE customers during the term of the Agreement and for five years thereafter. A few years after entering into the Agreement, MFE sued after it claimed that Lepore solicited some of MFE's customers on behalf of one of its competitors. Lepore moved for summary judgment, claiming that the restrictive covenants were unenforceable under Georgia law.

The Court granted Lepore's motion, finding that the covenants were unreasonable under Georgia law existing at the time the Agreement was signed. The Court reached that conclusion based on several factors: (a) the five-year period was *per se* unreasonable; (2) the scope of restricted activities was too broad, covering services that Lepore did not provide to MFE; (3) the restriction extended to customers with whom Lepore never had contact; (4) the restriction covered *unsolicited* contact; and (5) the covenants lacked a geographical limitation.

District of Columbia

Metz v. BAE Systems Technology Solutions & Services, 2013 U.S. Dist. LEXIS 140049 (D.C. 2013) (unpublished). Metz was the Vice President of Maritime Programs for BAE, a company that provides management and operational support to various military, defense, and other federal agencies. When Metz was laid off from BAE, he signed a Waiver and Release Agreement ("Waiver") that included a Non-Compete Provision barring Metz from working with any of BAE's competitors for one year. Three months after his termination, Metz entered into an at-will employment agreement with ALION, a company that BAE had worked with on several projects in the past. Metz argued that because ALION and BAE had a

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history of working together as partners and teammates, they were not “competitors” for purposes of his non-compete agreement. Upon learning of Metz’ new employment with ALION, BAE demanded either ALION terminate Metz immediately or Metz immediately resign. Shortly thereafter, ALION terminated Metz’s employment, and Metz filed a complaint, alleging BAE had: (1) tortiously interfered with Metz’s employment contract with ALION; (2) tortiously interfered with prospective economic advantage; and (3) breached the implied covenant of good faith and fair dealing. The court dismissed both claims of tortious interference with contract and prospective economic advantage, holding at-will employment agreement cannot be used as a basis for such claims. Metz further alleged that BAE violated the implied covenant of good faith and fair dealing by allegedly not conducting itself with honesty in its enforcement of the non-compete agreement. The court, once again, found in favor of BAE because Metz had never alleged that BAE had “taken steps, or refused to take steps which ultimately had the effect of destroying or injuring the right to receive the fruits” he contracted to receive under the Waiver (i.e. supplemental severance pay and benefits), which was required to survive a motion to dismiss. Despite Metz’s argument that his agreement with BAE to not seek employment with its competitors created an implicit right to seek employment with any non-competitor, the court rejected his claim, reasoning implied covenants are disfavored and that the Waiver between Metz and BAE contained no right to seek future employment with non-competitors. The court concluded that it was clear that the non-compete provision was provided to Metz in exchange for supplemental pay and benefits. Therefore, employment with a “non-competitor” was not a “fruit” of the contract that entitled him to any particular benefit; and accordingly, BAE’s interference with that benefit could not give rise to a claim for breach of the implied covenant of good faith and fair dealing.

Murphy v. LivingSocial, Inc., 931 F. Supp. 2d 21 (D.D.C. 2013). Plaintiff began working as a marketing consultant for LivingSocial in November 2010. The offer letter that she signed contained an attachment entitled “Confidentiality, Intellectual property Noncompetition Agreement.” In March 2012, plaintiff resigned from LivingSocial and began employment with a direct competitor of LivingSocial, Travelzoo, Inc. Several weeks later, after Travelzoo reached out to one of LivingSocial’s lead sales representatives to discuss job opportunities, LivingSocial sent plaintiff and Travelzoo demand letters in which they asserted, among other things, that Plaintiff had violated her non-compete agreement. Plaintiff sued LivingSocial for, among other things, libel, alleging that LivingSocial had falsely accused her of violating her non-compete agreement. LivingSocial moved to dismiss the complaint. The Court dismissed Plaintiff’s complaint, holding that the Travelzoo letter ~~is~~ was protected by the judicial proceedings privilege because it was clear that LivingSocial was seriously considering litigation. Specifically, the court noted that “the Travelzoo Letter was written by LivingSocial’s attorney, advised Travelzoo of plaintiff’s contractual obligations, explained that plaintiff’s actions appeared to have been taken in violation of the contract, stated that LivingSocial reserved its rights ‘to take all legal and equitable action to protect its business interests,’ and demanded that Travelzoo ‘immediately cease and desist from any further solicitation of LivingSocial employees, customers, or prospective customers.’” In addition, the court explained that it was dismissing the complaint because Plaintiff’s non-compete agreement “contains an express provision by which plaintiff consented to LivingSocial’s communicating the terms of the Non-Compete Agreement ‘to a prospective or current employer’ of plaintiff,” which is exactly what LivingSocial did in its letter to Travelzoo.

The Washington Consulting Group v. Raytheon Tech. Servs. Co., 2013 D.C. Super. LEXIS 5 (D.C. Super. Ct. 2013). Beginning in 1985, Plaintiff Washington Consulting Group (“WCG”) contracted with the Federal Aviation Administration (“FAA”) to train the United States’ air traffic controllers. The contracts under which this training took place were rebid every three to five years; WCG was awarded each of these contracts from 1985 to 2007. The final contract in which WCG was the incumbent was the “Training Systems for Air Traffic” (or “TSAT”) contract, which began in 2006 and initially consisted of a one-year term and four option years, which were to be exercisable at the discretion of the FAA. Defendant Charles Keegan was a former employee of the FAA Senior Executive Service. In that capacity, he worked on issues involving air traffic control, including procurement. Mr. Keegan left the FAA to join Raytheon in early 2006. While Mr. Keegan was employed with the FAA, he began a relationship with Ms. Maureen Knopes. Shortly after Mr. Keegan left the FAA, Ms. Knopes became the lead for the air traffic controller training contract which would be the successor to TSAT. Plaintiff alleged that Keegan, through Knopes, had misappropriated its trade secrets for the benefit of Raytheon, including information related to WCG’s bid process. Defendants moved for summary judgment arguing that “1) WCG ha[d] elicited no evidence

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demonstrating that anyone at the FAA improperly provided WCG's trade secrets to Defendants; and 2) WCG ha[d] not provided any evidence indicating that Raytheon ever possessed WCG's trade secrets." Plaintiff argued that Raytheon possessed the TSAT contract, which it claimed was a trade secret, that Raytheon's proposals were so similar to its proposals that they were the result of copying, and that it had circumstantial evidence demonstrating that Raytheon possessed additional WGC trade secrets that it used in formulating its bids. The court denied Defendants' motion, holding that Plaintiff "has produced sufficient evidence for the Court to conclude that whether Defendants 'used,' or misappropriated, within the ambit of the [District of Columbia Uniform Trade Secrets Act] remains in dispute."

Federal

Accent Packaging, Inc. v. Leggett & Platt, 707 F.3d 1318 (Fed. Cir. 2013). Accent Packaging (Accent) appealed the US District Court for the Southern District of Texas' summary judgment dismissal of Accent's Missouri Uniform Trade Secrets Act (MUTSA) claim against Leggett & Platt, Inc (Leggett). In October 2005, Accent applied for, and was granted, patents for a wire tier device used to bale recyclables or solid waste. In early 2006, Leggett obtained a wire tier device. Accent filed suit against Leggett in April 2010, asserting a MUTSA violation, amongst other patent infringement claims. Accent asserted that Leggett studied Accent's patented device and began selling its own copy. The district court granted Leggett's motion for summary judgment and dismissed Accent's MUTSA claims.

The Federal Circuit held that the district court correctly dismissed Accent's claim under the MUTSA; although Accent claimed that Leggett "surreptitiously" obtained and copied its patented device to discover its specifications and tolerances, the device was sold in the regular stream of commerce and Accent did not make any efforts to keep the specifications and tolerances of the device a secret. The Federal Circuit also noted that any specifications and tolerances in Accent's patents had become publicly available in October 2005 when the patent application was published and therefore could not constitute a trade secret in early 2006 when Leggett allegedly engaged in misappropriation. Accordingly, the Federal Circuit affirmed the district court's dismissal of Accent's MUTSA claim.

Apple Inc. v. Samsung Electronics Co., Ltd., 727 F.3d 1214 (Fed. Cir. 2013). Apple and Samsung both appeal the US District Court for Northern California's refusal to seal confidential information during trial. Both Apple and Samsung argued that the district court abused its discretion in refusing to seal their confidential financial information. They asserted that their information qualified as trade secrets because such information contained product specific information such as costs, sales, profits, and profit margins. They further stated that the extensive measures they would take to keep the information confidential and the harm suffered if competitors gained access to the information.

On appeal, the Federal Circuit held that the district court erred and also held that Apple and Samsung did have an interest in keeping their product-specific financial information secret because they could suffer competitive harm if the information was made public. And therefore, Apple and Samsung had a significant interest in preventing the release of their detailed financial information.

Convolve, Inc. v. Compaq Computer Corp., 527 F. App'x 910, 913 (Fed. Cir. 2013), reh'g denied (July 31, 2013), cert. denied, 134 S. Ct. 801, 187 L. Ed. 2d 596 (U.S. 2013). Convolve appealed the district court's summary judgment dismissal of Convolve's trade secret claims without prejudice. In 1998, before Convolve and Compaq (as well as Seagate) initiated licensing negotiations regarding Convolve's disk drive technology, the parties entered into a non-disclosure agreement that stated, to trigger either party's obligations, the disclosed information must be (1) marked as confidential at the time of disclosure, or (2) unmarked, but treated as confidential at the time of disclosure, and later designated confidential in a written memorandum summarizing and identifying the confidential information. In February and April 1999, Convolve gave a presentation regarding its input shaping technology to Compaq and Seagate. Although Convolve gave Seagate copies of the slides, Convolve did not state in writing that any of the disclosures during or in connection with the presentations or meetings were confidential. Subsequently, the negotiations fell through and Convolve never consummated a deal with Compaq and Seagate regarding the technology. In July 2000, Convolve and MIT sued Compaq and Seagate for trade secret misappropriation and patent infringement, amongst other claims. Applying California law to Convolve's

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claims against Seagate and New York law to Convolve's claims against Compaq, the district court granted Seagate and Compaq's motions for summary judgment.

On appeal, the Federal Circuit affirmed the district court, holding that Convolve failed to preserve its trade secrets properly because it failed to follow the NDA protocol requiring a written confirmation that the matters discussed in 1999 were confidential and therefore lost all trade secret protection at the moment of disclosure. Convolve argued that its claims under the California Uniform Trade Secrets Act (CUTSA) should survive because under the CUTSA, trade secrets do not have to be marked as confidential to retain their trade secret protection. The Federal Circuit disagreed and held that the NDA expressly set the boundaries of the confidential relationship and trumped any protections that the CUTSA may have provided.

Core Labs. LP v. Spectrum Tracer Servs., L.L.C., 532 F. App'x 904, 905 (Fed. Cir. 2013). On August 7, 2013, the Federal Circuit reversed the Oklahoma District Court's denial of Core Laboratories' ("Core") motion for preliminary injunction as to Core's trade secret and proprietary information. Core was in the business of providing services to oil well operators to assist in tracing fossil fuels and fracking processes. Core alleged that a Spectrum Tracer ("Spectrum") employee had received a software program that belonged to Core and was asked by Spectrum to recreate the program's functionality. Core filed an emergency motion with the district court, requesting an injunction against Spectrum's use of Core's trade secret software application and the information therein. The district court denied Core's motion on the basis that Core had not demonstrated irreparable harm.

On appeal, the Federal Circuit held that Texas law applied and under Texas law, a showing of irreparable harm was unnecessary; instead, when a defendant possesses trade secrets and is in a position to use them, harm to the trade secret owner may be presumed. Notwithstanding the presumption, the Federal Circuit reviewed the record for evidence on irreparable harm and the adequacy of other remedies and concluded that Core had adequate support for its claim; there was undisputed evidence that Core's competitive position had been compromised by Spectrum's actions leading to lost customers, a loss of nearly \$1 million worth of jobs to Spectrum, and suffered price erosion. Accordingly, the Federal Circuit held that given Core showed that its information likely met the definition of trade secret, that it was likely to prevail on the merits for trade secret misappropriation, and that the balance of harms and the public interest were in its favor, the district court abused its discretion in denying Core's motion for a preliminary injunction.

Energy Recovery, Inc. v. Hauge, 745 F.3d 1353, 1354 (Fed. Cir. 2014). The Federal Circuit reversed and vacated a district court ruling that found Leif Hauge in contempt of a court order, enjoining him from manufacturing and selling pressure exchangers in competition with his former employer Energy Recovery. Hauge was formerly the president of Energy Recovery; in a settlement relating to his departure from Energy Recovery, the parties entered into an agreement that contained non-compete provisions prohibiting Hauge from making or selling similar technology. Three days after the agreement, the district court adopted the agreement and issued an order (the "2001 Order"). After the expiration of the non-compete clause in 2004, Hauge filed for and was issued a patent relating to a pressure exchanger and began selling equipment based on his patent. Hauge also created a consulting agreement with two Energy Recovery employees around services for Hauge's new company.

In 2012, Energy Recovery filed a motion for order to show cause, alleging that Hauge used Energy Recover's proprietary technology to manufacture his new pressure exchangers, in violation of the 2001 order. After a show cause hearing, the district court entered judgment finding that Hauge violated the 2001 Order and was in contempt, and enjoined Hauge and his company from manufacturing and selling pressure exchangers and replacement parts for pressure exchangers. On appeal, the Federal Circuit held that Hauge did not violate any provision of the 2001 order and that the settlement agreement only required that Hauge transfer ownership of the intellectual property around the pressure exchanger; even if Hauge's later actions implicated patent infringement or trade secret misappropriation, they did not violate the specific provisions of the order. The Federal Circuit further noted that nothing in the 2001 Order expressly precluded Hauge from using any manufacturing process and accordingly the district court abused its discretion by finding Hauge in contempt of the order.

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Foster v. Pitney Bowes Corp., 549 Fed.Appx.982 (Fed. Cir. 2013). In 2007, Foster submitted a provisional patent application to the USPTO for a virtual post office box/internet passport system (VPOBIP). Because Foster failed to provide a non-publication request, the USPTO made his application publicly available in 2008. After filing his provisional application, Foster met USPS to discuss the possibility of implementing his VPOBIP concept. Foster also contacted Pitney Bowes (Pitney) via email where he described the VPOBIP concept and explained his intent to partner with USPS. Pitney launched “volly.com” in early 2011 and in November that year, Foster sued Pitney and USPS in Pennsylvania District Court claiming that volly.com copied ideas in his patent application.

The district court ruled that there was no trade secret misappropriation because any information that may have been appropriated by Pitney was in the public domain at the time Foster spoke with Pitney. Foster appealed. The Federal Circuit reasoned that to present a prima facie case of trade secret misappropriation, a plaintiff must first show the existence of a trade secret. Here, where Foster allowed publication of his patent application, the information was no longer secret and no trade secret misappropriation could have taken place. Further, there was no evidence that Foster entered into any confidentiality agreement with Pitney. The Federal Circuit therefore affirmed the judgment in favor of Pitney.

Gabriel Technologies Corp. v. Qualcomm Inc., 560 Fed.Appx. 966 (Fed. Cir. 2014). Gabriel Technologies Corporation (Gabriel) appealed a California district court award of attorney fees to Qualcomm, Inc (Qualcomm). In October 2008, Gabriel and Trace Technologies sued Qualcomm, SnapTrack and Krasner for misappropriation of trade secrets, amongst other claims; Gabriel argued that Qualcomm had misappropriated trade secrets relating to its GPS technology. In 2010, the district court required Gabriel and Trace to post an \$800,000 bond to continue their suit because Qualcomm presented evidence that the lawsuit was likely unmeritorious and brought in bad faith. Gabriel posted the bond and the parties proceeded with discovery. In 2012, the district court granted Qualcomm’s motion for partial summary judgment, ruling that Gabriel’s trade secret misappropriation claims were time barred. In 2013, the court issued an order declaring the case exceptional and awarding Qualcomm over \$12 million in attorney fees, and ruling that Gabriel’s claims were “objectively baseless and brought in bad faith.” The court further noted that an award of fees and costs was appropriate under the California Uniform Trade Secrets Act (CUTSA) because the claims advanced by Gabriel were objectively specious and brought in subjective bad faith.

Gabriel appealed. The Federal Circuit held that under the CUTSA, Gabriel’s trade secret misappropriation claims were objectively specious and maintained in subjective bad faith because they made seven failed attempts to articulate their trade secrets but were never able to identify the specific secrets that the Qualcomm defendants had allegedly taken. The Federal Circuit also noted that Gabriel’s trade secret misappropriation claims were time barred; there was an email alleging trade secret misappropriation in 2003 and testimony that Qualcomm attempted to misappropriate trade secrets in summer of 2004. Such evidence suggested that the Gabriel plaintiffs knew they had a potential trade secret claim by the summer of 2004 at the latest yet failed to file suit within three years of that date. Accordingly, the Federal Circuit affirmed the district court ruling.

Phillip M. Adams & Associates, LLC v. Dell Computer Corp., 519 F. App’x 998, 1000 (Fed. Cir. 2013). Phillip M. Adams & Associates (PMAA) appealed the district court’s grant of summary judgment dismissing its trade secrets claims for untimeliness. PMAA owned patent that claimed a system and method for detecting data corruption defects in certain computer chips. In March 2004, PMAA sent an email to Winbond and ASUS alleging “potential theft” of PMAA’s patented programs and later filed suit against ASUS in May 2007 alleging trade secret misappropriation. The district court found that the statute of limitations had expired on PMAA’s trade secret claim because PMAA had constructive knowledge of its trade secrets claim against ASUS over three years before the lawsuit. The district court reasoned that when PMAA’s lawyer sent an email implicating ASUS and Winbond in “potential theft” of PMAA’s programs this triggered the statute of limitations in 2004.

On appeal, to determine whether PMAA’s claim expired under Utah UTSA’s statute of limitations, the Federal Circuit applied the discovery rule. Under the discovery rule, the statute of limitations is triggered

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when a plaintiff first has actual or constructive knowledge of the relevant facts forming the basis of the cause of action. The Federal Circuit held that the email showed PMAA's constructive knowledge of the misappropriation and once PMAA sent the email, he knew that a trade secret was disclosed that was either derived from someone who owed a duty to maintain its secrecy or derived through a person who utilized improper means to acquire it; either of which constituted misappropriation under the UTSA. Accordingly, the Federal Circuit held that the email demonstrated sufficient knowledge of a UTSA violation and thus, triggered the limitations that expired in 2007.

U.S. Marine, Inc. v. United States, 722 F.3d 1360 (Fed. Cir. 2013). The Federal Circuit held that subcontractors can directly challenge the government's misuse of trade secrets at the Court of Federal Claims. US Marine (USM) is a corporation that builds military boats. In 1993, USM worked with VT Halter (VT) on a project for the US Navy to develop hull crafts. In 2004, the Navy disclosed USM's design information from 1993 to its new contractors.

USM and VT brought a trade secrets misappropriation claim against the US Navy in Louisiana Federal District Court, alleging that the Navy improperly disclosed information that USM jointly developed with VT. The district court found that the Navy misappropriated USM's design information without VT or USM's authorization and awarded damages to USM. The government appealed, challenging the district court's jurisdiction over VT and USM to the Fifth Circuit. The Fifth Circuit held that the district court lacked jurisdiction over USM's and VT's claims under the FTCA and that the Navy's duties to VT and USM were governed by their contracts; thus, any claims stemming from alleged breach were contract and not tort claims under the exclusive jurisdiction of the Federal Claims Court.

USM appealed. The Federal Circuit held that the Fifth Circuit was not clearly erroneous in transferring the case to the Federal Claims Court even though USM did not have an express contract with the government. The Federal Circuit held that the Federal Claims Court had jurisdiction over USM's suit and affirmed the Fifth Circuit ruling that the case must be transferred to the Federal Claims Court.

International

Coward v Phaestos Ltd and others [2013] EWHC 1292 (Ch), 17 May 2013. This protracted dispute ostensibly concerned copyright and rights of confidentiality in quantitative trading software created during the subsistence of a now-defunct partnership arrangement. The underlying issues however related more to the break-up of a longstanding marriage between the two people who had originally conceived of the partnership business and developed it into a successful and highly profitable trading and fund management enterprise. There was no dispute as to the subsistence of copyright or the confidential nature of the source code. Although the issues of ownership over copyright at various stages of the development of the software were hard fought, the complexities arose from allegations and contradictions between the parties as to whose accounts various fund-flows had come from, in the context of their complex tax efficiency arrangements which had led to several instances of assets being asserted to be owned offshore rather than by the UK-domiciled party. In intellectual property terms, the conclusions that the copyright in the code belonged to the partnership rather than to the individual partner who created it, who was also bound by an obligation of confidentiality not to use it in his own newly formed business after the break-up of the marriage, were entirely consistent with existing case law. In March 2014, the Court of Appeal dismissed the claimant's appeal against this decision.

Flogas Britain Ltd v Calor Gas Ltd [2013] EWHC 3060 (Ch), 16 October 2013. This case related to the calculation of damages for the (admitted) use by Calor Gas of Flogas's domestic customer details extracted from Flogas's database for the purposes of a direct mail shot in mid-October 2010. Some 19,000 customer records were used, out of a UK market total in the region of 150,000 for liquefied petroleum gas. The evidence showed that the mailshot was organised and executed by a rogue employee of Calor Gas, who was promptly disciplined and subsequently dismissed. Calor Gas also made some efforts to dissuade Flogas customers who had been targeted through this route from switching supplier in their favour.

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The primary principle in damages is loss of profit as a result of the breach of confidence. Flogas was awarded damages under 4 heads of loss: (1) loss of contribution from Flogas domestic customers on the Flogas Database who moved to Calor and to other suppliers as a result of the mail shots – and would remain there for a considerable time given the low overall rate of supply switching in this market; (2) loss arising from a reduction in prices given to retain customers who were woken up to opportunities for price negotiation as a result of the mail shots; (3) cost of management time spent dealing with the disruption arising from the mail shots; (4) professional costs of forensic investigation of Calor Gas' systems. Damages calculated at £278,000 plus interest were discounted at the rate of 9% to allow for early receipt. A claim for loss of customers who would otherwise have been won by Flogas but for the market disruption caused by the mail shots which diverted sales team efforts away from winning new business to retaining existing customers was rejected in view of the lack of evidence of such losses.

Force India Formula One Team Ltd v Aerolab SRL and another [2013] EWCA Civ 780, 3 July 2013.

An appeal from the High Court's finding that a Formula One racing team had infringed the copyright and misused the confidential information of a rival team relating to the design of a new car was dismissed. The judge had made no error of law in making his findings. The Court of Appeal also refused to change the basis on which the trial judge assessed the quantum of damages. Force India had argued that although only a small proportion of the information from its design had actually been used, the totality of the design had been consulted during the process like an author using a dictionary to choose which words to select. On that basis Force India claimed damages for the use of all of the details of the design. The trial judge instead found that it was entitled to a reasonable licence fee to reflect the benefit that the defendant had derived by using the confidential information as a short cut to its design, instead of engaging a consultant to work up the designs from scratch. This was correct in principle. Force India recovered only £25,000, a sum very considerably less than the legal costs of fighting a fact-heavy dispute up to appeal.

Vestergaard Frandsen A/S and others v Bestnet Europe Ltd and others [2013] UKSC 31, 22 May 2013.

The first defendant had admitted procuring the confidential information and had used it in developing its own product directly competing with that of the Claimant. The Supreme Court dismissed an appeal against a Court of Appeal decision that an employee of the first defendant, Mrs Sig, was not liable for misusing confidential information contained in the claimant's database. Mrs Sig had formerly worked for the claimant before joining the first defendant, but she had never acquired the information, nor had she known that the defendant had developed its product using the information. Implying into Mrs Sig's employment contract a term that she would not assist another person to abuse trade secrets owned by the Claimant in those circumstances would impose strict liability on Mrs Sig. This was wrong in principle, since it was unnecessary to give the contract commercial effect and was almost penal in nature. Further, although Mrs Sig was party to activities which might have rendered others liable for misuse of the information, Mrs Sig herself could not be liable on the basis of joint tortfeasorship in the form of sharing a common design to breach confidence with others who had in fact misused the information: she did not share the features of the design which made it wrongful with the other parties to the design. Finally, the Supreme Court rejected the argument that Mrs Sig had turned a blind eye to others' misuse or had "played with fire" when she started in business with them. To turn a blind eye requires dishonestly ignoring something (which was absent on the facts) and playing with fire did not necessarily lead to getting burnt: the law of equity did not require that someone who took risks should be punished despite not having herself done anything wrong.

Volkswagen Aktiengesellschaft v Garcia and others [2013] EWHC 1832 (Ch), 25 June 2013.

Birss J granted an interim injunction requiring pre-publication redaction of an academic paper disclosing the Megamos Crypto algorithm, used in microchips for engine immobilisers in millions of cars, together with details of an inherent weakness in that algorithm. In reaching that conclusion, Birss J held that the balance of interests was against publication because, despite the public interest in publication of the algorithm and its weakness which would ultimately enable improved encryption techniques to be developed, the publication whilst the algorithm was still in widespread use for protection of cars would facilitate car theft by those organised criminal groups who had the sophistication to be able to interpret the paper. The judge also took into account the fact that the defendants must have realised that the

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product they used to derive the algorithm was not acquired from a legitimate source and was, in fact, sold in the knowledge that it was likely to facilitate crime.