# ABA Section of Intellectual Property Law, Trade Secrets and Interferences with Contracts Committee Annual Trade Secret Law Report 2015/2016

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***1st Circuit***

**Massachusetts**

***178 Lowell St. Operating Co., LLC v. Nichols*, 152 F. Supp. 3d 47 (D. Mass. 2016).** Plaintiff 178 Lowell Street Operating Company, LLC d/b/a Lexington Health Care Center, a rehabilitation and medical services facility in Lexington, Massachusetts, sought a temporary restraining order against several defendants, including co-defendant Dana Nichols, its former Director of Nursing. Nichols signed an agreement with Lexington stating that she would not solicit Lexington employees within 90 days preceding her departure, and that she would not disclose Lexington's confidential information and trade secrets. Nichols later resigned from Lexington and began working as the Director of Nursing at co-Defendant Integrated Health Services, Inc. d/b/a Medford Rehabilitation & Nursing Center, located in Medford, Massachusetts. Two other former Lexington employees, Denise Belliveau and Jennifer Gorell both resigned a month after Nichols resigned and joined her at Medford. Plaintiff then filed a complaint and later moved for a temporary restraining order to stop Nichols and Medford from soliciting other Lexington employees and using confidential, trade secret information belonging to Lexington. The court considered multiple elements of the facts, including the enforceability of the agreement Nichols signed under the "material change doctrine," which provides that a new restrictive covenant must be signed each time an employee's relationship with her employer changes, given that Nichols was promoted twice over the course of her employment with Lexington, which spanned over seven years. However, the court found the agreement to be enforceable despite these facts.

***Infinity Fluids Corp. v. General Dynamic Land Sys., 2016 U.S. Dist LEXIS 134613 (D. Mass. 2016).*** Defendant General Dynamic Land Systems (GDLS) is a defense contractor that designs and manufactures various combat vehicles for the United States Military. One project for which it contracted with the US Marines was an armored sea ship tank. Defendant sought vendors for component parts needed for the tank, and one such vendor was plaintiff Infinity Fluids Corp., which claimed it could assist in designing and selling a heater to warm engine coolant when necessary. The parties entered into an agreement to govern the exchange of each other's proprietary information. After the parties entered into a purchase order for the heaters, however, Infinity's initial product failed, but the parties continued to work on brokering a sale of different prototypes of the heater. Later, GDLS contracted with third parties to continue working on the heater program, and in so doing, shared Infinity's trade secret information with such parties. Infinity sued for breach of contract and disclosure of Infinity's proprietary information. The court agreed with GDLS that there was no evidence supporting a finding that GDLS improperly disclosed any of Infinity's proprietary information for its professional gain in violation of the agreement between the parties. With specific regard to trade secret misappropriation, the court found that a genuine issue as to material fact existed that GDLS shared Infinity proprietary information to third parties, despite the fact that the agreement contemplated that Infinity would disclose its proprietary information to GDLS.

**Puerto Rico**

***Caraballo-Cecilio v. Marina PDR Tallyman, LLC, 2016 U.S. Dist. LEXIS 11117 (D.P.R. 2016) (unpublished).*** Plaintiff Esther Caraballo used to work for Marina Puerto del Rey, and did so since 2003. In December 2012, Marina Puerto del Rey filed for bankruptcy, and defendant Marina PDR Tallyman, LLC purchased it with the bankruptcy court's permission. After the sale, Caraballo signed an agreement with defendant, which stated that her employment began on May 31, 2013 and that she was subject to a 90-day prohibition period. Defendant terminated

Caraballo before the end of such period, however, which according to the purchase agreement executed through the bankruptcy proceedings, specifically stated that the employees of Marina Puerto del Rey were terminated and subject to rehire by defendant. Thereafter, Caraballo brought the underlying action alleging employment discrimination and wrongful discharge, but did not allege a successor liability claim. The court reconsidered the claims for the limited purpose of determining defendant's successor liability, if any, with respect to Marina Puerto del Rey, and whether those damages are limited to the time frame during which she worked for defendant. On the issue of damages, the court found that because the employment agreement between defendant and Caraballo was bargained-for irrespective of Caraballo's previous employment with Marina Puerto del Rey, which was consistent with the language of the bankruptcy Order Confirming Sale, any damages Caraballo may demonstrate should be limited to the time she worked for defendant only.

***2nd Circuit***

**New York**

***Grewal v. Cuneo*, 2016 U.S. Dist. LEXIS 8349 (S.D.N.Y. 2016) (unpublished).** An attorney sued her former employer, a law firm, and the firm's partners for various federal and state law claims. The firm countersued the attorney for breach of fiduciary duty and breach of duty of loyalty. The firm argued that the attorney violated her duties by providing pro bono legal representation without the firm's authorization, lying to the firm about possession of documents related to the pro bono representation, disparaging the firm to the pro bono clients, and preparing to take the firm's clients when the attorney left the firm. The attorney moved to dismiss the counterclaims. The court held that none of the firm's allegations stated a claim for breach of fiduciary duty or breach of duty of loyalty. First, the court held that the firm failed to plead that the attorney's pro bono representations caused plaintiff to misappropriate the firm's time or resources, allowed plaintiff to divert funds from the firm to herself, or benefitted competing law firms. The court held that *ultra vires* acts, without evidence of self-dealing, did not state a claim for breach of good faith and loyalty. Second, the court held that the firm's claims that the attorney disparaged the firm and lied to the firm about documents related to the pro bono representation were not actionable. The court explained that to be a faithless servant, there must be evidence of self-dealing. Because there was no evidence of self-dealing on plaintiff's part, the court found that the attorney's purported acts of dishonesty were nothing more than insubordination. Third, the court held that the firm's allegation that the attorney was a faithless servant for preparing to steal the firm's clients was insufficiently pled. The firm's only allegation regarding this purported plan was that the attorney had discussed her plan with one pro bono client. The court held that this preliminary inquiry was not enough to constitute a breach of fiduciary duty. To be considered a faithless servant, the attorney would have had to lessen her work on behalf of the firm or misappropriate the firm's business secrets. Because the firm failed to allege any facts that the attorney took a material step to steal the firm's clients, the court dismissed the claim.

***MacCartney v. Walsh, 2016 U.S. Dist. LEXIS 24608 (S.D.N.Y. 2016) (unpublished).*** Plaintiff, a former partner in an at-will partnership law firm, alleged breach of fiduciary duty and aiding and abetting breach of fiduciary duty claims against his former law firm, his former partner, and a former associate of the firm. First, defendants moved to dismiss the breach of fiduciary duty claim against the former associate of the firm on the grounds that plaintiff, a former partner of the firm, did not have standing to assert a claim against an employee of the firm. Plaintiff alleged that the employee misappropriated fees from the firm and diverted the firm's resources for personal use. Defendants argued that any breach of fiduciary duty claim against an employee belonged to the partnership, the actual employer, and not to individual partners. The court held that plaintiff, as a former partner of the firm, could not maintain a cause of action that belonged to the partnership. The allegations only showed that the employee breached a duty owed to the firm, not to the plaintiff personally. The court dismissed the claim due to plaintiff's lack of standing. Second, plaintiff alleged that his former partner had failed to collect all fees and debts owed to the firm, borrowed money against a line of credit guaranteed by plaintiff, and funded the operations of his new firm with the funds that should have been distributed to plaintiff after the dissolution of the old firm. The court ruled that the former partner continued to owe plaintiff a fiduciary duty as he wound up the affairs of the old firm. Because the allegations concerned actions that the former partner took during the dissolution of the old firm, the court ruled that plaintiff had sufficiently pled a claim for breach of fiduciary duty against the former partner.

***CMG Holdings Group v. Wagner, 2016 U.S. Dist. LEXIS 121135 (S.D.N.Y. 2016) (unpublished).*** (holding that the employer adequately alleged breach of fiduciary duty by claiming that employees diverted clients and profits from employer by misrepresenting to employer's clients that employees' individual and separate businesses were the same as employer's); Tourmaline Partners, LLC v. Monaco, 2016 U.S. Dist. LEXIS 18193 (D. Conn. 2016) (unpublished) (holding that plaintiff had sufficiently presented a breach of fiduciary duty claim against its former employee because a reasonable jury could find that a fiduciary relationship existed if it found that defendant was an agent of plaintiff's, that defendant consented and acted on behalf of defendant, and that plaintiff entrusted defendant with confidential information); Vanacore v. Expedite Video Conferencing Servs., 2016 U.S. DIst. LEXIS 37934 (E.D.N.Y. 2016) (unpublished) (dismissing a breach of duty of loyalty and good faith claim where the only allegation was that the employee was not devoting enough time to his job; the court explained that employers already have an adequate remedy for such a problem: "they can fire the employee").

***Solomon Agency Corp. v. Choi*, 2016 U.S. Dist. LEXIS 75949 (E.D.N.Y. 2016)**. Plaintiff sued its former employee for breach of their noncompete. Defendant stated a novel argument that plaintiff's motion for preliminary injunction should be held to a heightened standard of review because enforcement of the restrictive covenant would necessarily be permanent, rather than preliminary. The court rejected this argument and applied the ordinary standard for deciding whether to issue a preliminary injunction. The court found that the restrictive covenant was enforceable. First, the court held that plaintiff's legitimate business interest in prohibiting defendant from soliciting a specific client of plaintiff's was not defeated by defendant's allegation that it was plaintiff that ruined the relationship with the client. Second, the court held that the noncompete was impermissibly broad but could be rendered reasonable by "blue penciling" to restrict the geographic limitations and to limit the restrictive covenant to plaintiff's clients with whom defendant worked. Third, the court held that the balance of equities lay in favor of enforcing the covenant because "blue penciling" ameliorated barriers to defendant being able to earn a living.

***Nostrum Pharms., LLC v. Dixit*, 2016 U.S. Dist. LEXIS 133844 (S.D.N.Y. 2016) (unpublished).** (Although defendant did not start selling generic pharmaceuticals until after the expiration of his noncompete agreement with plaintiff, the fact that he sought a manufacturer and distributor was enough to be in breach of the agreement); Prezio Health, Inc. v. Schenk, 2016 U.S. Dist. LEXIS 36532 (D. Conn. 2016) (granting summary judgment to defendant on a finding that the noncompete was invalid because the unlimited geographical area was not reasonable).

***MasterCard Int'l Inc. v. Nike, Inc.*, 2016 U.S. Dist. LEXIS 22209 (S.D.N.Y. Feb. 23, 2016).** Plaintiff sued two former employees for breach of nonrecruitment provisions in their employment agreements. The agreements prohibited the employees from soliciting plaintiff's employees for a period of time following termination of their employments with plaintiff. After the two employees left plaintiff, they, along with eight other former employees of plaintiff, began working for defendant. The parties disputed whether or not the nonrecruitment provisions should be construed as restrictive covenants. The court ruled that nonrecruitment provisions should be subject to the reasonableness standard in BDO Seidman v. Hirshberg, 93 N.Y.2d 382, 388 (N.Y. 1999), rather than general contract principles. While the court agreed that nonrecruitment provisions were inherently more reasonable and less restrictive than noncompete clauses, nonrecruitment provisions still operated as anticompetitive agreements that warrant judicial scrutiny beyond general contract principles. The BDO Seidman test applied with equal force to nonrecruitment provisions as it does to noncompete provisions. Applying the test, the court found that the nonrecruitment provision was reasonable.

***Marsh USA Inc. v. Schuhriemen*, 2016 U.S. Dist. LEXIS 59369 (S.D.N.Y. May 2, 2016)**. (granting a preliminary injunction because the nonsolicitation agreements were likely not overbroad, or could be redacted without invalidating the agreements, even though the agreements did not include carve-outs for defendant's personal clients and included prohibitions against soliciting plaintiff's prospective clients).

***Capricorn Mgmt. Sys. v. Gov't Empes. Ins. Co.*, 2016 U.S. Dist. LEXIS 46584 (E.D.N.Y. Apr. 6, 2016) (applying Maryland law).** Plaintiff, a software development company targeting services to insurance companies and the medical billing service industry, developed module programs that worked with its proprietary software for the transmission, handling, and management of automobile insurance medical bills. Plaintiff maintained these modules as trade secrets. Plaintiff and defendant entered into a nondisclosure agreement in anticipation of plaintiff providing defendant with highly customized modules. Plaintiff alleged that defendant copied and incorporated plaintiff's modules directly into defendant's own system, and disclosed confidential information about the modules to competitors. Defendant made two main arguments to dismiss the complaint; the court rejected both. First, defendant argued that the software and modules were highly customized for defendant and, thus, did not have the "independent economic value" required to be a trade secret. The court ruled that the mere fact that the program was designed for a particular customer does not eliminate the possibility of the program being protectable as a trade secret. The court explained that in examining economic value, the universe of comparable companies is not limited to defendant's competitors, but rather, includes *plaintiff's* competitors. Second, defendant argued that the software could not have "independent economic value" because it "implements well-known and common requirements" of the insurance industry. The court clarified that the relevant benchmark is not the requirements the software implements but whether the *method* for such implementation is proprietary. Finally, the court held that plaintiff's allegations about the existence of the nondisclosure agreement were alone sufficient to demonstrate reasonable efforts to maintain secrecy at the motion to dismiss stage. The court denied the motion to dismiss.

***Bancorp Servs., LLC v. Am. Gen. Life Ins. Co.*, 2016 U.S. Dist. LEXIS 18330 (S.D.N.Y. Feb. 11, 2016)**. (holding that plaintiffs adequately, though "barely," passed the motion to dismiss threshold by pleading that defendant requested the proprietary information while masking its intent to use and disclose such information; and further holding that a nonparty to a nondisclosure agreement had standing to bring a claim for breach of the agreement because the nonparty's confidential information was protected under the agreement, and thus, the nonparty was a beneficiary of the agreement); Banner Indus. of N.E. v. Wicks, 631 F. App'x 79

(2d Cir. 2016) (the fact that employee held onto confidential information belonging to employer after termination, without more, did not give rise to an inference that employee misappropriated the confidential information); C.D.S. Inc. v. Zetler, 2016 U.S. Dist. LEXIS 104318 (S.D.N.Y. 2016) (unpublished) (employer's claim that proprietary source code was knowingly used by employee in violation of their confidential relationship was sufficient to survive motion to dismiss); Next Communs. v. Viber Media, 2016 U.S. Dist. LEXIS 4325 (S.D.N.Y. Mar. 30, 2016) (holding that plaintiff adequately pled the general contours of the trade secret, even though the complaint did not reveal actual technical details, because the complaint described the capabilities of the relevant program in substantial detail; and taking judicial notice of patent applications in the public domain that predated the creation of plaintiff's idea, holding that plaintiff had failed to plead a claim for misappropriation of a business idea because the idea was not novel); Prezio Health, Inc. v. Schenk, 2016 U.S. Dist. LEXIS 36532 (D. Conn. Mar. 22, 2016) (denying defendants' motion for summary judgment on the grounds that there was a triable issue of fact for the jury regarding whether defendants used plaintiff's confidential information for any business purpose since an adverse inference instruction would potentially be appropriate at trial related to the defendants' grossly deficient deletion of metadata); Stanacard, LLC v. Rubard, LLC, 2016 U.S. Dist. LEXIS (S.D.N.Y. Feb. 3, 2016) (holding that plaintiff could not bring two claims, under two distinct state laws, for misappropriation of trade secrets on the same facts).

***Design Partners, Inc. v. Five Star Elec. Corp.*, 2016 U.S. Dist. LEXIS 41913 (E.D.N.Y. 2016).** Plaintiff hired two consultants to work on defendant's projects. At the time they were hired, each consultant signed an employment contract with plaintiff that contained a noncompete clause. The noncompete clause stated that, for a period of two years following termination of employment with plaintiff, the consultants could not provide consulting services to the customers of plaintiff who the consultants worked for while employed by plaintiff. Plaintiff fired one of the consultants due to defendant's complaints. The other consultant left due to purported family reasons. After leaving plaintiff's employ, both consultants were promptly hired by defendant. Plaintiff alleged that defendant tortuously interfered with plaintiff's employment contracts by knowingly inducing the consultants to breach their noncompete clauses. The court denied defendant's motion for summary judgment as to the intentional interference claim, but clarified the damages methodology. Defendant argued that the fired consultant's noncompete was unenforceable because the consultant was involuntarily terminated. The court held that an employer could not enforce a noncompete provision against former employees where the employees were involuntarily laid off without cause. In contrast, the court held that an employer could still enforce a noncompete provision against former employees where the employees were voluntarily laid off for cause. Thus, the termination of the consultant for cause did not render the fired consultant's noncompete clause unenforceable. Defendant also argued that plaintiff could not establish damages related to either consultant. Plaintiff advocated that the measure of damages should be the number of years the consultants worked in defendant's employ, multiplied by 2,000 hours per year, multiplied by the hourly rates that plaintiff charged for their services. The court found that plaintiff could seek general damages, but not consequential damages. Thus, the appropriate calculation would be the actual hours of consulting services the consultants worked while in defendant's employ, multiplied by the hourly rate that plaintiff would have charged for their services, less plaintiff's projected costs of employing the consultants during that period. This amount would be capped at two years.

## <u>Connecticut</u>

***Westport Res. Mgmt. v. DeLaura*, 2016 U.S. Dist. LEXIS 81586 (D. Conn. 2016) (unpublished).** DeLaura worked as a financial planning specialist for both Westport Resources

Investment Services, Inc. (WRIS) and Westport Resources Management, Inc. (WRM). More than 90 percent of WRM's clients were also clients of WRIS, and the two companies shared a degree of interrelatedness. As part of his employment agreement, DeLaura agreed that for a period of one year following separation from WRM, he would not solicit any client of WRM. Upon his resignation from both WRM and WRIS, DeLaura invoked the protections of The Protocol for Broker Recruiting, which forecloses any liability a departing financial planner or his new firm may incur by taking certain information from one signatory firm to another. WRIS was a signatory to the Broker Protocol, but WRM was not. Immediately after his resignation, DeLaura began soliciting WRIS clients, who were also WRM clients. WRM thus filed suit seeking to enforce the nonsolicitation agreement. In addition, WRM sought a temporary restraining order. The court held that The Broker Protocol only allowed registered representatives who move from one signatory firm to another to take certain information concerning "the clients that they serviced while at the firm." In this case, the court held that DeLaura never serviced WRIS clients (even though the WRM clients and the WRIS clients were essentially the same individuals), because he never received any WRIS commissions. More importantly, DeLaura agreed not to solicit WRM's clients—who was not a signatory to The Broker Protocol. The court thus issued the temporary restraining order against DeLaura.

***Tourmaline Partners, LLC v. Monaco*, 2016 U.S. Dist. LEXIS 18193 (D. Conn. Feb. 16, 2016).** Plaintiff sued its former employee, defendant, for misappropriation of trade secrets. Defendant resigned from plaintiff and quickly began working for a company that had a prior business relationship with plaintiff. Plaintiff alleged that defendant acquired client identities and investment preferences, client contact information, vendor rates, and trading histories and used that information at his new employment. Defendant refused to respond to numerous interrogatory and discovery requests, leading to sanctions. First, the court found that there were material disputes of fact as to whether or not the information constituted a trade secret. Second, the court found that it would likely be appropriate to provide an adverse inference from defendant's failure to respond to plaintiff's discovery requests. With the adverse inference, the court held that a reasonable jury could find that defendant disclosed trade secret information to his new employer. The court held that an adverse inference alone could not defeat a motion for summary judgment, but that this was a borderline case presenting not insubstantial evidence supplementing the adverse inference. The court further held that genuine issues of material fact remained in plaintiff's parallel Connecticut Uniform Trade Secrets Act claim.

***Learning Care Grp., Inc. v. Armetta*, 2016 U.S. Dist. LEXIS 31472 (D. Conn. 2016)**. (holding that where there was a showing that the defendant intentionally breached her fiduciary duty, plaintiff could seek nominal damages, even though plaintiff could not prove actual damages).

## ***3rd Circuit***

## **Pennsylvania**

***Acclaim Sys. V. Infosys, Ltd.* 2016 U.S. Dist. LEXIS 32147 (E.D. Pa. 2016) (unpublished).** (granting summary judgment in favor of defendant company accused of tortious interference by poaching employees subject to restrictive covenants where no evidence existed as to intent element of the tort and plaintiff failed to connect claimed damages to any wrongful conduct); ADP, LLC v. Bakshi, 2016 U.S. Dist. LEXIS 40995 (D.N.J. 2016) (unpublished) (denying defendant former employee's motion to dismiss action arising out of breach of noncompete agreements where plaintiff employer pleaded valid New Jersey choice-of-law provision; defendant employee could not simply ask the court at the pleading stage to apply California public policy prohibition of noncompete agreements as to its citizens, where discovery could reveal significant contacts with New Jersey); ADP, LLC v. Lynch, 2016 U.S. Dist. LEXIS 85636 (D.N.J. 2016) (unpublished) (denying defendant employees' motion to dismiss claims arising out of restrictive covenants and motion to transfer venue, where court held that "clickwrap" agreement requiring employee to certify he or she had read document containing the provisions was valid contractual acceptance; granting in part injunction barring defendants from soliciting former clients and using proprietary information, but denying injunction barring defendant employees from merely working for a competitor); Globus Med. v. Spine, 2016 U.S. Dist. LEXIS 135363 (E.D. Pa. 2016) (unpublished) (granting partial summary judgment in favor of plaintiff company that claimed defendant former employee had violated exclusive distributor agreement for spinal implant products where he had marketed bone grafting material that fell under the agreement's provision regarding products sold by any "company" in "the medical products business" and had done so during effective term of the agreement; denying partial summary judgment as to alleged breach in post-termination period in agreement without passing on enforceability of such a provision); Innocor, Inc. v. Sinomax USA, Inc., 2016 U.S. Dist. LEXIS 113561 (D.N.J. 2016) (unpublished) (denying motion for preliminary injunction barring defendant employee from working for defendant company where parties disputed whether noncompete agreement had survived bankruptcy in which employment agreement on which noncompete was based had been terminated); Rogers v. Gentex Corp., 2016 U.S. Dist. LEXIS 121513 (M.D. Pa. 2016) (unpublished) (denying plaintiff former employee's motion for preliminary injunction allowing him to start a business notwithstanding an existing noncompete agreement with his former employer where plaintiff could not demonstrate threat of immediate and irreparable injury because he had not started his new business and that he would not likely prevail on the merits because the proposed business would likely violate the noncompete agreement); Sensus USA, Inc. v. Franklin, 2016 U.S. Dist. LEXIS 50187 (D. Del. 2016) (unpublished) (granting motion for preliminary injunction to enforce two-year noncompete, nonsolicitation, nondisclosure and nondisparagement provisions, where former executive of company with in-depth knowledge of major projects and clients could freely seek and obtain other employment without violating the restrictive covenants).

***Crayola, LLC v. Buckley*, 2016 U.S. Dist. LEXIS 1461204 (E.D. Pa. 2016)**. Plaintiff company alleged that defendant former employee had breached noncompete and nondisclosure provisions by seeking employment with and working for a competitor, failing to return the company's business records, and disclosing the company's confidential and proprietary information to a competitor. Defendant moved to transfer venue from Pennsylvania, the location of the company's headquarters, to Arkansas, where defendant had performed his work duties. The court found that plaintiff's tort claims were all essentially based upon the alleged copying of information onto a flash drive of data stored in Pennsylvania. Noting the variance in courts on determining venue in such situations, the court held that the traditional venue factors of convenience controlled, and that it would be too unpredictable for defendants to be haled into court in any jurisdiction where data might be stored or pass through. The court therefore granted the employee's motion to transfer venue to Arkansas.

***Nicolo v. Patterson Belknap Webb & Tyler*, 2016 U.S. Dist. LEXIS 135370 (W.D. Pa. 2016).** Plaintiff, a retired surgeon and inventor, met with an attorney at the defendant law firm to discuss two of plaintiff's patents. That attorney also was developing a patent holding company and disclosed such to plaintiff in their meeting. Plaintiff disclosed various items of confidential information about his patents in the meeting, and later sued for misappropriation of trade secrets when he learned that the attorney's firm had previously represented a company to which the plaintiff had previously tried to sell his patents. The court found that plaintiff's alleged trade secrets did not reflect any investment in time or effort, but rather constituted a series of admissions: that plaintiff had no commercial licenses; that no one had expressed interest in his patents; and that he had made no efforts to market or develop his products, among other things. The court further found no evidence of any disclosure or use of his confidential information, and therefore granted defendant's motion for summary judgment.

***Avanti Wind Sys. v. Shattell*, 2016 U.S. Dist. LEXIS 75406 (W.D. Pa. 2016).** (denying motion for summary judgment on trade secret misappropriation claim as to customer list, quotes, and prices and plaintiff company materials relating to pricing, training, methodologies, and schedules because on various contradictory facts, a reasonable jury could find such information to be trade secrets and find that misappropriation occurred); Baxter Healthcare Corp. v. HQ Specialty Pharma. Corp., 157 F. Sup. 3d 407 (D.N.J. 2016) (genuine factual dispute existed as to trade secrets claim, given temporal proximity between individual's termination from plaintiff company and presentation of nearly complete product proposal to defendant company relating to plaintiff company's business, suggesting defendant company may have had reason to know individual had misappropriated trade secrets); Kappe Assocs. V. Chesapeake Envtl. Equip., LLC, 2016 U.S. Dist. LEXIS 43322 (E.D. Pa. 2016) (denying motion to dismiss trade secrets claim, lacking clarity as to whether trade secret allegations were material or mere surplusage in complaint); Lenox Corp. v. Robedee, 2016 U.S. Dist. LEXIS 127110 (D.N.J. 2016) (affirming magistrate's order for forensic examination of hard drive belonging to defendant accused of misappropriating confidential information); Precision Indus. Equip. v. IPC Eagle, 2016 U.S. Dist. LEXIS 5166 (E.D. Pa. 2016) (holding that plaintiff's relationship with customer, including habits, pricing, and buying history, was not a trade secret comparable to a customer list when that customer was well-known in the industry and actively sought to disseminate its information at trade shows and in soliciting proposals, and where plaintiff did not take sufficient steps to protect that information); Provita Eurotech, Ltd. v. Marmor, 2016 U.S. Dist. LEXIS 26856 (M.D. Pa. 2016) (granting motion for preliminary injunction barring defendants for one year from violating nondisclosure and noncompete agreement across the United States, where plaintiff company sought nondisclosure of its customer and price lists and threat of disruption to established business relations existed); Vizant Techs., LLC v. Whitchurch, 2016 U.S. Dist. LEXIS 2112 (E.D. Pa. 2016) (granting partial summary judgment in favor of plaintiff employer on claims (1) that defendant former employees had breached employment agreement on confidential information where they had retained cost reduction reports consisting of financial data about clients and the employer's strategy for cutting clients' costs, with the stated intention of threatening the employer and deterring others from doing business with the employer and (2) that defendant former employees, in retaining the cost reduction reports, had also misappropriated trade secrets under the Delaware Uniform Trade Secrets Act).

**New Jersey**

***Adesanya v. Novartis Pharms. Corp.*, 2016 U.S. Dist. LEXIS 108056 (D.N.J. 2016) (unpublished).** (granting summary judgment on counterclaim against plaintiff for breach of employment contract's conflict of interest policy, duty of loyalty, and duty of good faith and fair dealing, where plaintiff employee sought out and accepted hundreds of hours of consulting work with competitors during her tenure in violation of contractual obligations and failed to disclose the same); Kappe Assocs. v. Chesapeake Envtl. Equip., LLC, 2016 U.S. Dist. LEXIS 43322 (E.D. Pa. 2016) (unpublished) (denying motion to dismiss duty of loyalty and other tort claims where, at pleading stage, court lacked sufficient information to decide whether "gist of the action" doctrine applied to defendants who had allegedly breached duty of loyalty and covenant of good faith and fair dealing under original employment agreements); Numeric Analytics, LLC v. McCabe, 2016 U.S. Dist. LEXIS 15439 (E.D. Pa. 2016) (unpublished) (finding personal jurisdiction over breach of contract claims against former employees who started competing business where plaintiff employer was based in Pennsylvania and "all of the essential functions that allowed Defendants to earn a living were channeled through Pennsylvania," and finding personal jurisdiction over one former officer employee for separate tort claims including duty of loyalty and tortious interference in light of her status with plaintiff company, but finding no personal jurisdiction over employee defendants for separate tort claims where they had not directed any tortious activity to Pennsylvania).

***<u>4th Circuit</u>***

**<u>Maryland</u>**

***CytImmune Scis., Inc. v. Paciotti*, 2016 U.S. Dist. LEXIS 121188 (S.D. Md. 2016).** Defendant, a scientist, was employed with plaintiff to develop nano-technology to target and treat cancerous tumors using metallurgic alloys. Defendant ended 28 years of employment with plaintiff; defendant began working as vice president of research and development at plaintiff's competitor only two days after termination. Defendant continued to work within the same field, but focused on research regarding different metallurgic alloys for cancer diagnosis, not treatment. Plaintiff filed suit alleging that defendant breached his noncompete agreement and sought a preliminary injunction. The trial court initially denied the preliminary injunction and the breach of contract claim proceeded to a bench trial. At trial, defendant claimed plaintiff breached its employment contract, containing the noncompete agreement, when it failed to pay defendant his full salary. The court found plaintiff did not materially breach the employment contract such that defendant would be excused from the noncompete provision because plaintiff substantially paid defendant the majority of his salary. The court also found that the noncompete agreement was overly broad by prohibiting defendant from working, owning stock, or even serving in an advisory or managerial role at any other nano-medicine company. At trial, following the courts finding regarding the noncompete agreement, the plaintiff re-raised its request for a preliminary injunction. In response, the court still found plaintiff would not likely succeed on the merits because the noncompete violated public policy and stifled competition because it prohibited more activity than the type of activity that plaintiff could conceivably consider adverse. Therefore the court denied Plaintiff's renewed request for a preliminary injunction.

**<u>North Carolina</u>**

***360 Mortg. Group, LLC v. Stonegate Mortg. Corp.*, 2016 U.S. Dist. LEXIS 124661 (E.D.N.C. 2016) (unpublished).** (finding that a former employee, who transferred a broker list to plaintiff's competitor did not breach any fiduciary duty because the employee did not assert sufficient control or influence over his employer so as to violate any type of confidence); *Air Cleaning Equip. v. Clemens*, 2016 N.C. Super. LEXIS 121 (2016) (unpublished) (holding that claims for breach of fiduciary duty and misappropriation of trade secrets could not lie because plaintiff failed to demonstrate damages resulting from defendant employee's actions); *Coves Darden, LLC v. Ibanez*, 2016 S.C. App. Unpub. LEXIS 475 (2016) (unpublished) (holding that an employee with an oral agreement for two-year employment with his employer did not breach any fiduciary duty because: (1) he was not in a superior position to exercise influence over his employer; and (2) the employment agreement violated the statue of frauds and therefore created no fiduciary duty between the employee and employer); *Hair Club for Men, LLC v. Ehson*, 2016 U.S. Dist. LEXIS 61465 (E.D. Va. 2016) (unpublished) (finding that under Virginia law, as an employee at will who owed a fiduciary duty of loyalty to her employer, defendant breached that duty by misappropriating trade secrets, misusing confidential information, and soliciting clients prior to termination; the court found defendants actions went beyond mere preparation to compete post-termination); *RoundPoint Mortg. Co., v. Florez*, 2016 WL 687629 (N.C. Super. Feb. 18, 2016) (unpublished) (finding that plaintiff's breach of fiduciary duty claim should proceed to trial because plaintiff pled sufficient facts to demonstrate that the defendant's actions, as a company director, in soliciting current employees and copying customized financial software while acting as a corporate director, transcended mere preparation to compete and may have breached his fiduciary duty to plaintiff's company); *Sandhills Home Care, LLC v. Companion Home Care-Unimed, Inc.*, 2016 WL 4164460 (N.C. Super. Aug. 1, 2016) (unpublished) (finding that employer failed to demonstrate that employees breached any fiduciary duty because employer did not sufficiently show that employees were in a position of domination and control over employer).

***Maaco Franchising, LLC v. Boensch*, 2016 U.S. Dist. LEXIS 123203 (W.D.N.C. 2016).** Plaintiff, Maaco Franchising, was an auto body repair/painting franchise that sued its franchisee, defendant, for breach of his noncompete agreement and sought a preliminary injunction. Under the noncompete agreement, the defendant was prohibited from owning, maintaining, engaging in, being employed by, financing, assisting, or having any interest in any business that provided motor vehicle painting or body repair services within a 10 mile radius of existing Maaco locations. The court held that plaintiff had a legitimate business interest in protected its invested time, money, and resources utilized to develop trademark and trade names and preserving the integrity of its franchise system. Therefore the court held the noncompete agreement was reasonable as to territory, time, and scope and granted the preliminary injunction.

## Virginia

***Hair Club for Men, LLC v. Ehson*, 2016 U.S. Dist. LEXIS 61465, (E.D. Va. 2016).** (finding the nonsolicitation clause was overly broad as to scope and time, overly restrictive on trade, and greater than necessary to serve plaintiff's legitimate business interests because it prohibited defendant from "dealing with or providing hair replacement services" for at least two years); Sandhills Home Care, LLC v. Companion Home Care-Unimed, Inc., 2016 NCBC 59 (N.C. Aug. 1, 2016) (holding that a nonsolicitation agreement that impermissibly restricts former employee defendants from calling on prospective customers who they did not personally solicit while working for plaintiff is not wholly unenforceable because the court can strike unenforceable provisions of the nonsolicitation agreement while enforcing divisible and separate sections of the restrictive covenant); Sandhills Home Care v. Companion, 2016 N.C. Sup. Ct. LEXIS 62, (N.C. Mar. 29, 2016) (finding plaintiff's noncompete and nonsolicitation agreements were reasonable and granted plaintiff a preliminary injunction after employee, who provided individualized home health care services to clients left plaintiff's employ and solicited plaintiff's home health care customers);

## *5th Circuit*

## Louisiana

***Iberiabank v. Broussard*, 2016 U.S. Dist. LEXIS 117062 (W.D. La. Aug. 30, 2016) (unpublished).** (former employer did not interfere with employee's new employment where former employer sent litigation hold notice in an effort to prevent the use of the former employer's data); *Emerald City Mgmt. v. Kahn*, 2016 U.S. Dist. LEXIS 2143 (E.D. Texas 2015) (unpublished) (website passwords do not constitute trade secrets because they do not have independent economic value as in the case of formulas and customer lists); *U.S. ex rel. Rigsby v. State Farm Fire & Cas. Co.*, 2016 U.S. Dist. LEXIS 69924 (S.D. Miss. 2016) (unpublished) (denying motion to dismiss because the counterclaimant identified at least one protected trade secret that was allegedly misappropriated, namely, a protected customer list).

***First Am. Bankcard, Inc. v. Smart Bus. Tech., Inc.,* No. 15-638, 2016 U.S. Dist. LEXIS 48934 (E.D. La. Apr. 11, 2016)**. Plaintiff, First American Bankcard, Inc. ("FABI"), provides cash access services to casinos across the country. FABI and Defendant, Smart Business Technology, Inc. ("SBT"), entered into an agreement to expand and upgrade FABI's cash access services, such as its automatic teller machines (ATMs) and its two flagship products known as FABICash and FABITrack. The parties' agreement transferred ownership of all completed computer programs, deliverables, and other works of authorship exclusively to FABI, though SBT retained all ownership interests in the underlying algorithms and structure. When their business relationship failed, FABI brought a variety of Louisiana state law claims, including an action under the Louisiana Uniform Trade Secrets Act ("LUTSA"), fraudulent concealment, redhibition, a claim pursuant to the Louisiana Unfair Trade Practices Act, and conversion. Among other allegations, FABI argued that SBT's refusal to turn over the source code and FABI's other proprietary information after FABI terminated the contract was a violation of the LUTSA. The Court granted SBT's 12(b)(6) motion to dismiss as to the LUTSA claim. The Court reasoned that because SBT legitimately acquired the work products through either FABI's conveyance or through SBT's development of them per the written agreement, and because SBT had not disseminated or used the work products to gain "some sort of unfair trade advantage", the LUTSA claim failed. The Court denied SBT's motion to dismiss as to the remaining claims, granting FABI leave to amend its complaint to plead sufficiently specific facts to support its remaining causes of action.

***Wright's Well Control Services, LLC v. Oceaneering International, Inc.,* No. 15-1720, 2015 U.S. Dist. LEXIS 154559 (E.D. La. Nov. 16, 2015).** Plaintiff Wright's Well Control Services was hired by a client, ATP Oil and Gas, to review the work of Defendant Oceaneering International in attempting to remove hydrates from a pipeline, and Wright's claimed that it developed a remediation system that prevented and removed hydrates in deepwater environments. In connection with this review, Wright's and Oceaneering executed a Reciprocal Nondisclosure of Confidential and Proprietary Information Agreement ("NDA") that included a choice of law provision specifying that the NDA was controlled by Texas law. After the two companies worked on several projects together, Wright's alleged that Oceaneering used information it had disclosed to Oceaneering under the NDA to create its own remediation system, which it used to bid against Wright's. Wright's had filed two nonprovisional patent applications regarding aspects of the remediation system while the companies were working together and Wright's alleged that Oceaneering's employee, Christopher Mancini, used information from these applications and other information disclosed under the NDA to file multiple patent applications listing himself as the inventor of aspects of Wright's remediation system. Wright's filed suit alleging patent infringement, breach of contract, misappropriation of trade secrets in violation of the Texas Uniform Trade Secrets Act ("TUTSA") and the Louisiana Uniform Trade Secrets Act ("LUTSA"), and numerous tort claims against Oceaneering and Mancini. The District Court granted in part Defendants' Motion to Dismiss, dismissing, *inter alia*, Wright's claim under TUTSA with prejudice. As Wright's TUTSA claims relied upon the NDA to establish a confidential relationship between the parties and the relevant duties under the NDA expired on December 11, 2012, nine months before TUTSA became law, and Wright's had not plausibly alleged the existence of any other confidential relationship under TUTSA, the District Court dismissed with prejudice Wright's TUTSA claim. However, the District Court refused to dismiss Wright's claim under LUTSA based on the choice of law provision in the NDA, because Texas and Louisiana law both dictated that the provision did not apply to extracontractual tort claims.

## <u>Mississippi</u>

***U.S. ex rel. Rigsby v. State Farm Fire & Cas. Co.*, 2016 U.S. Dist. LEXIS 69924 (S.D. Miss. 2016) (unpublished)**. The Rigsbys worked for E.A. Renfroe & Co. (Renfroe), which provided claim adjusting and related services to State Farm. Under both their employment agreements with Renfroe and a network access agreement signed with State Farm, the Rigsbys agreed not to disclose, use or misappropriate State Farm confidential information. After receiving access to State Farm's claims service record database, the Rigsbys provide to an attorney for various State Farm policyholders information and documents to be used in policyholder lawsuits against State Farm. State Farm sued, alleging claims including breach of duty of loyalty. Moving to dismiss, the Rigsbys argued that they owed no fiduciary duty to State Farm. The court disagreed, holding that State Farm had stated a valid claim for breach of fiduciary duty, since agents in an agent-principal relationship owe a fiduciary duty to act loyally for the principal in all matters connected with the agency relationship. The court also rejected (without explanation) the Rigsbys' argument that State Farm's claim for breach of fiduciary duty was preempted by the Uniform Trade Secret Act.

***Expro Americas, LLC v. Walters,* 179 So. 3d 1010 (Miss. Dec. 3, 2015).** Plaintiff Expro Americas, an oil and gas service company, had hired Defendant H&H Welding, LLC, to perform certain flare-stack-related work. Defendant Eddie Walters had been an employee of Expro until August 2013 until he went to a competitor formed by former Expro employees. In late August 2013, Expro filed a "Verified Complaint for Emergency Temporary Restraining Order And/Or Application for Preliminary Injunction and Permanent Injunction and Other Relief" against H&H and Walters, alleging that both defendants stole the design for its six-inch, trailer-mounted flare stack in violation of the Mississippi Uniform Trade Secrets Act ("MUTSA"), as well as claims of breach of contract against H&H based on the "Proprietary Rights" section in Expro's purchase orders, which were unsigned by H&H and against Walters for violation of his "Employee Confidentiality and Conflict of Interest Acknowledgment." The chancellor granted Expro an emergency Temporary Restraining Order, with a bond of $5,000, and Expro sought voluminous discovery in advance of the preliminary injunction hearing. After that hearing, the chancellor dissolved the TRO and denied Expro's application for preliminary injunction, finding that Expro "took no steps to ensure the confidentiality of any of the information H&H may have gained while working on Plaintiff's equipment" and had failed to require Walters to sign a noncompete agreement. The chancellor subsequently granted Defendants' motions for attorneys' fees and expenses totaling more than $79,000. The Mississippi Supreme Court affirmed sanctions against Expro for frivolous trade secret misappropriation claims. In addition to noting that Expro took no steps to ensure the confidentiality of the information at issue, the Supreme Court noted that Expro's Complaint asserted that it had a patent on the flare stack, making the technology "readily ascertainable by proper means" and so, by definition, not a trade secret.

***Precision Spine, Inc. v. Zavation, LLC,* No. 3:15CV681-LG-RHW, 2016 U.S. Dist. LEXIS 25916 (N.D. Miss. Mar. 2, 2016).** Plaintiffs Precision Spine, Inc. and Spinal USA, Inc. (together, "Spinal") were founded by Jeffrey Johnson and others in 2005. In 2010, Johnson was removed from his positions as Spinal's President, Secretary, and Treasurer, and, following litigation, the parties entered into a Settlement Agreement in early 2011. In exchange for substantial consideration, Johnson relinquished his membership interest in Spinal and agreed not to compete or to employ or attempt to employ Spinal's employees for a period of one year after signing the Settlement Agreement; Johnson further agreed that he was bound by confidentiality provisions protecting Spinal's products and employees. Six months before Johnson executed the Settlement Agreement and without disclosing this fact to Spinal, Johnson had formed Zavation, a rival company. Within weeks of executing the Settlement Agreement, Johnson hired

Spinal's recently-terminated Director of Engineering. Spinal asserted claims of breach of contract, breach of the duty of good faith and fair dealing, and fraud in the inducement against Johnson for these actions, as well as ten counts of tortious interference with contract by Johnson and Zavation because of alleged corporate raiding of its employees and claims under the Mississippi Uniform Trade Secrets Act ("MUTSA"). Defendants' Motion to Dismiss was largely denied; in particular, as Spinal had sufficiently alleged that it had trade secrets concerning the design and manufacture of its products which Defendants acquired through certain of Spinal's former employees, without Spinal's authorization, Spinal had sufficiently stated a cause of action under MUTSA.

**Texas**

***GlobeRanger Corp. v. Software AG United States of America, Inc.,* No. 15-10121, 2016 U.S. App. LEXIS 16429 (5th Cir. Sept. 7, 2016*).*** Software maker GlobeRanger specializes in radio frequency identification ("RFID") technology for inventory management. GlobeRanger subcontracted to create a RFID program for the Navy; it had installed fully-functioning systems at three Navy bases when the Navy decided it wanted an enterprise-wide RFID system that could be run from a single location rather than housing a server at each location. Both GlobeRanger and Software AG bid on the enterprise project. The Navy chose Software AG, ordered GlobeRanger to stop its subcontracting work, and explained that it would convert the previously installed systems to enterprise-wide system. While working on the Navy contract, Software AG accessed some of GlobeRanger's data, manuals, and software, which GlobeRanger alleged constituted misappropriation of its trade secrets. GlobeRanger originally brought suit in federal court and Software AG objected to a lack of subject matter jurisdiction. GlobeRanger voluntarily dismissed its case and refiled in a Texas state court, pleading misappropriation of trade secrets, conversion, unfair competition, civil conspiracy, and tortious interference. Software AG then decided the claims belonged in federal court and removed the case, arguing that the Copyright Act preempted all of the state law claims except conspiracy. By the time the case made it to the jury, GlobeRanger had whittled its claims down to trade secret misappropriation and the derivative conspiracy claim. The jury found that Software AG misappropriated GlobeRanger's trade secrets and awarded $15 million in compensatory damages. On appeal, Software AG argued that federal copyright law preempted GlobeRanger's trade secret claim, and if not, that no federal claim existed to support jurisdiction. Applying the "extra element test", the Court held that the rights GlobeRanger sought to vindicate under Texas trade secret law were not equivalent to the anti-copying principle of federal copyright law because the state law prevents acquisition "through a breach of confidential relationship or…improper means." Because GlobeRanger established that Software AG accessed the RFID system information through persons or entities in a confidential relationship with GlobeRanger, its trade secret misappropriation claim contained an additional element than that required to plead a copyright violation and was therefore not preempted by federal law. As the trade secret claim (and the derivative, unsuccessful conspiracy claim) was the only cause of action brought to the jury, Software AG argued that the lack of preemption required that the case be remanded to state court. The Court held that because GlobeRanger's dismissed conversion claim related to the conversion of intangible property, and there is equivalency between the rights protected under that state tort and federal copyright law, complete preemption converted the conversion claim into one brought under the Copyright Act. Thus, the conversion claim supported federal question jurisdiction at the time of removal and supplemental jurisdiction after it was dismissed.

***Hunn v. Dan Wilson Homes, Inc.,* 789 F.3d 573 (5th Cir. June 15, 2015).** Plaintiff Hunn owned an architectural design firm and had employed Defendant Ben Lack as a draftsman, who worked on a project for Hunn's client, Defendant Dan Wilson Homes. Dan Wilson Homes hired Plaintiff's firm because Dan Wilson wanted Lack to draft the plans for the project. After Lack resigned from his employment, Dan Wilson Homes hired Lack to complete the project. Hunn filed suit in the Northern District of Texas against Lack, Wilson, and Dan Wilson Homes, Inc., alleging (i) copyright infringement; (ii) false designation of origin under the Lanham Act; (iii) breach of contract against Wilson and Dan Wilson Homes; (iv) breach of fiduciary duty against all Defendants (v) breach of covenant not to solicit customers against Lack; (vi) tortious interference against Wilson and Dan Wilson Homes; (vii) violation of the Computer Fraud and Abuse Act against all Defendants; and (viii) conspiracy against all Defendants. The district court granted summary judgment for Defendants on Hunn's Lanham Act claim, Computer Fraud and Abuse Act claim, tortious interference claim, breach of covenant not to solicit claim, and conspiracy claim, and for Wilson and Dan Wilson Homes on Plaintiff's breach of fiduciary duty claim. After a bench trial, the district court entered a judgment in favor of Defendants on all counts. The Fifth Circuit held that Hunn had not shown that the district court clearly erred in rejecting the employer's claim that Lack and Dan Wilson Homes entered into a secret plan to steal Lack away from Hunn for employment by Dan Wilson Homes where when Hunn's attorney questioned Lack during trial, Lack explained that he did not have an offer of employment from Dan Wilson Homes at the time he resigned and Lack believed he would be permitted to work for Dan Wilson Homes as an employee of Hunn for two weeks after tendering his notice of resignation; because Lack did not violate any fiduciary duty, Dan Wilson Homes could not have knowingly participated in Lack's breach of fiduciary duty; and because Lack did not exceed authorized access, he did not violate the Computer Fraud and Abuse Act.

***Merritt Hawkins & Assocs., LLC v. Gresham,*** **79 F. Supp. 3d 625 (N.D. Tex. 2015)**. Former employees of Merritt Hawkins & Associates, LLC ('MHA"), Gresham and Bowden, went to work for a competing staffing firm, despite the noncompetition, non-disclosure, and non-interference restrictive covenants contained in their agreements with MHA. MHA alleged that Bowden improperly recruited Gresham to join him at the competing staffing company, and that as Gresham left MHA's employment, he accessed MHA's offices and utilized his employee password to download over four-hundred files from MHA's computer network. MHA brought claims against Gresham under the Computer Fraud and Abuse Act ("CFAA"), harmful access by computer under Texas Civil Practice and Remedies Code § 143.001, et. seq., conversion, violations of the Texas Theft Liability Act, and theft, misappropriation, and inevitable disclosure of trade secrets. MHA further alleged that Gresham and Bowden were liable for breach of contract and breach of fiduciary duty and that Bowden and the staffing company were liable for tortious interference with an existing contract and aiding and abetting such interference. The parties filed cross-motions for summary judgment. Defendants argued that MHA could not meet its summary judgment burden because its exclusive reliance on testimony from its president Mark Smith to prove damages, who MHA had previously designated as an expert witness. The Court noted that MHA had designated Smith as both an expert and a fact witness, and, as such, MHA could exercise the option to treat Smith exclusively as a lay witness. His opinions were therefore governed by Rule 701, which requires that law witness testimony be based on personal knowledge and be helpful to a jury. The Court noted that as president, Smith possessed personal knowledge based on his involvement in the day-to-day operations of MHA, and, though Smith could not testify regarding the competing staffing firm's profits, Rule 701 did not bar the remainder of his testimony. The Court held that MHA had therefore offered sufficient evidence of damages to survive summary judgment on its claims.

***Great Am. Food Chain, Inc. v. Andreottola*****, 2016 U.S. Dist. LEXIS 27658 (N.D. Tex. 2016) (unpublished)**. Great American Food Chain (GAFC) acquired certain restaurants and a restaurant franchise company based on representations made by Defendant, who was a consultant for the target restaurants. In connection with the acquisition, Andreottola agreed to become president and director of GAFC and manage the acquired restaurants. Post-acquisition, Andreottola obtained a position with another firm and terminated his employment with GAFC. GAFC sued Andreottola for breach of contract and breach of fiduciary duty. In granting summary judgment in favor of Andreottola, the court noted that although Andreottola had a fiduciary duty as president and director of GAFC, he did not breach this duty by accepting a positon with another company without providing notice to GAFC—especially where he did not misappropriate trade secrets or solicit customers. The court noted that under Texas law, there is no fiduciary duty that restrains the ability to seek other employment.

***Cameron Int'l Corp. v. Abbiss*, 2016 U.S. Dist. LEXIS 131841 (S.D. Tex. 2016) (unpublished) (applying Delaware law)**. Abbiss worked for Cameron International Corp. (Cameron) as a regional manager throughout Asia and in Oman (in the Middle East). In connection with his employment, Abbiss executed a stock agreement which contained a noncompete that prohibited Abbiss from doing any work for any competitor anywhere in the world for one year. After leaving Cameron, Abbiss began working for a competitor as a general manager for the entire Middle East region. Cameron filed suit against Abbiss, alleging violation of the noncompete clause. Abbiss moved for summary judgment, arguing that the lack of any geographic restrictions made the clause overbroad and unenforceable. The court agreed, noting the lack of any evidence that (1) Abbiss acquired a global advantage from being employed by Cameron in Asia and Oman, or (2) Cameron had a legitimate business interest in preventing Abbiss from working for a competitor outside his former area of responsibility. However, the court also noted that, under Delaware law, courts may enforce overbroad noncompete clauses to a reasonable extent. The court directed the parties to discuss and agree upon a reasonable scope of the clause, or alternatively, to present the issue of scope to the court to be decided at a later date.

***Connell v. Wells Fargo*, 2016 U.S. Dist. LEXIS 122954 (S.D. Texas 2016) (unpublished).** Former financial advisors sued Wells Fargo, asserting that the forfeiture provision in Wells Fargo's Performance Award Contribution Plan constituted an unenforceable noncompetition provision. The forfeiture provision provided that employees forfeit all unvested special awards upon leaving the company for any reason. However, if, upon leaving, the employee signed a nonsolicitation and noncompete agreement, the special awards would vest. Since the Plan contained a North Carolina choice of law provision, and since under North Carolina law, the forfeiture provision is valid and enforceable, the former employees argued that the court should find the provision to violate Texas' public policy. In granting Wells Fargo's motion to dismiss, the court concluded that the forfeiture provision does not violate a fundamental policy of Texas so as to require overriding the parties' choice of law provision. The Court reasoned that the Plan administrator resides in North Carolina and the multi-state participants have an interest in seeing the law consistently applied. The Court also noted that the Plan provided departing employees a legally permissible choice: preserve their rights to the unvested loyalty award compensation or work for a competitor without restraint. The Court's dismissal order has been appealed to the Fifth Circuit.

***Giries v. Howmedica Osteonics Corp.*, 2016 U.S. Dist. LEXIS 44447 (S.D. Tex. 2016) (unpublished).** Medical device sales company Howmedica entered a separation agreement with former employee Giries whereby Howmedica agreed to pay Giries severance and his attorney's fees. The separation agreement contained noncompete provisions that prohibited Giries from selling, developing or promoting a product competitive to Howmedica's product or working in the same geographic area that he previously worked. Giries accepted a positon with a competitor and Howmedica refused to make further payments under the separation agreement, claiming forfeiture for breach of the noncompete provisions. Giries sued Howmedica for breach of contract. Howmedica moved for summary judgment, arguing that Giries breached the noncompete provision as a matter of law. Denying Howmedica's motion, the Court strictly construed the noncompete provisions and found that the agreement only prevented Giries from selling competitive products—it did not prohibit Giries from working at company that sold competing devices. The Court further concluded that the noncompete only prevented Giries from contacting physicians that he previously served at Howmedica. Thus, Giries was free to work at the same hospitals that he worked at during his tenure at Howmedica.

**ADP, LLC v. Capote, 2016 U.S. Dist. LEXIS 88222 (W.D. Tex. 2016) (unpublished).** (finding that Texas law must govern a noncompete agreement, regardless of the law chosen in the agreement, because "the law governing enforcement of noncompetition agreements is fundamental policy in Texas."); *Waguespack v. Medtronic, Inc.*, 2016 U.S. Dist. LEXIS 62253 and 2016 U.S. Dist. LEXIS 60200 (M.D. La. 2016) (unpublished) (granting preliminary injunction in favor of former employees and enjoining further attempted enforcement of noncompete, because (1) Louisiana prohibits noncompetition agreements that do not fall within statutory exceptions; and (2) the noncompete at issue, which prohibited competition in "the Louisiana Parishes and/or Municipalities that are included within [Employee's] identified…sales territory," did not identify the geographic restriction in express and clearly identifiable manner as required to fall within the statutory exception found in La. Rev. Stat. § 23:921(C)).

***360 Mortgage Group, LLC v. HomeBridge Financial Services,* No. A-14-CA-00847-SS, 2016 U.S. Dist. LEXIS 25652 (W.D. Tex. Mar. 2, 2016)**. Plaintiff 360 Mortgage is a mortgage bank based in Austin, Texas, and it relies on its regional account executives across the country to encourage mortgage brokers to refer borrowers to 360 Mortgage. Defendant Janine Bivona-Truman had been an account executive for 360 Mortgage located in Las Vegas, Nevada, and, in connection with this position, had been provided with a list of brokers with preexisting relationships with 360 Mortgage; the list included contact information and confidential compensation rates each broker list agreed to take. 360 Mortgage alleged that Truman sent herself this broker list before her email access at 360 Mortgage was terminated and either used or disclosed the list to Defendant HomeBridge Financial Services, with whom she had begun working prior to the termination of her employment relationship with 360 Mortgage, in violation of the Texas Uniform Trade Secrets Act ("TUTSA") and her employment agreement. Defendants filed a Motion for Summary Judgment arguing that 360 Mortgage's TUTSA claims should be dismissed, as the broker list was not a trade secret, was not acquired by improper means, and was neither used nor disclosed to HomeBridge; the District Court denied Defendants' Motion. The District Court held that a fact issue remained regarding whether or not the broker list was a trade secret, because, while the names on that list were available from publicly available sources, 360 Mortgage had undertaken "the expense of compiling a list of brokers it had researched, contacted, and vetted" and had taken steps to protect the list, including limiting access to the list and requiring a password to access the list. Noting that Truman owed 360 Mortgage a duty to maintain the secrecy of the broker list even after her termination, the District Court found that Truman's action in emailing the broker list to her personal account soon after she was notified that her email access would be terminated created a fact issue regarding whether Truman acquired the broker list through improper means. Finally, as there was some overlap between the broker list and a marketing database Truman had forwarded to HomeBridge that HomeBridge used to send a marketing blast to all listed brokers, the District Court held that there was a fact issue as to whether the broker list had been used or disclosed.

***Glycobiosciences, Inc. v. Woodfield Pharmaceutical, LLC*, NO. 4:15-CV-02109, 2016 U.S. Dist. LEXIS 56358 (S.D. Tex. Apr. 28, 2016)**. Plaintiff Glycobiosciences ("Glyco") is the developer of numerous pain-relief products using its proprietary and patented IPM delivery system. In early 2011, Glyco entered into a confidentiality agreement with manufacturers that were eventually acquired by Defendant Woodfield Pharmaceuticals, with which Glyco also entered into a Manufacturing and Supply Agreement acknowledging Glyco's ownership of its proprietary information and Woodfield's nondisclosure and limited use obligations. After various agreements between the parties terminated, Glyco requested return of its confidential information pursuant to the terms of the agreements and filed suit when Woodfield declined to return or confirm destruction of the information. Glyco sought specific performance, damages, and injunctive relief for breach of contract and tortious interference. The District Court noted Glyco's request for Temporary Restraining Order but denied the request as moot as the District Court decided to grant Glyco's request for a preliminary injunction. In addition to finding that Glyco had established the other element required for issuance of a preliminary injunction, the District Court determined that Glyco had established a substantial likelihood of success on the merits of its Texas Uniform Trade Secrets Act claim. Specifically, the District Court found that that Glyco had provided adequate proof of the existence of a trade secret, the existence of a confidential relationship between Glyco and Woodfield based upon the MSA and other agreements, and further noted that Glyco was not required to prove that Woodfield was using Glyco's information but, as it had done, only that it was in possession of such information and in a position to use it in order to meet its burden at the preliminary injunction stage. While Glyco had failed to cite any precedent for its request, the District Court further specifically ordered that Glyco was entitled to recover its trade secret information as defined in its brief because it sought the return of information that was clearly within the express terms of the MSA.

***His Company, Inc. v. Stover*, No. 4:15-CV-00842, 2016 U.S. Dist. LEXIS 109576 (S.D. Tex. Aug. 15, 2016)**. Defendant Robert Stover worked for Plaintiff His Company ("Hisco") for twenty-six years before leaving to found a company in direct competition with Hisco. Following Stover's departure from Hisco, the parties executed a Confidentiality, Cooperation, & Release Agreement in which Stover agreed "to continue to refrain from divulging, disclosing, or sharing to any other person or entity any of Hisco's confidential information" in exchange for a lump-sum payment. Hisco later discovered that Stover was not in compliance with the Agreement and filed suit for breach of contract, misappropriation of trade secrets, and fraudulent inducement. The District Court denied Stover's Motion to Dismiss, conducting a thorough analysis of the Texas Uniform Trade Secrets Act (TUTSA) in the process. Stover sought to dismiss Hisco's TUTSA claim because it asserted that Hisco willingly provided Stover with its trade secrets during Stover's employment to further Stover's performance of his job duties and, therefore, failed to allege that Stover acquired the trade secrets through "improper means," a showing that Stover claimed was required under TUTSA. Analyzing the language of TUTSA, the legislative history evidencing the intent of TUTSA, and the policy underlying TUTSA, the District Court determined that a plaintiff is not required to show that a defendant acquired trade secret information through "improper means" to articulate claim under TUTSA, contrary to the findings in two Western District of Texas cases, Educ. Mgmt. Servs., LLC v. Cadero, No. 5:14-cv-587 (W.D. Tex. Dec. 23, 2014) and Educ. Mgmt. Servs., LLC v. Tracey, 102 F. Supp. 3d 906 (W.D. Tex. Apr. 9, 2015). Instead, the District Court noted that a showing of "improper means" was required in order to establish liability under some, but not all, of the six potential paths to liability outlined in TUTSA. The District Court noted that "Stover's proposed reading would eviscerate trade secret law, destroying the value of confidentiality agreements and allowing former employees to run amok with information that employers have invested great sums of money and manpower to develop and keep confidential."

***Clarke-Smith v. Business Partners in Healthcare, LLC*, No. 3:14-CV-2732-M, 2016 U.S. Dist. LEXIS 7498 (N.D. Tex. Jan. 22, 2016)**. Plaintiff Nicole Clarke-Smith worked as the Director of Human Resources for Defendant Business Partners in Healthcare ("BPIH") for approximately two years before her employment was terminated while she was on medical leave for failures to perform her duties that had resulted in an investigation of BPIH by the Department of Labor. Clarke-Smith subsequently filed suit, asserting claims under Title VII and the Family and Medical Leave Act. BPIH filed counterclaims for breach of fiduciary duty, defamation and business disparagement, tortious interference with contracts and prospective business relations, conversion, trespass to chattels, theft of property, violations of the Texas Theft Liability Act, misappropriation of trade secrets, fraud, negligence, gross negligence, and violations of the Computer Fraud and Abuse Act. The majority of BPIH's claims arose out of BPIH's allegations that Clarke-Smith had wrongfully retained a company laptop and thumb drive containing its confidential information following the termination of her employment. On cross-Motions for Summary Judgment, the District Court dismissed Clarke-Smith's discrimination and retaliation claims and BPIH's claims, with the exception of its claim for breach of fiduciary duty. BPIH had failed to provide appropriate summary judgment evidence in support of its allegations that Clarke-Smith had taken its company laptop or thumb drive containing its confidential information. As to its trade secret claim, BPIH had further failed to identify any trade secret acquired by Clarke-Smith, as it did not present evidence regarding any information stored on the electronic devices. BPIH's claim of breach of fiduciary duty claim, based on Clarke-Smith's failure to disclose information regarding the DOL investigation during her employment, survived.

***Vianet Grp, PLC v. Tap Acquisition, Inc.*, 2016 U.S. Dist. LEXIS 108296 (N.D. Texas 2016) (unpublished)**. Vianet and Tap, two competitors in the beverage management industry, entered into a nondisclosure agreement in connection with discussions concerning a possible merger or other transaction. After discussions failed, Vianet hired three former Tap executives, who took with them their Tap computers, customer files, and other business records, which they refused to return and deleted from Tap's computer systems. Moving for summary judgment, Vianet argued that Tap failed to identify the alleged trade secrets at issue with sufficient particularly. The court disagreed, noting that were a party identifies specific groupings of information, identifies the types of trade secrets contained within those groupings, and explains how those alleged trade secrets were maintained and treated as trade secrets, such party has provided a trade secret identification sufficient to overcome summary judgment. Vianet also argued that since Tap had voluntarily disclosed certain of the trade secrets to other industry competitors without having confidentiality protections in place, this destroyed any trade secret status that could once be applied to the information. Again, the court disagreed, noting that since Tap's disclosures would not ordinarily cause public exposure of the information, the disclosures were sufficiently limited to not destroy the disclosed information's trade secret status.

***Educ. Mgmt. Servs., LLC v. Tracey*, 102 F. Supp. 3d 906 (W.D. Tex. 2015)**. Plaintiff provided staffing and administrative services to Real Estate Training International, LLC d/b/a Armando Montelongo Seminars ("RETI"), which provides various seminar and mentoring packages based on President Montelongo's "house flipping" system. Tracey contracted with Plaintiff to provide sales and consulting services to RETI at its seminar events. Four agreements successively governed the parties' relationship. According to Plaintiff, the agreements provided that any trade secrets developed by Tracey were property of Plaintiff and could not be disclosed to others. Tracey terminated his final agreement with Plaintiff and went to work for Nick Vertucci at a competing company. Plaintiff then brought claims against Tracey of common law fraud, claiming that Tracey knew he was not to work for the competitor prior to signing the agreement, and misappropriation of trade secrets. The Court granted Tracey's motion to dismiss Plaintiff's fraud claim, finding that even if, as the complaint alleged, Tracey knew Vertucci was planning to start a rival company and Tracey had planned to join Vertucci before terminating his contract with Plaintiff, Plaintiff had not plead sufficient facts showing that Tracey entered his agreement with the intent to breach it. With the fraud claim dismissed, Plaintiff attempted to survive dismissal on its misappropriation of trade secrets claim by arguing that the "acquired by improper means" requirement of the Texas Uniform Trade Secrets Act ("TUTSA") was met by Tracey's alleged breach of the nondisclosure provision included in his agreements with Plaintiff. Tracey successfully argued that because Plaintiff had willingly provided him with the alleged trade secrets pursuant to the parties' agreements, it could not establish Tracey had acquired them by improper means by pointing to his purported after-acquisition breach of the agreement requiring he maintain their secrecy.

***A.M. Castle & Co. v. Byrne,* 123 F. Supp. 3d 895 (S.D. Tex. 2015).** Plaintiff A.M. Castle & Co. ("Castle") and Oilfield Steel Supply, LLC ("OSS") are direct competitors in supplying pipe and materials to the oil and gas industry. Byrne was employed by Castle as an Inside Sales Representative in Houston, Texas before he went to work for OSS in 2013. Castle claimed that Bryne had access to its confidential information by virtue of his positon with the company and had signed a confidentiality agreement with its predecessor in interest. Castle claimed that over the months before he resigned, Byrne misappropriated confidential information, including customer lists and information, vendor contact information, and sales and revenue data. Castle claimed that Byrne subsequently provided this confidential information to his new employer, OSS, and began using this wrongfully obtained information to solicit Castle's customers and vendors. In its motion to compel, Castle sought to obtain access to and inspect all computer equipment and electronic devices in the custody or control of Byrne and OSS in order to discover "confidential information" allegedly misappropriated from Castle by Byrne. The Magistrate Judge's initial order denied Castle's request to examine Defendant's electronic devices on account of it being overly broad and because Castle had not shown that Defendants defaulted on their discovery obligations. She instructed the parties to agree on a protocol for Defendants to search their devices, including those of any former employee or independent contractor of Castle, for any documents belonging to Castle. Initial searches performed by an independent discovery company found no other documents to produce. Castle objected that OSS and Byrne had not searched all devices and equipment used by all Castle ex-employees who went to work for OSS, including some to whom Byrne had sent emails before Byrne resigned from Castle and who had produced Castle's confidential information when they were subpoenaed by Castle. Castle also pointed to the independent company's failure to search the OSS email server, which OSS had identified in its initial disclosures as potentially containing responsive information. And, finally, Castle pointed to Defendants' failure to provide any information about those drives and devices they did not search, specifically about whether any files had been copied or deleted. In her second order, the Magistrate Judge found that Defendants had produced information to Castle on numerous occasions, searched their computers and devices for 288 terms, given a report to Castle of that search, and that nothing had changed to convince her to permit inspection of Defendants' computers and electronic storage devices. In overruling Castle's objections, the Court affirmed the Magistrate Judge's findings that Defendants had responded adequately to Castle's discovery requests and even hired an independent firm to perform a forensic examination of their computers. The Court pointed to Castle's failure to show that Defendants were in wrongful possession of Castle's documents, provide expert testimony, or any other evidence that Defendants had been deleting files as support for its holding. It also noted that Castle had not even met its burden to establish that it had trade secrets, while Defendants raised substantial questions about whether trade secrets existed in this lawsuit (*e.g.*, whether the materials were secret, whether Byrne acquired them by improper means, whether employees and ex-employees knew about them and considered them confidential, and whether Castle took adequate measures to keep them secret).

***6th Circuit***

**Kentucky**

***Amtote Int'l. v. Kentucky Downs, LLC*, Case No. 1:15-CV-000047-GNS, 2016 U.S. Dist. LEXIS 43389 (W.D. Ky., Mar. 31, 2016)** Plaintiff Amtote filed suit against Kentucky Downs asserting claims for breach of contract, tortious interference, and misappropriation of trade secrets arising from Kentucky Downs' alleged breach of an agreement with Amtote to provide "totalizer" services used in determining odds and placing bets on horse racing. Kentucky Downs filed a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6) on a variety of grounds.

As to the tortious interference claim, Kentucky Downs argued that the claim, which arose from a co-defendant's alleged inducement of Kentucky Downs to breach its agreement with Amtote and leak confidential information to it, was preempted by the Kentucky Uniform Trade Secrets Act. The Court rejected the argument, finding that even though misappropriation was an element of the claim, that alone was insufficient to trigger UTSA preemption. Rather, because the state law claim had a factual basis independent from the facts establishing the trade secrets claim, the portion of the claim supported by an independent factual basis survives.

Kentucky Downs also argued that Amtote's trade secret claim should be dismissed, because Amtote had failed to identify the trade secrets with specificity, and also had failed to establish the trade secrets were "misappropriated" as defined by KUTSA. The Court rejected those arguments as well, finding that the trade secrets had been pled with sufficient specificity, and that while misappropriation had not been pled with great specificity, it had been done sufficiently to avoid a motion to dismiss.

***Acuity Brands, Inc. v. Bickley*, 2016 U.S. Dist. LEXIS 38472 (E.D. Ky. 2016) (applying Georgia law).** Plaintiff Acuity Brands Lighting, Inc. (Acuity Lighting), together with its parent company, Plaintiff Acuity Brands, Inc. (Acuity Brands), initiated this civil action against two of its former employees, defendants Shane Bickley and Michael Robinson. Plaintiffs alleged that Bickley and Robinson breached several restrictive covenants embedded in a Stock Notification and Award Agreement, tortuously interfered with business relations and violated KUTSA. Acuity Lighting generated some revenue from national accounts; however, it focused on selling its products to independent sales agents who represented other lighting companies. These lighting companies sold Acuity Lighting's products to other middlemen distributors, rather than end-user customers. As consideration for these awards, employees were required to execute a Stock Notification and Award Agreement using Acuity Brand's electronic acceptance software. Upon receipt of their shares, both men electronically executed a copy of the Agreement, which imposed several post-employment restrictive covenants pertaining to nonsolicitation, noncompetition and confidentiality. The Agreement prohibited employees from disclosing trade secrets and confidential information for an unlimited period of time. The court noted that employers are not required to put a time limit on the non-disclosure of trade secrets, but must place a limitation on all other information that is not a trade secret. Plaintiffs failed to do so, rendering the non-disclosure provision overly broad and unenforceable. The court also found the non-competition clause overbroad because Bickley and Robinson were each responsible for sales to a particular region, which did not justify a nationwide noncompete necessary to protect Acuity's trade secrets, business relationships or goodwill. Rather, the clause expressed Acuity's desire to avoid competition, which is insufficient justification under Georgia law. Finally, although the court stated that there was nothing patently overbroad about the nonsolicitation (of customers) clause, it was nonetheless unenforceable because under Georgia law, in restrictive covenant cases, if one of the covenants is unenforceable, they all are unenforceable.

## Michigan

***Stryker Corp. v. Ridgeway*, Nos. 1:13-CV-1066 and 1:14-CV-889, 2016 U.S. Dist. LEXIS 10636 (W.D Mich. Jan. 29. 2016).** Plaintiff, a manufacturer of medical devices, sued two former employees who had signed noncompetition agreements, as well as the competing firms for whom they had gone to work, alleging a variety of theories including breach of contract and misappropriation of trade secrets. Defendants moved for summary judgment, which was granted in part and denied in part. The Court denied summary judgment as to the breach of contract claims, finding that issues of material fact existed regarding whether the former employees had breached their agreements by soliciting Plaintiff's employees and customers, and revealing confidential information to their new employer. The Court further denied summary judgment as to claims of actual misappropriation by former employees, finding that doctor preferences and pricing information used by the former employees could be found to be a trade secret by the finder of fact, and that an issue of fact likewise existed as to whether that information was the subject of reasonable efforts to maintain its secrecy. Likewise, the Court found that the Plaintiff had introduced evidence of the individual defendants' willingness to misappropriation sufficient to create a jury issue as to whether threatened misappropriation had occurred. However, summary judgment was granted as to the threatened misappropriation count against the new employer, as the Plaintiff had failed to introduce evidence of similar willingness to misappropriate by the new employer.

***Energy v. Deacon Group*, No. 15-148425-CB, 2-15 Mich. Cir. LEXIS 293 (Oakland Cty. Cir Ct., November 18, 2015).** Court granted motion for summary judgment brought in trade secret misappropriation suit, finding that customer information of the type identified by the Plaintiff failed as a matter of law to qualify as a trade secret. Pricing information related to a supplier's pricing to those customers, which might have qualified as a trade secret, was owned by the supplier and not the Plaintiff, and therefore could not serve as a basis for the Plaintiff's trade secret misappropriation claim.

***Midfield Concession Enters. v. Areas USA, Inc.*, 130 F. Supp. 3d 1122 (E.D. Mich. 2015).** Business dispute arising out of failed joint venture to provide concessions as Detroit Metropolitan Airport. The plaintiff sued under a number of theories, concentrating on breach of contract theories arising from a noncompetition clause included in the joint venture agreement. The Court ultimately granted summary judgment in favor of the Plaintiff, finding a valid contract that had been breached by the Defendant. However, the Court dismissed the trade secret misappropriation claim, finding that even though the profit and loss statements that it had identified were trade secrets, the Plaintiff had failed to establish a genuine issue of material fact as to whether they had been misappropriated by the Defendants.

***Apex Tool Group, LLC v. Wessels*, 119 F. Supp. 3d 599 (E.D. Mich. 2014).** Apex sued its former employee William Wessels alleging a breach of contract and misappropriation of trade secrets in connection with his subsequent employment. The plaintiff moved for preliminary injunction on both claims, which was denied.

The Court ruled that the plaintiff had failed to establish a substantial likelihood of success on the merits as to the breach of contract claim. While the Court found the noncompetition agreement to be valid, it nonetheless noted that there was significant doubt given the state of the as to whether that agreement had been breached. Furthermore, the Court held, the plaintiff had failed to state injury, a necessary element of a breach of contract action, with sufficient specificity, providing an independent rationale for denying the motion.

As to the trade secret claim, the Court held that there was conflicting testimony regarding whether the information identified by the plaintiff actually was a trade secret as defined by Michigan law. The evidence simply was no sufficient to support an injunction based upon the likelihood of success, given the record evidence submitted.

***MSC.Software Corp. v. Altair Engineering, Inc.*, No. 07-12807, 2016 U.S. Dist. LEXIS 1404 (E.D. Mich. January 7,** 2016).Court ruled that in damages retrial on trade secret misappropriation claim, where Plaintiff intended to pursue an unjust enrichment theory, Plaintiff was entitled to a jury trial because trade secret misappropriation claim is akin to a tort action at law.

***Burke v. Cumulus Media, Inc.*, Nos. 16-CV-11220 and 16-CV-11221, 2016 U.S. Dist. LEXIS 91880 (E.D. Mich. July 15, 2016).** Two radio personalities sued their former employer asserting age discrimination in connection with the termination of their employment. The former employer countersued, asserting that the two employees had breach noncompetition and nonsolicitation agreements, and misappropriated trade secrets, by setting up an internet broadcast show using elements from their former radio program. The radio station moved for a preliminary injunction in an attempt, among other things, to cease broadcast of the internet program and to require the former employees to return all confidential information and trade secrets in their possession. The Court granted the motion in part and denied it in part, finding that the noncompetition agreement applied only to *radio* broadcasts, not *internet* broadcasts, and therefore did not support an injunction. However, the two former employees were required to cease using some elements of the former radio broadcast as part of their new radio show, and to cease soliciting advertisers that had purchased advertisers on their former radio program.

***Baker Hughes, Inc. v. S&S Chem., LLC*, Case No. 1:14-CV-531, 2015 U.S. Dist. LEXIS 142214 (W.D. Mich. Oct. 20, 2015).** Former employer sued claiming breach of employment contract and misappropriation of trade secrets by former employee associated with its proprietary chemical processes. Court granted motion for summary judgment, finding that breach of contract claims had been released by subsequent agreements between the parties resolving a claim for back pay brought by the employee several years earlier. Because the employee had been released of any obligation to keep the employer's secrets in confidence, his subsequent use of those secrets was found not to be actionable misappropriation of trade secrets under Michigan law.

***Ford Motor Co. v. Autel U.S., Inc.*, Case No. 14-CV-13760, 2015 U.S Dist LEXIS 113201 (E.D. Mich. Sept. 30. 2015).** Plaintiff Ford Motor Co. sued Autel U.S., Inc. after it began distributing a diagnostic software program consisting of various data compilations which appeared to be based upon Ford's competing product, which contained Ford trade secret information. Autel filed a motion to dismiss all counts pursuant to Federal Rule of Civil Procedure 12(b)(6). As to the trade secret misappropriation claim, the Court held that Ford had alleged that the software contains compilations of data that are not otherwise publicly available, which can be trade secrets under Michigan's Uniform Trade Secrets Act and therefore allowed the trade secret claim to go forward. However, the concurrently filed motion seeking recovery for unjust enrichment was dismissed, as it was preempted by the Uniform Trade Secrets Act's protections.

***Am. Furukawa, Inc. v. Hossain,* 2016 U.S. Dist. LEXIS 81679 (E.D. Mich. 2016) (unpublished)**. Hossain accepted employment with Furukawa as a Power Systems Electrical engineer. Hossain allegedly agreed to abide by several policies, including a policy on "removable media use." Furukawa also asserts that Hossain entered into an Invention Assignment & Secrecy Agreement ("Secrecy Agreement") with Furukawa, which dictated that Hossain "will regard and preserve as confidential all trade secrets pertaining to the Company's business that have been or may be obtained by me by reason of my employment." While he was still employed by Furukawa, Furukawa asserts that Hossain entered into an "Employment Agreement" with Heibei Huatong Wires & Cables Group Co., Ltd. ("Huatong")—a competitor and supplier to Furukawa. Under Michigan law, in order to survive MUTSA displacement, a plaintiff must show that the breach of a fiduciary duty claim rests on "wrongful acts" other than the misappropriation of trade secrets. Furukawa's breach of fiduciary duty claim was based not only on the "using and disclosing of confidential information," but also on "entering into an Employment Agreement with Huatong while still employed by Furukawa," and actively "diverting business away from Furukawa." Moreover, Furukawa brought testimonial evidence that Hossain himself "[pursued] business with American Furukawa customers, both current customers as well as customers that he helped to get business with." Even without the alleged misappropriation of confidential information, a reasonable juror could find that these facts constitute a breach of Hossain's duty of loyalty. Because this is conduct that is independent of plaintiff's alleged trade secret claims, it was not displaced by MUTSA.

***Delphi Auto. PLC v. Absmeier,* 2016 U.S. Dist. LEXIS 25962 (E.D. Mich. 2016) (unpublished)**. Plaintiff sought an injunction and other relief, alleging that its former employee breached his fiduciary duties to plaintiff by illegally taking and using plaintiff's proprietary and confidential information. Assuming, without deciding that defendant had a fiduciary relationship with plaintiff, the court reasoned that there were still two more elements of the claim that must be established: breach of duty and proximately caused damages. Plaintiff's claim alleged that defendant "disclosed and inevitably will continue to disclose [plaintiff's] proprietary/confidential information." However, plaintiff did not hint at what confidential information defendant allegedly disclosed and how it differed from the information allegedly misappropriated (in order to avoid displacement by MUTSA). Plaintiff also failed to provide any details regarding the disclosure besides the bare assertion that it occurred. Thus, the court concluded that there were not sufficient facts alleged to establish a strong likelihood that defendant actually disclosed plaintiff's confidential information to anyone, including his new employer. Furthermore, plaintiff had not made any allegations as to the damages the company suffered from defendant's alleged breach. Plaintiff did not point to a single customer, revenue stream, or opportunity lost, instead resting merely on a claim that defendant's "conduct has caused and inevitably will continue to cause Delphi substantial damage." Accordingly, the court concluded plaintiff had failed to establish a strong likelihood of succeeding on the merits of its breach of fiduciary claim.

## <u>Ohio</u>

***Specific Fasteners Pty. Ltd. v. All Fasteners USA, LLC*, No. 1:15-CV-1366, 2016 U.S. Dist. LEXIS 62896 (N.D. Ohio May 12, 2016).** Plaintiff sued former resellers of fastener product who allegedly used confidential information made available to them in the course of their reseller agreements to develop and sell a directly competing fastener on theories including patent infringement and misappropriation of trade secrets. Defendants brought a motion to dismiss for lack of standing and failure to state a claim. Court dismissed patent claims finding that there was a lack of evidence showing that the Plaintiffs were the owners of the patents upon which they had commenced suit. However, the Court denied the motion to dismiss as directed to the trade secret misappropriation claim, finding that the allegations in the Complaint that the parties were direct competitors, that the Defendants had used Plaintiff's trade secrets to develop and sell a directly competing product and were injured as a result sufficient to state a claim for misappropriation of trade secrets under Ohio law.

***Post-Browning, Inc. v. Knabe*, No. 1:14-CV-857, 2015 U.S. Dist. LEXIS 132760 (S.D. Ohio, Sept. 30, 2015).** Decision on motion for preliminary injunction brought against former employee on claims of misappropriation of trade secrets, tortious interference with contractual and business relationships, and breach of contract. Court found no likelihood of success on the merits at the preliminary injunction stage as to the trade secret and tortious interference claims. Plaintiff had failed to establish that trade secrets existed at preliminary injunction hearing. However, the Court granted the motion for preliminary injunction based upon breach of the noncompetition agreement and enjoined the former employee from using information he acquired while working for the plaintiff in his dealings with potential new customers in his new employment.

***Mar Oil Co. v. Korpan*, No. 3:11-CV-1261, 2015 U.S. Dist. LEXIS 131756 (N.D. Ohio Sept. 29, 2015).** Following a jury trial at which the Defendants were found to be liable for in excess of $2 million in compensatory and punitive damages for violation of the Ohio Uniform Trade Secrets Act, Defendants moved for reformation of the punitive damages verdict. First, Defendants argued that the general statute applicable to punitive damages in Ohio, O.R.C. §2315.21, permitted a punitive damages award not to exceed 2 times the compensatory damages award. The Court rejected that argument, holding that the more specific punitive damages provision enacted as part of OUTSA permitting treble damages controlled, as the General Assembly did not specifically express an intent to displace the contrary provision in OUTSA when it later enacted a general limitation on punitive damage awards.

Two of the Defendants also attacked the finding of vicarious liability by which they were found liable for punitive damages. First, Defendant SEP argued that Korpan, the individual who was found to have stolen its trade secrets, was a limited partner at SEP, and that SEP therefore was not liable for its acts. That argument, however, was based upon solely the time at which Korpan acquired the trade secrets, but ignored that liability independently arose for the *use and disclosure* of the secrets, which took place during a time that Korpan was associated with SEP. Furthermore, the Court made clear that its earlier ruling that *Korpan* was not liable for the acts of *SEP* did not mean that *SEP* was not liable for *Korpan's* acts, as SEP argued. Second, Defendant Rowls argued that even though Korpan was an owner and manager, no one else at the company was aware of his illegal conduct. The Court rejected that argument as well, finding that Korpan has acted on behalf of Rowls in the ordinary course of its business, and that there was no evidence that he had acted outside of his authority. Accordingly, the punitive damages awards against SEP and Rowls were permitted to stand.

***Polymet Corp. v. Newman*, No. 1:16-cv-734, 2016 U.S. Dist. LEXIS 113000 (S.D. Ohio Aug. 24, 2016).** Court granted motion for preliminary injunction against former highly placed executive who had quit his employment to form a competing company. While the Court found that no evidence of actual trade secret misappropriation had been introduced, it nonetheless relied upon the inevitable disclosure doctrine in finding that a preliminary injunction was appropriate, as the defendant was a highly placed employee with access to confidential information who was, by virtue of this very position, "threatening" to misappropriate trade secrets.

***Arthur J. Gallagher & Co. v. Anthony*, No. 16-CV-00284, 2016 U.S. Dist. LEXIS 116384 (N.D. Ohio. Aug. 30, 2016).** Court held bench trial to resolve claims by former employer against former employee for alleged breach of contract, tortious interference, and misappropriation of trade secrets. Court ruled that breach of contract claim failed, as the customer relationships developed by the former employee throughout his employment failed to constitute a sufficiently legitimate business interest to justify the restrictive covenant. Furthermore, the Court held, the employer had failed to show that the former employee actually had solicited in violation of his agreement, making a finding of breach improper. Finally, the Court held that the customer information that the employer was relying on to establish a trade secret claim had not been shown to be either secret or the subject of efforts reasonable under the circumstance to maintain its secrecy. Even if it had, the employer did not show that the information actually had been misappropriated, and a claim for *threatened* misappropriation could support only a claim for injunctive relief, not the damages sought by the plaintiff.

***Source Assocs. v. Mitsui Chems. Am., Inc.*, No. 5:15-cv-215, 2016 U.S. Dist LEXIS 27123 (N.D. Ohio, March 3, 2016).** In *Source Associates*, the plaintiff corporation sued a competitor and a number of former employees alleging that Mitsui had diverted opportunities to the competitor illegally and to make use of confidential customer and sales information that the employees had taken to the competitor upon their supposed "retirement." Source Associaties did not allege a claim for violation of the Ohio Trade Secrets Act, but instead pursued claims for breach of contract, tortious interference, unjust enrichment, and civil conspiracy. Defendants moved to dismiss on a number of grounds, including that the claims were displaced by the Ohio Trade Secrets Act, which formed the exclusive remedy for theft of confidential information following its passage in Ohio.

The Court noted that the "dominant interpretation" of OTSA is that the preemption provision displaces any common law misappropriation of trade secret claim, as well as any claim regarding theft or misuse of confidential, proprietary, or otherwise secret information falling short of a trade secret. The Court conceded, however, that a gray area existed where a claim contained factual allegations that "touch upon" misappropriation of trade secrets but are intended to address another legal harms. In such cases, a partial preemption approach applied, under which the court was to dismiss claims that arise from misappropriation of trade secrets, but retain the portion of the common law theory that was designed to remedy a separate wrong. In this case, because the complaint could not be clearly construed to either contain or not contain an independent basis for tort liability other than the misappropriation of customer information and the like, the Court denied the motion without prejudice to allow the further development of the factual issue which could be resolved as part of an eventual motion for summary disposition.

***Dealer Specialties, Inc. v. Car Data 24/7, Inc.*, 2016 U.S. Dist. LEXIS 130523 (S.D. Ohio 2016).** Under a Franchise Agreement, Car Data 24/7 and, by their guaranty, Gary and Sherry Lindsey, promised that they would not own, engage or participate in a "Competing Business," which was defined as a business or enterprise that sells, markets or promotes products or services similar to those offered by Dealer Specialties® franchisees, including especially vehicle window labeling and vehicle data distribution. They further promised that during the term of the Franchise Agreement and for two years thereafter, they would not divert, or attempt to divert, any customers of their Dealer Specialties® franchised business to any Competing Business by direct or indirect inducement or otherwise. Similarly, Ell Jay Lindsey entered into a Confidentiality/Noncompete Agreement (the "Noncompete Agreement") with DS and its subsidiaries and related business entities, including DSI. Lindsey promised in the Noncompete Agreement to keep confidential the information he learned by his access to the franchised business and promised not to provide services to any "Conflicting Organization", which is defined as any person or organization engaged (or about to become engaged) in the sale or service of "Conflicting Products," which is in turn defined as products or services similar or competitive with any Dealer Specialties® product. After defendants began defaulting on their payment obligations, DSI learned that defendants had been attempting to convert Dealer Specialties® customers to a different vehicle label and distribution system under a competitor's brand. Despite warnings, defendants refused to cease their competitive activities. In finding the defendants had breached their obligations, the court reasoned that in addition to supporting legitimate business interests, the covenants contain appropriate spatial and temporal restrictions. The Franchise Agreement proscribed competitive conduct within any territory, or within twenty miles of any territory, already occupied by DSI or its franchisees. The Noncompete Agreement proscribed competitive conduct in Car Data 24/7's territory and in any other geographic area where Ell Jay Lindsey had contact with Dealer Specialties® customers, or supervised Dealer Specialties® employees who had contact with customers, during the twelve months preceding termination of the Franchise Agreement. The court noted that courts in Ohio have upheld similar and more expansive geographic restrictions. Likewise, the court concluded that the two-year time period in the Franchise Agreement and one-year time period in the noncompete agreement were reasonable, citing prior Ohio cases with two and three-year provisions.

***Indep. Stave Co., LLC v. Bethel,* 2016 U.S. Dist. LEXIS 10793 (S.D. Ohio 2016) (applying Missouri law).** The parties agreed that pursuant to its terms, their noncompete agreement was governed by Missouri law. Plaintiffs argued that the agreement should be enforced because it was used to protect legitimate business interests and was reasonable in both geographic and temporal scope. Alternatively, plaintiffs urged the court to modify the terms of the agreement if it determined that the geographic or temporal restrictions were broader than necessary to protect plaintiffs' legitimate business interests. The agreement was written broadly to prevent employment with any competitor in seemingly any capacity anywhere in the world, but, because defendant Bethel had worked only in the specialized capacity of a stave log buyer and the purpose of noncompete agreements is "not to protect an employer from mere competition by a former employee," but only to "protect the employer's trade secrets or customer contacts," the court exercised its discretion under Missouri law to modify the agreement. The court ruled that Bethel would not be enjoined from working at any competitor of plaintiffs in any capacity. Rather, he would be enjoined from working for his new employer as a white oak log buyer or in stave mill operations. He was permitted to seek employment at one of his new employer's other businesses, provided that he did not buy white oak logs or work in their stave mill in any capacity. Further, the Court enjoined Bethel from working as a stave log buyer or in a stave mill in any capacity with any employer. He was permitted to seek employment at one of the many sawmills or logging outfits in the area, provided that: (1) he did not buy stave logs or work in stave mill operations in any capacity; and (2) if the employer had a stave mill or sold stave logs, he could not work as a white oak log buyer or work in the employer's stave mill in any capacity. Noting that Missouri courts have routinely upheld noncompete agreements of greater than 18 months, the court found the temporal restriction of 18 months reasonable. Finally, the court noted that under Missouri law, "[t]he test for the reasonableness of the geographic scope of a restrictive covenant is whether it is 'no greater than fairly required for protection." Because plaintiffs had not shown that a worldwide restriction was necessary to protect their trade secrets, the court found the lack of a geographical restriction unreasonable under Missouri law and limited the scope of the agreement to certain counties in Ohio and Kentucky.

***Veeam Software Corp. v. Monckton*, 2016 U.S. Dist. LEXIS 86260 (S.D. Ohio 2016).** Veeam Software Corporation filed the instant action seeking to enjoin Keeley Monckton from continuing her employment with Rubrik, Inc., a Veeam competitor in the virtualized backup and recovery software business. Monckton was a single mother living in Chicago. Her experience in the sales industry started in direct end-user sales, followed by a position as a national channel manager with Barracuda Networks, Inc., which she held from May 2013 to February 2015. Thereafter, she joined Veeam as one of six or seven members of the channel team where she worked as a channel manager with CDW, Inc. Upon joining Veeam, Monckton signed an employment agreement that included a noncompete provision, prohibiting Monckton from competing with Veeam in any way in North America for a period of one year following termination, regardless of the reason for termination. After a year at Veeam, Monckton left to go work for its competitor Rubik, four days after giving Veeam her two-week notice. Veeam filed suit seeking, among other things, a preliminary injunction. At the hearing on the preliminary injunction, Monckton did not dispute that she left Veeam to work for Rubrik, a competitor, and that she started working for Rubrik within the time frame and geographic area proscribed in the Employment Agreement. Rather, she contended that the covenant not to compete imposes an unreasonable restriction and is thus unenforceable. In considering the relevant factors, the court noted Monckton had just trained on plaintiff's most recent version of its software, giving her recent access to new proprietary information. On the other hand, enforcement of the agreement would destroy her current means of support. Moreover, the court reasoned that the geographic limitation of all of North America was unreasonable because although Veeam employees represented Veeam to the largest corporate reseller in North America, the record did not reflect that Monckton was more than a minor player as she was a member of a team, only worked with one corporate reseller, and her time at Veeam was short. The court also concluded that prohibiting Monckton's employment at Rubrik would do little to limit unfair competition because, among other reasons, many of plaintiff's trainings contained information made available to its corporate resellers—nearly 10,000 companies who are not subject to a noncompete clause. The court went on to assess whether the provision was greater than required to protect plaintiff (finding that it was); whether the provision imposed undue hardship on the employee (it did not because Monckton could likely find other work in the IT industry or sales); and whether the provision was injurious to the public (it was not because back-up software will continue to be sold and used to protect the public's data, and because there were at least five or six other individuals at Veeam who could complete her job). On the whole, the court concluded that plaintiff failed to show a substantial likelihood of success on the merits, particularly because it had not shown by clear and convincing evidence that the employment agreement was no greater than required to protect Veeam.

***Champion Foodservices, LLC v. Vista Food Exch., Inc.*, 2016 U.S. Dist. Lexis 112979 (N.D. Oh. 2016).** Defendant Gibson resigned from Champion and took with him a laptop that had been issued to him by Champion. Ownership of the laptop was disputed. After defendants won a bid that Champion had competed for, Champion filed suit and asserted claims for misappropriation of trade secrets, among others. Champion alleged that the defendants misappropriated Champion's compilation database "when Gibson copied to the laptop over 25,000 Champion files." Champion did not contend that every item in the database constitutes a trade secret, but that the database was a mix of secret and non-secret information entitled to trade secret protection. Citing prior cases, the court noted that in order to establish that the database itself is a trade secret, Champion had to show that the unique combination or unified result of the directories and files comprising the database, taken as a whole, affords Champion with a competitive economic advantage not publicly known. Based on the record before it, the court concluded that Champion had advanced no evidence as to how the unique combination of the database files—taken as a whole—constituted information not readily available to the public or within the industry, or how this unified combination of information provided Champion with a competitive economic advantage within the industry. Champion simply described the nature of the files in the database, averred that some of the files in the database were trade secrets and some were not, and stated that Champion compiled these files over the years. In granting defendants summary judgment on this claim, the Court quoted a prior Ohio court of appeal case, holding, "Conclusory statements as to trade secret factors without supporting factual evidence are insufficient to meet the burden of establishing trade secret status." The court also held that conversion claims concerning the information on the laptop were preempted by OUTSA because they were based on the same core set of facts as the trade secret claims, but conversion of the laptop itself was not preempted by OUTSA because that claim was "entirely distinct."

***Polymet Corp. v. Newman*, 2016 U.S. Dist. LEXIS 113000 (S.D. Oh. 2016).** Each of Plaintiff's claims—misappropriation of trade secrets, conversion, breach of terms of the employee handbook, breach of duties of loyalty and good faith, unfair competition, and tortious interference with a business relationship—was based upon the foundational assertion that Defendant Danny Newman misappropriated trade secrets belonging to plaintiff when he stopped working for plaintiff and began his own company selling a competing product. In granting the plaintiff's motion for a preliminary injunction, the court noted that injunctive relief may be granted pursuant to the Ohio Uniform Trade Secrets Act upon a showing of threatened misappropriation of trade secrets. Ohio Rev. Code Ann § 1333.62(A) (West 2016) ("Actual or threatened misappropriation [of trade secrets] may be enjoined.") Plaintiff argued that a threatened misappropriation of trade secrets is demonstrated in this case by application of the inevitable disclosure doctrine, which states that "a threat of harm warranting injunctive relief can be shown by facts establishing that an employee with detailed and comprehensive knowledge of an employer's trade secrets and confidential information has begun employment with a competitor of the former employer in a position that is substantially similar to the position held during the former employment." Based on that standard and prior case law, the court concluded that application of the inevitable disclosure doctrine was appropriate despite the fact that Newman did not sign a nondisclosure agreement with Polymet. The court reasoned that the evidence demonstrated that Newman was in fact exposed to "timely, sensitive, strategic, and/or technical information" that, if disseminated, would pose a serious threat to Polymet. The court noted that Newman held various positions with Polymet that allowed him to learn a wide range of sensitive information regarding Polymet's creation and distribution of hot extruded wire, including: (1) The price for which hot extruded wire was sold; (2) Customers to whom hot extruded wire was sold; (3) The raw materials used in the production of Polymet's hot extruded wire; (4) Vendors used by Polymet to purchase raw materials; (5) Vendors used by Polymet for different portions of the extraction process; and (6) Information related to the extraction process itself (through Newman's time on the process improvement team). The court also noted that defendants had correctly argued that there had been no conclusive evidence that Newman either took any sensitive information with him when he left Polymet or that he used any of the sensitive information to which he was exposed at Polymet in formulating Element Blue's hot extruded wire production process. Furthermore, defendant's response to the motion for preliminary injunction offered several plausible alternative explanations for the many demonstrated similarities between Polymet and Element Blue's hot extruded wire production process. However, because the court had determined that the inevitable disclosure doctrine applied, the question was only whether plaintiff had substantially demonstrated a threat of the misappropriation of trade secrets. According to the court, plaintiff had undoubtedly done so. The court stated that OUTSA and applicable case law instruct courts to look at a case such as this, where a high-level employee with specialized technical knowledge leaves for a competitor to produce the same product, with heightened skepticism. Accordingly, the first element of the preliminary injunction test (likelihood of success) weighed in plaintiff's favor.

***7th Circuit***

**Illinois**

***United States v. Pu*, 814 F.3d 818 (7th Cir. 2016)**: Defendant, a former employee of two financial trading firms, was convicted following a guilty plea of violating the Economic Espionage Act for copying each firm's proprietary trading software onto a personal storage device and then using the software to trade in the stock market for himself. The defendant appealed his sentence of 36 months in prison and payment of $750,000 in restitution, arguing, among other things, that the district court improperly enhanced his sentence by finding that the defendant intended to cause defendants a loss of $12 million, the combined cost to develop the stolen source code. The Seventh Circuit reversed. Although the sentencing guidelines suggest cost of development is the metric for estimating loss in trade secrets cases, the defendant here merely used the code for personal trading and there was no evidence that the defendant's intended to cause the firms a $12 million loss as might have been the case if defendant had been interrupted in pursuing a grander scheme, such as to sell the code to a competitor. Moreover, the Seventh Circuit held that the restitution order improperly was not based on a complete accounting of the victim firms' internal investigation costs.

***Fleetwood Packaging v. Hein***, No. 14 C 09670, 2015 WL 6164957 (N.D. Ill. Oct. 20, 2015): Plaintiff filed an action against a former employee and that employee's new employer, alleging claims including misappropriation under the Illinois Trade Secrets Act. Following denial of a motion for a TRO, defendants moved to dismiss the plaintiff's first amended complaint.

The court held that plaintiff had not pleaded any facts suggesting that certain of its alleged trade secrets (including pricing terms and discounts for specific customers) were subject to reasonable protective measures, particularly since they were shared with potential customers without confidentiality restrictions. Nor had plaintiff alleged facts rendering it plausible that it customer list was a secret given that plaintiff alleged it participated in a niche industry with a limited universe of potential customers. On the other hand, other of plaintiff's information, such as product matrices showing how prices were set, were subject to corporate confidentiality procedures, including marking documents "confidential," implementing employee confidentiality agreements, and limiting access to the documents. As to misappropriation, plaintiff alleged that the former employee had downloaded plaintiff's matrices and used plaintiff's trade secrets to call on plaintiff's customers on his new employer's behalf, which was sufficient to survive a motion to dismiss as to both the employee and new employer.

The court did dismiss plaintiff's claims for breach of contract (against the employee) and tortious interference with contract (against the new employer). These claims failed in part because, as the confidentiality provision plaintiff sought to enforce had no temporal or geographic limits, the court held that it was enforceable only as to trade secrets, and not as to other confidential information. Thus, these claims were preempted under the ITSA.

***Traffic Tech, Inc. v. Kreiter***, No. 14-cv-7528, 2015 WL 9259544 (N.D. Ill. Dec. 18, 2015): The plaintiff transportation management company filed, among others, Illinois Trade Secrets Act, breach of non-solicitation agreement, and breach of fiduciary duty claims against a former employee and the employee's new employer, a competitor of plaintiff. The court denied defendants' motions to dismiss these claims. The court declined to dismiss the claim for breach of the non-solicitation agreement, as (1) the court did not think the Illinois Supreme Court would adopt the two-year bright line standard for continued employment providing consideration to support a non-compete agreement laid out in Fifield v. Premier Dealer Servs., Inc., 993 N.E.2d

938 (Ill. App. Ct. 2013), and (2) given that the defendant employee voluntarily ended his employment with plaintiff after nine months, but had received a $250,000 signing bonus from plaintiff, there was a fact issue regarding whether the employee had received adequate consideration to support the non-compete agreement. The court also declined to dismiss a breach of fiduciary duty claim against the employee, as this claim, which was based on employee's bad-mouthing of plaintiff and diversion of plaintiff's customers to a competitor while plaintiff still employed the defendant, was not preempted under the ITSA, as it was independent of any claim for misappropriation of trade secret information. (The court, however, did find that the ITSA preempted in part plaintiff's unjust enrichment claim to the extent it was based on plaintiff's alleged trade secrets.) The court also denied motions to dismiss plaintiff's ITSA claims, as plaintiff had adequately alleged that its information (including price lists, customer and supplier data, contract information, and other information) was maintained in confidence to support a finding that it consisted of trade secrets; that plaintiff had alleged misappropriation where defendant employee had emailed those trade secrets to his future employer, even while he was still working for plaintiff, and where defendant employer knew or should have known that it had improperly acquired that information about a competitor for a person then working for that competitor; and that an allegation of irreparable harm due to loss of profits and business sufficed to allege injury.

The court also denied plaintiff's request for a preliminary injunction. While the misappropriation of trade secrets may cause irreparable injury, the plaintiff waited months after becoming aware of the alleged harm before seeking injunctive relief, and the court reasoned that preliminary injunctive relief was not warranted for the mere three months left on the 18-month non-compete agreement where the plaintiff failed to demonstrate a credible threat of loss of additional customers. As to the new employer's actions, plaintiff's only ongoing injury amounted to lost sales, for which plaintiff had an adequate remedy at law, rendering a preliminary injunction inappropriate.

***Orthofix Inc. v. Gordon***, No. 1:13-cv-01463-SLD-TSH, 2016 WL 1170896 (C.D. Ill. Mar. 24, 2016): Plaintiff, a medical device company, filed claims for breach of post-employment non-compete and confidentiality agreements and for misappropriation under the Illinois Trade Secrets Act after one of its sales representatives began working for a competitor.

As to the ITSA claim, the court ruled that the customer purchase history and related information could qualify as a trade secret. Even though it was possible someone else could assemble that data, plaintiff expended time and effort to gather, integrate, and memorialize the information, indicating its economic value. The court also found that there was a fact issue as to how plaintiff protected the information, as it required employees to sign non-disclosure agreements, and pursued legal remedies for violations of those agreements. The court also denied summary judgment on ITSA preemption grounds on plaintiff's tortious interference claim because this claim was based in part on defendant's use of confidential information that may not have arisen to the level of a trade secret to sell products to plaintiff's customers.

In denying Defendant's motion for summary judgment on the restrictive covenant claims, the court, among other things, rejected defendant's contention that the confidentiality agreement was unenforceable because it had no time limitation. In so holding, the Court cited Section 8(b)(1) of the ITSA, which provides that a contractual duty of confidentiality cannot be deemed void solely for lack of a durational limitation.

***American Center for Excellence in Surgical Assisting Inc. v. Community College District 502***, No. 15 C 7290, 2016 WL 3165763 (N.D. Ill. June 7, 2016): Plaintiff operated a surgical assistant training program. Defendants operated a community college that had engaged plaintiff to design a curriculum for a surgical assistant program. According to plaintiff, after plaintiff worked with defendants to design the program, defendants said they no longer wished to work with plaintiff, and a few months later, launched an online surgical assistant program remarkably similar to what plaintiff had begun putting together. Denying defendants' motion to dismiss, the court held that plaintiff had stated a claim for misappropriation under the Illinois Trade Secrets Act. While defendants primarily relied on a lack of reasonable efforts to maintain the confidentiality of the curriculum and related information that plaintiff based its claim on—principally arguing that plaintiff had required that defendants sign a non-disclosure agreement, the court noted the plaintiff only provided the subject information upon specific request and that another agreement between the parties prohibited copying of the information without plaintiff's permission. Further, the court held that at the pleading stage, only "an extreme case" will present a situation where the reasonableness of plaintiff's precautions can be ruled upon as a matter of law. The court did dismiss claims for unjust enrichment, conversion, and promissory estoppel, as those claims were preempted under the ITSA.

***Geraci v. Macey***, No. 14 CV 06876, 2016 WL 3671400 (N.D. Ill. July 11, 2016): Plaintiff, a consumer bankruptcy lawyer, filed an action for misappropriation of trade secrets, alleging that one of his former employees (a computer programmer) had joined a competitor, and when he did so, copied a computer program that plaintiff had used to manage his practice and brought it over to the competitor. Defendant moved for summary judgment, claiming that there was insufficient evidence of the existence of a trade secret, or of misappropriation.

As to the existence of a trade secret, defendant argued that the computer program lacked economic value because it was not for resale, and was made using off-the-shelf software, and, in any event, could have been replicated with little effort. The court rejected these arguments, holding that the computer program could have been an asset to both plaintiff and his competitor, by helping them run a high-volume bankruptcy practice. The court also ruled that while there were aspects to the program that may have been publicly available, the evidence showed that the defendant computer programmer had made his own additions to the program, based on plaintiff's input and experience, to create a unique combination of functionality that afforded a competitive advantage. The court also ruled that testimony that someone could have recreated the software for the same effort and cost that plaintiff had invested did not merit summary judgment; that testimony only underscored that plaintiff had invested resources into developing his trade secrets, and they were not "readily duplicated with little effort."

As to misappropriation, defendants claimed that there was insufficient evidence that misappropriation had taken place, and that the competitor's own software product was developed independently. The court ruled that there were fact issues as to misappropriation, based on the programmer's admitted removal of the code from plaintiff's office without authorization; the programmer's stated reasons for doing so were subject to a jury's determination of credibility. The court also noted that the competitor's software at one time printed out documents with plaintiff's name on them, and appeared to include misspellings that were the same as those appearing in plaintiff's materials, indicating that code may have been copied from one system to the other.

***Gavin/Solmonese LLC v. Kunkel*, 2016 U.S. Dist. LEXIS 87133 (N.D. Ill. 2016) (unpublished)** (granting motion to dismiss for failure to state a claim for tortious interference with contract, prospective economic advantage, and fraud, but denying motion on breach of fiduciary duties and unjust enrichment claims, where defendant, appointed by plaintiff consulting company to be at-will interim CEO of plaintiff's third-party client, harmed plaintiff's business relationship with client by making inappropriate comments to client's employees and touching some inappropriately); Laba v. Chi. Transit Auth., 2016 U.S. Dist. LEXIS 4113 (N.D. Ill. 2016) (unpublished) (dismissing breach of fiduciary claim where defendants' behavior—engaging in non-work activities during work hours—amounted to substandard job performance rather than conduct that has been recognized as a basis for a breach of duty claim, such as self-dealing or misappropriating funds); Root Consulting, Inc. v. Insull, 2016 U.S. Dist. LEXIS 26229 (N.D. Ill. 2016) (unpublished) (granting motion for summary judgment on breach of fiduciary duty claim in favor of corporation finding that competitive business dealings finalized by corporate executive after resignation constitute a breach when dealings were initiated before resignation and based on information obtained before departure from company).

***Airgas United States, LLC v. Adams*, 2016 U.S. Dist. LEXIS 82869 (N.D. Ill. 2016) (unpublished).** Defendant moved to dismiss claims brought by his former employer for breach of a confidentiality and nonsolicitation agreement. The complaint alleged that after executing the restrictive covenant, defendant remained in plaintiff's employ for 19 months before resigning and resuming similar work for one of plaintiff's competitors. The complaint alleged that defendant solicited dozens of plaintiff's customers, causing plaintiff to lose business. Defendant moved to dismiss for lack of consideration, relying on a bright line rule applied by Illinois appellate courts requiring at least two years of continued employment to constitute adequate consideration in support of a restrictive covenant. The court rejected the bright line approach and applied a totality of the circumstances approach to assess the adequacy of consideration. The court held that the complaint alleged sufficient facts to support a claim for wrongful solicitation of customers and denied the motion to dismiss the claim for breach of contract. The defendant also moved to dismiss a claim for misappropriation of trade secrets, contending that the complaint did not allege that defendant took or retained plaintiff's trade secrets. The court rejected this argument, holding that, under the theory of inevitable disclosure, plaintiff adequately alleged that defendant had access to plaintiff's confidential information and that he would inevitably disclose trade secrets through his employment with plaintiff's competitor.

***Allied Waste Servs. of N. Am., LLC v. Tibble*, 2016 U.S. Dist. LEXIS 47447 (N.D. Ill. 2016) (unpublished).** Defendant moved to dismiss claims for breach of his employment agreement containing confidentiality, nonsolicitation, and noncompetition provisions, contending that the contract was not supported by adequate consideration and was overly broad. Defendant contended that the restrictive covenant lacked consideration because he was employed for only 15 months following the execution of the restrictive covenant. To support this position, defendant relied on recent Illinois appellate court opinions applying a bright line rule that at-will employment must continue for at least two years following execution of a restrictive covenant to constitute adequate consideration. The court noted that four of the five federal courts in the Northern District of Illinois that had considered this issue had predicted that the Illinois Supreme Court would favor a more flexible approach over a bright line rule. The court similarly rejected the bright line rule in favor of a fact-specific approach. Considering the totality of the circumstances—including defendant's promotion, pay increase, and voluntary resignation—the court determined that an employment period shorter than two years could qualify as sufficient consideration. The court concluded that whether 15 months of employment following the execution of the restrictive covenant is adequate consideration depends on disputed facts and could not be resolved at the motion to dismiss phase. Addressing the over breadth argument, the court concluded that the restrictive covenant was not unreasonable on its face. The court declined to determine whether the covenant was sufficiently narrow in scope and whether the confidentiality agreement was enforceable until after the parties engaged in discovery.

***ATC Healthcare Servs. v. RMC Techs, Inc.*, 2016 U.S. Dist. LEXIS 83898 (N.D. Ill. 2016) (unpublished)** (dismissing tortious interference with contract claim where the noncompete clauses in plaintiff's employment contracts were invalid because plaintiff did not adequately allege "a legitimate, protectable interest" in restricting employees from working for a competitor); E.T. Prods., LLC v. D.E. Miller Holdings, Inc., 154 F. Supp. 3d 755 (N.D. Ill. 2016) (enforcing broad restrictive covenant because plaintiff purchased defendant's business on the condition that retiring defendant would remain out of the industry entirely but holding that defendant did not violate the covenant by providing assistance to a company not in the same line of business as defendant); Kohler Co. v. Kopietzki, 2016 U.S. Dist. LEXIS 31736 (E.D. Wis. 2016) (unpublished) (holding that a covenant that forbids disclosure of confidential information until such information becomes public knowledge is not a meaningful time limit and is therefore per se unreasonable under Wisconsin law); Orthofix Inv., v Gordon, 2016 U.S. Dist. LEXIS 38852 (C.D. Ill. 2016) (unpublished) (denying motion for summary judgment given factual disputes surrounding an at-will employee's termination and the nature of employer's customer relations, both bearing on the validity of noncompete and nondisclosure covenants); Preferred Landscape & Lighting, LLC v. Alban, 162 F. Supp. 3d 746 (N.D. Ill. 2016) (denying a motion to dismiss, finding in part that a five-year noncompete clause contained in a purchase agreement for a landscaping company was reasonable); Zimmer U.S. Inc. v. Mire, 2016 U.S. Dist. LEXIS 69712 (N.D. Ind. 2016) (unpublished) (denying motion to dismiss complaint regarding noncompetition agreement based on restricted geographical area, finding whether a specific territory was "assigned" to defendant, rather than an interpretation of the phrase "restrictive geographical area" was key to resolving whether the restrictive covenant was invoked).

***R.J. O'Brien & Assocs., LLC v Williamson*, 2016 U.S. Dist. LEXIS 32350 (N.D. Ill. 2016) (unpublished).** Defendant Williamson, an at-will employee at a brokerage firm, moved to a new firm after one year and actively recruited his former colleagues, at least one successfully, despite an employee nonsolicitation agreement with his previous firm. In a suit for breach, Williamson moved for summary judgment, arguing that as an at-will employee, the nonsolicitation agreement was invalid for lack of adequate consideration. Addressing the split in Illinois state court in determining adequate consideration for at-will employees, the court adopted a fact specific test and rejected a bright line rule requiring two years of continued employment. The court denied Williamson's motion because his old firm sponsored and assumed liability for Williamson's trades, paid him his due commission and "a generous salary," and "did nothing to alter the terms of defendant's employment" prior to his departure. Id. at *8-*9.

**Act II Jewelry, LLC v. Wooten, 2016 U.S. Dist. LEXIS 89250 (N.D. Ill. 2016) (unpublished)**. At the outset of her employment, defendant Wooten, vice president of product development for plaintiff's jewelry business, executed a confidentiality and nondisclosure agreement, prohibiting her from divulging the company's trade secrets or confidential information during or after her employment and establishing that all ideas or inventions were property of plaintiff. Three years later, the parties entered into an "incentive agreement" under which Wooten would receive benefits for continuing her employment while plaintiff's business wound up. The incentive agreement reaffirmed the confidentiality and nondisclosure agreements in the original employment contract. Almost immediately after signing the incentive agreement, Wooten incorporated her own jewelry business, using the same business model as plaintiff. She began selling and marketing styles and items from the jewelry collection she had developed for plaintiff under the name of her new business. Plaintiff brought a lawsuit asserting claims against Wooten for breach of the incentive agreement and breach of her fiduciary duties as well as claims against Wooten and former employees now working for Wooten for violations of the Illinois Trade Secrets Act (ITSA). Defendants filed motions to dismiss. Wooten contended that the claim for breach of the incentive agreement was preempted by federal copyright law. The court found that the claim for breach of the incentive agreement is not equivalent to the rights given to copyright holders under the Copyright Act, and was therefore not preempted. The court also found that the claim against Wooten for breach of fiduciary duties did not equate to any rights created by federal copyright law, nor did it equate to a claim of misappropriation of trade secrets, therefore, the claim was not preempted by the Copyright Act or ITSA. Defendants contended that the claim for violation of ITSA was also preempted by federal copyright law. The court found that defendants' preemption argument was properly viewed as an argument for failure to plead the existence of a trade secret; if a trade secret had been alleged, then the ITSA claim is not preempted by the Copyright Act. The court ultimately concluded that the allegations supporting a violation of ITSA were sufficient to survive a motion to dismiss.

***Lane v. Le Brocq*, 2016 U.S. Dist. LEXIS 40667 (N.D. Ill. 2016) (unpublished)**. Plaintiff Lane asserts that Defendant Le Brocq stole information from her law firm's computers and servers, including client data, emails, filings, and templates. Le Brocq was given broad access to the firm's servers, domains, computers, and passwords to E-Filing systems. Lane had also given Le Brocq the password to her own firm computer, though expressly forbade him from accessing certain files. Lane brought suit for violation of (1) the Stored Wire and Electronic Communications and Transactional Records Act (SCA), (2) the Electronic Communications Privacy Act (ECPA), (3) the Computer Fraud Abuse Act (CFAA), and (4) the Illinois Trade Secrets Act (ITSA). Le Brocq moved to dismiss all claims, which the court granted in part and denied in part.

Regarding (1), the court held that the SCA does not apply to materials "accessed and copied" from Lane's hard drive, but does apply to those accessed through cloud-based servers connected to the internet. The court also found that instances where Le Brocq "misused information he was authorized to access does not state a claim under the SCA," but claims were properly alleged in instances where he exceeded his authorization. *Id.* at *18. As to (2), the court denied the motion, rejecting Le Brocq's argument that ECPA requires plaintiffs to establish a privacy interest in intercepted email communication. The court also denied the motion with respect to (3) the CFAA, reaffirming the longstanding interpretation that the Act permits claims against disloyal employees who uses an employer's computer for his own purposes. The court also found that costs incurred from an investigation of misuse sufficiently constitutes "loss" and "damage" under the CFAA, even without "actual disruption of service or impairment of plaintiff's data." *Id.* at 34. Finally, as to (4) the ITSA claim, the court agreed with Le Brocq that "templates and other commercially purchased materials" are not protected trade secrets, but that Lane "adequately alleged a claim with respect to their trial strategy materials" and client lists. *Id.* at *43-*47.

***Orthofix Inv., v. Gordon***, **2016 U.S. Dist. LEXIS 38852 (C.D. Ill 2016) (unpublished)**. Defendant Gordon, a sales representative at Orthofix, a medical device company, was contractually obligated not to disclose company trade secrets or confidential information. After Gordon left to work for a competitor, taking with her a "playbook" with information including details of company interactions with doctors, Orthofix brought suit against Gordon alleging violations of the Illinois Trade Secrets Act (ITSA) and tortuously interfering with business relations. Gordon moved for summary judgment, arguing that customer lists can be easily compiled using public information placing it outside ITSA protection and that tortious interference claims are preempted under ITSA. The court denied the motion, finding that "playbook" material warranted trade secret protection as they "clearly take a great deal of time and effort to compile, [and] they contained information that only Orthofix salespeople had." *Id.* at *28. The court agreed that ITSA actions preclude tort claims for the misappropriation of trade secrets but that confidential information disclosed in breach of contract, and not considered trade secrets, may serve as the basis for tortious interference.

***Conxall Corp. v. iCONN Sys., LLC*, 2016 Ill. App. LEXIS 593 (Ill. App. Ct. 2016) (unpublished)** (affirming the trial court's jury instructions for trade secret misappropriation).

**Wisconsin**

***Global Imaging Acquisitions Group, LLC v. Rubenstein*, No. 14-C-0635, 2015 WL 5618803 (E.D. Wis. Sept. 24, 2015):** Two defendants, who were principals of a competitor of plaintiff, moved to dismiss conspiracy claims against them. The motion was denied; the complaint adequately alleged that they had conspired with other defendants—employees of plaintiff who were leaving to join the defendant competitor—to rig plaintiff's computers to direct emails containing customer information and other trade secrets from plaintiff to defendant. This was sufficient to permit plaintiff's claims for conspiracy to misappropriate trade secrets to proceed.

***Epic Systems Corp. v. Tata Consultancy Services Ltd.*, No. 14-cv-748-wmc, 2016 WL 1466579 (W.D. Wis. Apr. 14, 2016); 2016 WL 1696912 (W.D. Wis. Apr. 27, 2016)**: The court in this suit for misappropriation of trade secrets and other confidential information made a series of rulings regarding damages and the entry of judgment on a jury verdict.

On a proffer of damages, the court held that to show recoverable damages, plaintiff would need to show use by defendant and resulting injury to plaintiff. Simply showing that the defendant would be able to reduce its expenses going forward by use of the misappropriated information was not sufficient, and such an injury was better addressed via injunctive relief barring use of the information in the future.

After the jury returned a verdict in favor of plaintiff (including a finding of damages of $940,000,000, including $700,000,000 in punitive damages), the court entered a permanent injunction against defendant regarding the use of the misappropriated information. On motion practice regarding the scope and terms of the injunction, Defendant argued, *inter alia*, that a monitor or ombudsman should not be appointed to ensure compliance with the injunction. The court disagreed, and ordered that given the extent of the access that defendants' personnel had to plaintiff's trade secrets, a monitor would be appointed for a period of two years, with the possibility of a further two-year extension of that appointment. (Judgment has not yet been entered on the damages portion of the verdict, and motion practice regarding those damages is still pending.)

***Healthwerks, Inc. v. Howmedica Osteonics Corp.*, No. 14-cv-93-PP, 2016 WL 5793680 (E.D. Wis. Sept. 30, 2016)**: In this case, defendant Stryker filed counterclaims against plaintiff, claiming, among other things, that plaintiff had breached a confidentiality agreement between the parties. On plaintiff's motion for summary judgment, the court ruled that the confidentiality agreement was unenforceable, as it did not have a defined durational limit, and so was unenforceable under Wis. Stat. § 103.465, which provides that non-compete agreements whose terms impose an unreasonable restraint are unenforceable, even as to circumstances in which its imposition *would* be reasonable. In reaching this decision, the court cited Wisconsin authority indicating that this statute also applies to non-disclosure agreements, and that restrictive covenants with an unlimited time period are unreasonable per se, even if the information covered by the restrictive covenant consists of trade secrets.

***Schetter v. Newcomer Funeral Serv. Grp.*, 2016 U.S. Distr. LEXIS 73294 (E.D. Wis. 2016) (unpublished).** Plaintiff Schetter, formerly managing funeral director at one of Newcomer's funeral homes and now employed by a competitor, moved to dismiss claims that she breached a noncompete agreement prohibiting employment at a competitor within 25 miles of any Newcomer-affiliated funeral homes as well as a nondisclosure clause prohibiting disclosure of any material matters affecting or relating to the business at any time. The court denied the motion as to the noncompete agreement but granted the motion as to the nondisclosure clause. Regarding the noncompete clause, Schetter argued that prohibiting employment from all affiliated funeral homes and not just her specific employment location was overbroad and therefore invalid. The court differentiated between covenants designed to protect customer loyalty and those designed to "prevent [a former employee] from using inside knowledge and practices." Because the latter "logically extends" beyond the specific location of employment, it "cannot say that the territorial limits are per se unreasonable," but fact dependent.

***Manitowoc Co. v. Lanning*, 2016 Wisc. App. LEXIS 537 (Wisc. Ct. App. 2016) (unpublished)** (reversing an order granting summary judgment and invalidating a nonsolicitation agreement prohibiting direct or indirect solicitation, inducement or encouragement of any employee to either work for a competitor, supplier, or customer or to terminate his or her own employment as overbroad, irrespective of whether the restricting behavior alleged was permissible).

***Poblocki Paving Corp. v. Johnson & Sons Paving, LLC.*, 2016 U.S. Dist. LEXIS 55968 (E.D. Wisc. 2016) (unpublished).** Poblocki is an asphalt paving contractor who compiled a proprietary database that included customer contact information, work orders, marketing and bid information, project specifications and other materials. Johnson had access to the database when he worked for Poblocki, before starting his own paving company. While still employed by Poblocki, Johnson used a video camera to record information from the database on the computer screen, which he subsequently used in his business. Poblocki filed suit in part for misappropriation of trade secrets. The court assumed that the database is a trade secret, but granted Johnson's motion to dismiss finding that Johnson did not actually "acquire" the database. Id. at *10. The court reasoned that the Poblocki did not seek protection for the data itself but for the algorithm used to compile the database; that Poblocki "does not allege, and it would not be reasonable to infer, that Johnson could reverse engineer the Database's coding merely by reviewing the video and screenshots;" and that Poblocki failed to allege Johnson was able to recreate the database. Id.

## ***<u>8th Circuit</u>***

## <u>Iowa</u>

***Ag Spectrum Co. v. Elder*, 2016 U.S. Dist. LEXIS 86006 (S.D. Iowa 2016)** (holding "[i]t seems a reasonable distillation of existing Iowa law that noncompete agreements involving independent contractors are enforceable in Iowa but with even greater restraint than would be applied in cases involving former employees"); Billion v. Oxford, 2016 U.S. Dist. LEXIS 95801 (D. S.D. 2016) (declining to extend South Dakota caselaw excising overbroad noncompete clauses from employment contracts to nondisclosure clauses in employment contracts); Global Control Sys. v. Luebbert, 2016 U.S. Dist. LEXIS 92433 (W.D. Mo. 2016) (denying defendants' motion for a new trial based on alleged trial errors involving the trial court's evidentiary rulings, namely that the court allowed evidence of a noncompete clause in a contract not at issue at trial because it was necessary to "tell the story of the case," and introduction of the noncompete clause did not confuse the jury even though defendants had already been punished for violating the noncompete clause).

**Minnesota**

***Medtronic, Inc. v. Ernst*, 2016 U.S. Dist. LEXIS 56140 (D. Minn. 2016).** Motion to remand and request for TRO denied. Medronic initiated this case in Minnesota state court after Ernst, a former employee, left Medronic for Nevro Corp., a competitor. Medtronic named Ernst and Nevro as defendants, alleging that Ernst breached her employment agreement by taking a position with Nevro and that Nevero tortuously interfered with that agreement by hiring Ernst. Defendants removed the case to federal court, and Medtronic moved to remand, arguing that the forum selection clause in Ernst's employment agreement required that the action proceed in state court, and that, because Nevro continued to employ Ernst after learning of the noncompete and forum selection clauses in her employment agreement, Nevro was "closely related" to Ernst and thus bound by the venue and personal jurisdiction clause. The district court denied Medronic's motion to remand, holding that Nevro was not "closely related" to Ernst for purposes of being bound by the forum selection clause in the employment agreement because Nevro did not voluntarily join Ernst as a party to the litigation. The district court also denied Medronic's motion for a TRO enjoining Ernst from working at Nevro, holding that Medtronic had not shown a sufficient threat of irreparable harm.

***Anchor Bank, N.A. v. Gulbransen*, 2016 Minn. App. Unpub. LEXIS 100 (Minn. Ct. App., Jan. 25, 2016) (unpublished).** Reversing lower court's order granting respondents' summary judgment motion for breach of a nonsolicitation and confidentiality agreement. Appellant brought claims for breach of a nonsolicitation and confidentiality agreement in Minnesota federal court against respondent, whom appellant had hired in 2006 to sell investment products and services to the public. In the course of their business arrangement, respondent executed an "Employee Confidentiality and Nonsolicitation Agreement" (agreement) as required by appellant. To sell securities consistent with Minnesota and federal law, respondent contracted with third-party LPL Financial, LLC (LPL), a securities broker-dealer. Respondent sold appellant's securities as an LPL representative, and he entered in to separate contractual agreements with LPL. Respondent resigned from his engagement with appellant in 2013, and he prepared a list of his customers' telephone numbers and addresses before leaving. After opening his new business venture, Callahan Financial Planning Corporation (Callahan Financial), he convinced 87 of his former clients to transfer their accounts Callahan Financial. At the trial court, the parties brought cross-motions for summary judgment. The trial court concluded the nonsolicitation agreement unambiguously failed to prohibit defendant-respondent from "soliciting the offer or sale of securities products or services that were provided by LPL," and the confidentiality provision did not apply because the client list and contact information were stored on LPL's network, and, therefore, were not confidential. The court of appeal reversed, holding that the lower court impermissibly relied on extrinsic evidence by considering respondent's contractual agreements with third-party LPL. Because the agreement between the parties was ambiguous on the "four corners," disputes arising from the agreement should be resolved by the finder of fact.

***Bison Advisors LLC v. Kessler*, 2016 U.S. Dist. LEXIS 107244 (D. Minn. Aug. 12, 2016) (unpublished).** Summary judgment granted against plaintiffs' claim under the Minnesota Uniform Trade Secrets Act because plaintiffs failed to present evidence of steps taken to maintain confidentiality of alleged trade secrets. The mere existence of an operating agreement containing noncompete and confidentiality provisions is insufficient. Plaintiffs' expectation that information would be kept secret is also insufficient. As a result, no jury could conclude that plaintiffs took sufficient measures to ensure secrecy of the data at issue. Plaintiffs' common law claim for misappropriation of confidential information also failed because plaintiffs' did not establish that the information underlying that claim was distinct from the information underlying their trade secrets claim.

**Missouri**

***Boyd v. Conagra Foods, Inc.*, 2016 U.S. Dist. LEXIS 23660 (E.D. Mo. 2016) (unpublished).** Plaintiff's motion for summary judgment denied and defendant's motion for summary judgment granted. Plaintiff initiated his case in Missouri federal court, alleging that after defendant acquired plaintiff's former employer, plaintiff continued to work for defendant until he was eligible to receive severance benefits under his former employer's severance plan, provided he met certain eligibility requirements. Per the terms of the severance plan, a participant may be eligible for benefits if he voluntarily terminates his employment "for Good Reason (during the 90-day period following the initial existence of Good Reason) . . . within 24 months following a Change in Control." In relevant part, "Good Reason" was defined as a material reduction in pay, position, or duties, or a material change in reporting requirements to supervisors. "Good Reason" also requires an employee to give 30 days' notice of any alleged material breach to allow the company an opportunity to cure the act. Plaintiff claimed that defendant violated its fiduciary obligations to him under ERISA section 502(a)(3), 29 U.S.C. § 1132(a)(3), alleging defendant's agent omitted material information regarding whether he satisfied the "Good Reason" standard during the 30-day cure period. The court rejected plaintiff's argument, finding that defendant's Human Resources employee was not a ministerial agent who delivered fiduciary advice, but instead was operating as an employee akin to a customer service agent by relaying detailed information from the Plan Administrator. As such, even if the Human Resources employee did not convey all information that could adversely impact plaintiff's interests, the employee's behavior could not be imputed to the Plan administrators, and no fiduciary breach occurred.

***Panera, LLC v. Nettles*, 2016 U.S. Dist. LEXIS 101473 (E.D. Mo. 2016).** The court granted Panera's request for TRO enjoining former-employee Nettles from working for Papa John's. Nettles worked as Panera's Vice President of Architecture in Panera's IT department. As a condition of his employment with Panera, Nettles signed a confidentiality and noncompete agreement, which specifically listed Papa John's as a competitor and barred Nettles from working for any of the approximately 30 competitors listed in the agreement for one year following the end of his employment with Panera. Panera sued Nettles for breach of contract and misappropriation of trade secrets, and sued Papa John's for negligent interference with Nettles's employment contract, after Nettles resigned from his position with Panera to immediately begin working for Papa John's. The court granted Panera's request for a TRO, holding that, Panera established that it would likely suffer irreparable harm if Nettles was not enjoined from working for Papa John's. The court noted that, although neither Missouri state law nor the Eighth Circuit had formally adopted the doctrine of inevitable disclosure, the court found "the rationale underpinning usch a theory helpful to understanding why Nettles' performance of his new role would almost certainly require him to draw upon and use trade secrets and the confidential strategic planning to which he was privy at Panera."

***STIM, LLC v. Aecom Tech. Servs.*, 2016 U.S. Dist. LEXIS 44333 (W.D. Mo. Apr. 1, 2016)** (granting defendant's motion to dismiss plaintiff's claim arising under the Missouri Uniform Trade Secret Act, where defendant allegedly misappropriated "a unique compilation of publicly available information," because "[p]laintiff's advice to [d]efendant is similar to the legal advice an attorney gives a client. While legal advice and [p]laintiff's advice to Defendant may be confidential, neither type of advice is a trade secret").

**South Dakota**

***Responsible Fluid Power v. Altec Indus*****., 2016 U.S. Dist. LEXIS 137560 (D.S.D. Oct. 4, 2016).** Summary judgment denied against plaintiff's trade secret misappropriation claim. First, the process for manufacturing a product (here, a hydraulic tank) qualifies as a trade secret under South Dakota's Uniform Trade Secret Act. Second, even if engineers employed by defendant participated in the design of the product, summary judgment is inappropriate where a material issue of fact exists as to the level of participation by defendant's employees. The amount of collaboration is significant because it relates to the "secrecy" element of the trade secret definition—it relates to (a) whether plaintiff took reasonable steps to maintain the secrecy of purported trade secrets, and (b) whether the design was generally known within the industry. Plaintiff submitted a declaration stating the product in question was complicated, the first of its kind, and not generally known in the industry. Plaintiff also submitted evidence that it took sufficient affirmative steps to maintain the secrecy of the product—it placed proprietary stamps on design drawings; the design drawings were kept on a password-protected computer; the employee involved in designing the product signed a non-disclosure agreement; and all employees signed noncompete agreements.

***9th Circuit***

***United States v. Nosal*****, 828 F. 3d 865 (2016).** Defendant, a former employee whose computer access credentials were revoked by his former employer, acted "without authorization" in violation of the Computer Fraud and Abuse Act when he or his former employee co-conspirators used the login credentials of a current employee to gain access to computer data owned by the former employer and to circumvent the revocation of access. The court held that the evidence was sufficient to convict defendant as an accomplice because, when he specifically directed an accomplice to access the computer system to "get what I need." Defendant knew that the only way the accomplices could access the source lists was without authorization because the employer had revoked their access credentials. Court also held that defendant knew he was taking trade secrets and he knew that stealing the source lists would harm the employer by helping a competitor—defendant's own company.

***United States v. Nosal*****, No. 14-10037 (9th Cir. amended Dec. 8, 2016).** Defendant worked at an executive search firm when he decided to launch his own competitive business with several co-workers. Defendant's employer had previously revoked defendant's password credentials, so before leaving, at defendant's request, his colleagues began downloading confidential information, including source lists and executive contacts, on behalf of defendant from their current employer's database, using their own, and other employee's passwords, to use in his new enterprise. At the time of the downloads, Defendant knew the downloads violated his employer's confidentiality and computer use policies. A jury convicted Defendant of two counts of trade secret theft under the Executive Espionage Act for "unauthorized downloading, copying and duplicating of trade secrets" and "unauthorized receipt and possession of stolen trade secrets." Defendant appealed, claiming that the government failed to prove: (1) the required elements of secrecy and difficulty of development in relation to the information taken, because the source lists that were stolen were derived from public sources; (2) that defendant had knowledge of trade secret status; and (3) that defendant had knowledge of injury to, or intent to injure his employer. The court rejected defendant's arguments and held that defendant knew the information was confidential because he had previously signed a confidentiality agreement related to the information and knew stealing the information would hurt his employer because he was launching a directly competitive business and used unauthorized access to the database to populate his own company's database. The court also held that despite being composed of some public information, the source lists constituted trade secrets. The court held that the trade secret and its value stemmed from the unique integration, compilation, sorting of, and aggressive protections applied to the source list database. The court affirmed the conviction on both counts.

**California**

***Gatan, Inc. v. Nion Co.*, 2016 U.S. Dist. LEXIS 42764 (N.D. Cal. 2016).** Plaintiff manufactured spectrometers which are components of electronic microscopes. Defendant manufactured electronic microscopes and purchased its spectrometers from Plaintiff. Plaintiff and Defendant entered into an agreement. Plaintiff alleged that Defendant breached the agreement's noncompete provision by failing to provide Plaintiff with spectrometer specifications before creating its own and competing with Plaintiff. The only way for the noncompete provision to stand under California Business & Professions Code 16-600, Plaintiff had to properly allege that the noncompete is imperative to protect trade secrets. The noncompete provision was not necessary to protect trade secrets. The agreement's separate "Use of Confidential Information" provision (paragraph 13) was comprehensive enough to protect Plaintiff's trade secrets. Paragraph 13 stated that Defendant "shall not at any time, whether during the Term or thereafter, furnish, divulge, communicate, or otherwise directly or indirectly disclose or use any such Confidential Information, howsoever obtained or acquired, or compile, duplicate, develop or adapt such Confidential Information for any purpose, other than strictly incidental to, and solely in furtherance and within the scope of, the Agreement." In the absence of a noncompete provision, a requirement to provide Plaintiff with spectrometer specifications is pointless. Thus, Defendant could develop and sell its own spectrometers without conferring with Plaintiff. The Court granted the motion to dismiss.

***Henry Schein, Inc. v. Cook*, 2016 U.S. Dist. LEXIS 76038 (N.D. Cal. Jun. 10, 2016).** Plaintiff Henry Schein, Inc. ("HSI") sought a temporary restraining order against a former employee, Cook. HSI alleged that Cook misappropriated confidential and trade secret documents and information. HSI brought eight claims against Cook, including claims under the Defend Trade Secrets Act, the California Uniform Trade Secrets Act and for breach of contract. Evaluating the four TRO factors, the court found that HSI established a likelihood of irreparable injury because (1) customer information such as sales history and customer needs and preferences are protectable trade secrets, and (2) evidence of threatened loss of prospective customers or goodwill supports the finding of a likelihood of irreparable injury, particularly where the loss may have already occurred if Cook had already misappropriated and used the trade secrets information, as HSI asserted. With regards to the likelihood of success on the merits, the court found that HSI established a likelihood of success based upon HSI's allegations that Cook "emailed and downloaded, to her personal devices, confidential information from HSI before leaving her employment to work at a competitor," coupled with copies of HSI's confidentiality and nonsolicitation agreements. In addition to the TRO, HSI also made an ex parte request to seek early discovery and obtain mirrors of data on Cook's personal devices. It is not clear whether this request was made pursuant to the DTSA's ex parte seizure provisions. The Court found this request to be unwarranted given the significant personal intrusion upon Cook, and denied the request.

***Henry Schein, Inc. v. Cook*, 2016 U.S. Dist. LEXIS 81369 (N.D. Cal. June 22, 2016).** This case concerns a plaintiff's motion for a preliminary injunction that sought to enjoin the defendant, a former employee, from breaching her nonsolicitation agreement. The nonsolicitation clause in question prohibited the employee from "solicit[ing] the patronage of any past or then current customer of the Company" for twelve months after separation. The plaintiff sought an injunction on the grounds that solicitation would (1) violate the nonsolicitation agreement, or in the alternative, (2) lead to misappropriation of the plaintiff's trade secrets. The court denied the injunction, finding that plaintiff had not shown a likelihood of success because (1) nonsolicitation agreements are likely unenforceable under Cal. Bus. & Prof. Code § 16600, and (2) plaintiff had made no showing tying the solicitation to any particular trade secret.

***Emazing Lights LLC v. De Oca,* 2016 U.S. Dist. LEXIS 92677 (C.D. Cal. Jan. 7, 2016).** Defendant worked for Plaintiff. It is disputed whether he was an independent contractor or employee. The court dismissed Plaintiff's misappropriation of trade secrets claim on particularity grounds. Plaintiff description of its alleged trade secrets was too vague, saying they "include, but are not limited to, Plaintiff's source codes for its gloving products, programming technology, USB technology, firmware for such technology and to control gloving products and updates, such as for colors, flash patterns, images and files, chip navigation, technical data, know-how, research product plans, software, inventions, developments, processes, formulas, designs, drawings, and any other information not publically and widely known, or otherwise made generally available to the public, other than through the acts of persons who have improperly accessed and/or disclosed such information." Id. at *4-5 (emphasis added). Defendants argued that Plaintiff destroyed its trade secrets when it revealed them in its patent and patent application. Defendants also argued that the individual Defendant could not have misappropriated software he wrote on ownership grounds because if, as Plaintiff alleges, the individual Defendant was Plaintiff's independent contractor then he owns the trade secrets and therefore cannot misappropriate them. The court rejected the motion to dismiss on disclosure and ownership grounds because Plaintiff's counterarguments sufficiently raised issues making a decision on a Motion to Dismiss inappropriate.

***Facebook, Inc., v. Power Ventures, Inc.*, No. 13-17102 (9th Cir. (Cal.) July 12, 2016), reh'g denied, No. 13-17154 (9th Cir. (Cal.) amended Dec. 9, 2016).** Defendant, Power, operated a social networking website that would aggregate and track an individual user's activity on other social networking websites. Plaintiff, Facebook, also operated a social networking site, which allowed users to create and customize profiles by adding personal information, photographs, or other content. In December 2008, Power began a promotional campaign to attract more traffic, with hopes that Facebook users would join its website. Power's promotional content ended up on Facebook. Further, Power used Facebook user profiles to send external emails to prospective Power users via Facebook and also to send internal messages through Facebook's interface. Facebook immediately became aware of this, and sent Power a "cease and desist" letter instructing it to terminate the promotional activities. Furthermore, Facebook implemented an Internet Protocol (IP) block in an effort to prevent Power's access. Power responded by switching its IP address in order to circumvent the block. Power then continued its promotion even though it acknowledged that it took, copied, and made use of data from Facebook without its permission. In total, more than 60,000 external e-mails and an unknown number of internal messages were sent through Facebook's system without its permission. Facebook filed suit, and alleged violations of the Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM) and the Computer Fraud and Abuse Act (CFAA), as well as California Penal Code section 502 (section 502). The district court granted Facebook's motion for summary judgment on all three claims and Power appealed. The Court of Appeals for the Ninth Circuit found that Facebook unequivocally forbade Power access to its website because it issued a cease and desist letter, and blocked Power's IP address. The court thus held that Power violated the CFAA because it used Facebook's system without Facebook's permission.

Further, the court held that Power violated section 502 because it knowingly took, copied and made use of Facebook's data without Facebook's permission. However, because Facebook's users gave Power permission to share its promotion on their profiles, Power did not violate the CAN-SPAM Act. Thus, the Ninth Circuit affirmed in part, reversed in part, and remanded to the district court to reconsider appropriate remedies under the CFAA and section 502.

***Loop AI Labs Inc. v. Gatti*, 2016 U.S. Dist. LEXIS 88329 (N.D. Cal. July 6, 2016).** This case concerns a motion by defendants challenging the sufficiency of its trade secret disclosure under California Code of Civil Procedure Section 2019.210. The challenged disclosure was filed publicly, and contained fifty-five (55) paragraphs of information that the plaintiff contended identified its trade secrets. Some of the paragraphs pointed to allegations in the pleadings, which the court found to be insufficient. The court found that the plaintiff's disclosure in the other paragraphs was not particularized because they did not identify any confidential information, and instead resembled "an effort to categorize every piece of information or know-how that could potentially have value to the company." The court found that the disclosure lacked details about any of the experiments, test results, and research identified in the disclosure. The court also found that "listing general concepts or categories of information" to be insufficient. The court also found that the disclosure's use of "catchall" words such as "including" rendered the disclosure insufficient. The court also rejected Plaintiff's attempt to cite to discovery responses and Bates numbers in the document production as insufficiently specific.

***VIA Techs., Inc. v. ASUS Computer Int'l*, 2016 U.S. Dist. LEXIS 34925 (N.D. Cal., March 17, 2016).** Plaintiff alleged defendants of taking proprietary circuit designs for USB chips. Plaintiff claimed that defendants hired away a number of its employees, who, in turn, took its trade secrets—proprietary designs for USB controllers—and helped defendants expand rapidly into the USB 3.0 chip market and hijack its sales. In the context of discovery, the court held that plaintiff did not satisfy California Code of Civil Procedure section 2019.210, which requires a plaintiff alleging trade secret misappropriation to "identify the trade secret with reasonable particularity" "before commencing discovery related to the trade secret." The court held that plaintiff was only entitled to discovery on the trade secrets it specifically identified. Plaintiff's disclosure merited no more discovery than this.

***McGraw Co. v. Aegis Gen. Ins. Agency, Inc.*, 2016 U.S. Dist LEXIS 91124 (N.D. Cal. July 13, 2016).** This case involves an unfair competition suit between insurance companies, with three main types of causes of action alleged: trade libel grounded in allegations of fraud, defendants' wrongful access of plaintiffs' computers and theft of proprietary information, and defendants' systematic poaching of plaintiffs' employees. Defendants moved to dismiss, alleging that each of the claims, including the misappropriation of trade secrets claim, amounted to a "unified course of fraudulent conduct" which was subject to heightened pleading under Rule 9(b). The court found that Rule 9(b) does not require the whole complaint to be pleaded with particularity, as the claims in the complaint did not allege a "unified course of fraudulent conduct." Furthermore, the fraud claims in the complaint satisfy rule 9, as they describe with particularity the "who, what, when, where and how" of the alleged deception. As such, the court declined to grant the motion to dismiss on this basis.

***RBC Bearings Inc. v. Caliber Aero, LLC*, 2016 U.S. Dist. LEXIS 100521 (C.D. Cal. 2016).** Plaintiff filed its initial complaint against a competitor entity defendant and four individual defendants who were former employees. Plaintiff alleged the following: (1) violation of California's Uniform Trade Secrets Act ("CUTSA"); (2) breach of confidence; (3) breach of written contract; (4) fraud; (5) negligent misrepresentation; (6) conversion; (7) intentional interference with contractual relations; (8) intentional interference with prospective economic advantage; and (9) unfair business practices. The parties filed a stipulation to dismiss the case with prejudice, but the issue of defendants' request for attorneys' fees and costs remained. The trial court had broad discretion in awarding fees under CUTSA, which provides that "[i]f a claim of misappropriation is made in bad faith . . . the court may award reasonable attorney's fees and costs to the prevailing party." The court addressed three questions that are "naturally raised" whenever section 3426.4 of the California Civil Code is applied: Is the defendant the prevailing party? Was the claim made in bad faith? And what is a reasonable fee? The court held that the dismissal of the case with prejudice made defendants the prevailing party and that there was evidence that plaintiff brought the lawsuit in bad faith. Finally, the court largely granted the attorneys' fees and costs requested by the defendants because Plaintiff did not assert any basis or challenge to defendants' counsel's hours that warranted a more significant reduction.

**<u>Oregon</u>**

***Keith Mfg. Co., v. Butterfield*, 2016 U.S. Dist LEXIS 100735 (D. Ore. Aug. 2, 2016).** A company sued a former employee, alleging that the employee filed a patent application during his employment that lead to the issuance of a patent the employee later attempted to assert against the employer. The employer further alleged that the invention claimed in the patent was developed with the employer's resources, with the aid of employer's other employee's. The employer further alleged that, when confronted about the patent application, the employee misrepresented the nature of the claimed invention and characterized it as an old idea from years ago. The employer sued the former employee, alleging, inter alia, a claim for misappropriation of trade secrets. The employee moved to dismiss, asserting that the Oregon Uniform Trade Secrets Act's three-year statute of limitations barred the employer's claim. The court denied the motion to dismiss, noting that the discovery rule applies to trade secret misappropriation claims, and that the employee's misrepresentations to the employer about the nature of the claimed invention could have prevented the employer from discovering the misappropriation within the limitations period.

**<u>Washington</u>**

***Organo Gold Int'l, Inc. v. Ventura*, 2016 U.S. Dist. Lexis 58839 (W.D. Wash. May 3, 2016) (unpublished)**: Organo, a marketing company that distributes coffee products sued defendant for breach of contract for breaching the noncompete provision of his contract. The court found that the noncompete clause in the contract was valid, as it was necessary to protect Organo's business and goodwill because it prohibited terminated distributors from joining any business selling their specific type of coffee products. In addition, the scope of the restriction was acceptable, as it was only as broad in scope as the business which the covenant seeks to protect. Further, the nonsolicitation provision was not overly broad as it applied only to clients and prospective clients. Further, defendants likely breached the noncompete provisions by soliciting distributors. In addition, the court found that there was a likelihood that Organo would suffer irreparable harm, in the form of monetary injury, and customers losses. Furthermore, the balance of equities tips in favor of granting the injunction, as it is relatively short, and the injunction would be in the public interest because the injunction is purely aimed at preserving Organo's goodwill in the coffee industry.

***Earthbound Corp. v. MiTek USA, Inc.*, 2016 U.S. Dist. LEXIS 110960 (W.D. Wash. Aug. 19, 2016).** Plaintiff Eastbound made products and provided services and systems relating to earthquakes. Plaintiff ISS marketed and sold the products, services and systems. Three defendants, making up ISS's sales team, left Plaintiff to work for Defendant MiTek, Plaintiff's California competitor. Plaintiffs sought a temporary restraining order (TRO) enjoining individual

Defendants from using Earthbound's information while working for MiTek and sharing Plaintiffs' information with MiTek because it was causing Plaintiffs irreparable harm. Plaintiffs also sought an order compelling MiTek to return Earthbound's data and allowing expedited discovery. The Court found that there was sufficient circumstantial evidence that Defendants had misappropriated Earthbound's trade secrets, namely its "current and prospective customers, pending projects, bids, pricing, product design," and other things. Id. at *30. The Court found that Plaintiffs would suffer irreparable harm if an injunction was not issued because Defendants already used Earthbound's information to steal a project from Earthbound. The Court ruled that Plaintiffs needed to know what information Defendants possessed and/or controlled in order to effectively protect themselves. The balance of the equities tipped in Plaintiff's favor because Defendant provided no evidence supporting the assertion that a TRO would be burdensome, explain that the information in question is irrelevant to their business, and the individual Defendants are working on products that do not compete with Plaintiff. Finally, the Court held that the theft of trade secrets "undermines business development and stability" and preventing the act is in the public's interest. The Court granted Plaintiff's request for a TRO.

### ***10th Circuit***

### **Colorado**

***Cloudpath Networks v. Securew2 B.V.*, 157 F. Supp. 3d 961 (D. Colo. 2016)**. Cloudpath, a Colorado technology company, sued three of its former employees and their current employer, alleging various causes of action related to the theft and misuse of Cloudpath's trade secrets. Cloudpath claimed that the employees had violated the CFAA when they downloaded proprietary information and deleted sales leads while still employed by Cloudpath, and allowed their new employer to use their login credentials to access Cloudpath's proprietary information after they had terminated their employment with Cloudpath. Defendants moved to dismiss the CFAA claim on the ground that a party has not "exceed[ed] authorized access" when it uses otherwise-permitted computer access to obtain data that the employer has declared off-limits to the employee.

The District Court recognized that the question of the meaning of "exceeds authorized access" has created a split between the Circuits. On the one hand, the Second, Fourth, and Ninth Circuits refrain from engaging in an inquiry into an individual's purposes for accessing information. Rather, their sole examination is into whether the individual had any permission whatsoever to access the information they accessed. On the other hand, the First, Fifth, Seventh, and Eleventh Circuits have held that an improper purpose can effectively revoke an employee's authorization, even if that employee would retain such authorization for proper purposes. The Tenth Circuit had not yet weighed in on the issue. The District Court adopted the reasoning of the Second, Fourth, and Ninth Circuits, holding that " 'exceeds authorized access' in the CFAA does not impose criminal liability on individuals who are authorized to access company data but do so for disloyal purposes; it applies only to individuals who are allowed to access a company computer and use that access to obtain data they are not allowed to see for any purpose."

### ***11th Circuit***

### **Florida**

***Centennial Bank v. Servisfirst Bank Inc.*, 2016 U.S. Dist. LEXIS 106406 (M.D. Fla. 2016) (unpublished)**. High ranking executives at Centennial signed employment agreements with the bank when the bank acquired the executives' original employer. Among other things, the agreement contained a non-competition clause prohibiting the executives from working for any institution "engaged in the banking business" for one year within a restricted area. Centennial argued that, although the executives worked for a bank located outside the restricted area, they "engaged in the banking business" inside the restricted area because they serviced customers located therein. The magistrate judge, in her Report and Recommendation, rejected this argument. Relying on Florida's financial institutions code, the court held that the customers' location was irrelevant to the definition of to "engage in the banking business." What matters is where banks receive deposits and pay checks. Since the executives engaged in these activities outside of the restricted area, they did not violate their non-competition agreements.

***Ethicon, Inc. v. Angelini*, 2016 U.S. Dist. LEXIS 138085 (M.D. Fla. 2016) (unpublished) (applying New Jersey law).** Plaintiff moved for a temporary restraining order enjoining defendant, a former marketing executive, from becoming a high ranking executive at competing medical device and pharmaceutical company. Defendant was a former Global Platform Leader for plaintiff responsible for a strategic marketing platform related to medical devises and surgical tools. In this position, defendant gained detailed, non-public information about plaintiff's medical devices, market share forecasts, and analysis of competitive strengths and weaknesses against defendant's new employer. The court granted plaintiff's motion and enjoined defendant from working as the president of the competitor's biosurgery division. The court's decision turned on the fact that defendant did not just receiver protected information while employed at plaintiff; plaintiff presented evidence that she actually used and commented on the information. Particularly given the overlapping nature of her new position, the court held that it defied logic that defendant would not disclose or rely on the information at her new employer.

***Hush Little Baby, LLC v. Chapman*, 2016 U.S. Dist. LEXIS 91508 (M.D. Fla. 2016) (unpublished) (applying Texas and Maryland law).** After entering a default judgment, the court considered the amount of damages to which plaintiff was entitled for its breach of fiduciary duty and theft of trade secrets claims. Applying Texas law for the breach of fiduciary duty claim, the court held that plaintiff was entitled to the salary the employee earned while in breach of her duties and plaintiff's lost net profits. For lost profits, plaintiff's vice president testified that defendant's conduct deprived plaintiff of a contract and five client referrals and provided an estimate of the value of these losses. This evidence provided sufficient objective facts, figures, and dates for the court to determine plaintiff's lost net profits. For plaintiff's trade secrets claim, the court applied Maryland law and held that plaintiff was entitled to its actual losses and defendant's unjust enrichment caused by the theft. Plaintiff's evidence of the average past client volume was sufficient to show its damages.

## Georgia

***N.Y. Life Ins. Co. v. Grant*, 2016 U.S. Dist. LEXIS 39960 (M.D. Ga. 2016) (unpublished).** Defendant worked as an agent for a life insurance company, selling the company's products. As part of a dispute surrounding defendant's commissions, the insurer alleged that defendant breached his fiduciary duties to the company (1) by inducing other agents to terminate their relationships with the insurer; (2) by using the insurer's information to replace the insurer's business; and (3) by operating a competing business while an agent of the insurer. Defendant moved for summary judgment, which the court denied. Although defendant operated his business as an independent contractor, a fiduciary relationship could still exist because defendant was a full-time agent of the insurer, his primary purpose was selling the insurer's products, and the insurer treated defendant as an employer for tax and benefits purposes. Moreover, defendant had access to the insurer's confidential proprietary information, and he was restricted in how he could use it by several restrictive covenants. Based on this, questions of fact existed as to whether there was fiduciary relationship.

***Advanced Data Processing, Inc. v. Hill*, 2016 U.S. Dist. LEXIS 50452 (S.D. Ga. 2016) (unpublished)** (denying motion for a preliminary injunction on employer's claim that employee's act of emailing customer lists to her private email account violated the Georgia Trade Secrets Act; without deciding whether the lists actually amounted to trade secrets, the court found that the employee had returned and/or deleted the lists, no evidence suggested that the employee had used the lists, and nothing suggested that the employee's communications with the employer's clients since her departure were generated by anything other than the employee's preexisting knowledge of, and relationships with, the clients); AutoNation, Inc. v. Peters, 2016 U.S. Dist. LEXIS 57373 (S.D. Fla. 2016) (unpublished) (granting employer's motion for a preliminary injunction on employer's trade secrets claim where employee emailed to his personal email account information detailing a car dealership's spending, revenues generated by specific ads, cost and profits per vehicle, compensation plans, customer financing programs, and financial forecasts; this information concerned unique methods and processes that the employer had developed over time through considerable effort and expense, and allowed the employer to maintain key advantages over its competitors); Centennial Bank v. Servisfirst Bank Inc., 2016 U.S. Dist. LEXIS 106406 (M.D. Fla. 2016) (unpublished) (high ranking executive's contact list, which included e-mail addresses, phone numbers, and "notes" for 3000 contacts did not constitute confidential or proprietary information where employer could not identify the content of the "notes" and executive already had access to the contacts on his personal mobile phone); DynCorp Int'l LLC v. AAR Airlift Grp., Inc., 2016 U.S. Dist. LEXIS 4803 (M.D. Fla. 2016) (unpublished) (granting defendant's motion to dismiss claim brought under the Florida Uniform Trade Secret Act because plaintiff failed to identify the allegedly misappropriated trade secrets with reasonable particularity; although plaintiff alleged defendant gained access to trade secrets, the complaint did not contain an affirmative allegation that defendant disclosed or used the trade secrets so as to constitute misappropriation under the act); GEO Specialty Chems., Inc. v. Kakavand, 2016 U.S. Dist. LEXIS 100400 (N.D. Ga. 2016) (denying plaintiff's motion to enjoin defendant's employment with competitor based on a trade secrets claim; although plaintiff submitted circumstantial evidence that defendant may have transferred sensitive documents onto a flash driver, the evidence was insufficient to show what, if any, use was made of the information allegedly on the flash drive).

***<u>District of Columbia</u>***

***Econ. Research Servs. V. Resolution Econs., LLC* 2016 U.S. Dist. LEXIS 129824 (September 22, 2016) (unpublished, applying both Virginia and D.C. law).** Economic Research Services ("ERS") hired defendant White. As a condition of his employment, White signed employment contracts with ERS which contained several restrictive covenants, barring directors (of which White was one) from disclosing confidential information to third parties following a departure from ERS; prohibiting solicitation of ERS employees or clients for a year following departure; and precluding a director, for a year following departure from ERS, from performing any act that the director knew or should have known might injure ERS. White eventually left ERS to join defendant Resolution Economics LLC ("Resolution"). Resolution sent an "email blast" to ERS' clients informing them that White had joined Resolution and inviting them to contact White at his new work. Both clients and employees left ERS to join Resolution, "decimat[ing]" ERS' Washington D.C. office." ERS complained on counts for breach of contract; intentional interference with contractual relations; unfair competition; Computer Fraud and Abuse Act violations; D.C. Uniform Trade Secrets Act violations; breach of fiduciary duty; fraud in the inducement; breach of the covenant of good faith and fair dealing; civil conspiracy and aiding and abetting a conspiracy; and accounting. Defendants moved to dismiss all claims. The court applied Virginia law to the claims arising out of the employment contract, including the breach of contract claim, under the choice of law provision included in the employment contract. White's employment contract contained covenants not to solicit ERS clients or employees, not to disclose confidential data, and not to take action he knew or should have known could injure ERS. The court summarily found that, on the facts alleged, ERS had sufficiently stated a claim for breach of contract for defendants' solicitation of clients and employees however, the court granted the motion to dismiss on the breach of contract claim to the extent the alleged breach rested on any claim of disclosure of confidential information. The allegations regarding defendants' alleged disclosure of confidential information, in breach of the employment agreement, did not sufficiently specify which aspect or how defendant White had violated the confidentiality provision and ERS could not claim a breach of the implied covenant of good faith and fair dealing of the employment contract, since Virginia does not recognize such a claim in the employment contract context. The court applied D.C. law to the rest of ERS' claims, dismissing them all. ERS failed to identify specific business relationships with which defendants allegedly interfered. ERS' claim that defendants breached the Computer Fraud and Abuse Act, intended to deter hacking by allowing a private cause of action for damage caused by hacking, required allegations that defendants accessed information without authorization but instead, ERS alleged that defendant White had access through his employment with ERS (thus, an authorized access to the information). Lastly, because the complaint was bare of any allegations putting defendants on notice for those acts for which they would be held vicariously liable under a civil conspiracy or aiding and abetting theory and because the accounting claim is a remedy appropriate only after liability has been determined, the civil conspiracy, aiding and abetting, and accounting claims were dismissed.

***Hedgeye Risk Mgmt, LLC v. Heldman*** **2016 U.S. Dist. LEXIS 88384 (D.C. Cir. 2016) (unpublished).** In 2008, Heldman, a health policy analyst, joined a small policy research firm. His employment contract included two restrictive covenants that prohibited him from engaging in certain activities for one year following any departure from the research firm: (1) a noncompete covenant that prohibited Heldman from providing his services to a similar firm and (2) a nonsolicitation covenant that barred him from inducing clients or employees from leaving the research firm. Later, a larger research firm, Hedgeye, purchased Heldman's employer; shortly thereafter, Heldman left to start his own business. Hedgeye contended that, in purchasing the small firm's assets (memorialized in an asset purchase agreement), it acquired Heldman's contract and it alleges that he breached the noncompete and nonsolicitation covenants by founding his own firm and soliciting clients and employees to join him. The court concluded that the asset purchase agreement did not convey Heldman's employment contract as part of the assets conveyed to Hedgeye, noting there was no language within the asset purchase agreement assigning Heldman's employment contract from the original employer to Hedgeye. Consequently, Hedgeye, having acquired Heldman's prior employer, could not enforce the noncompete and nonsolicitation covenants in Heldman's employment contract with his original small policy research firm employer.

## ***State Cases***

### **California**

***USS-Posco Industries v. Case*****, 244 Cal. App. 4th 197 (2016).** An employer sued a former employee for breach of contract and unjust enrichment based on the employee's failure to reimburse the cost of attending a voluntary three-year, employer-sponsored educational program, and the employee cross-claimed. The trial court granted summary judgment for the employer and later awarded attorney fees to the employer for defeating the employee's cross-claims alleging that the reimbursement agreement violated Labor Code sections 221, 222, and 223. The Court of Appeal affirmed the summary judgment, reversed the award of attorney fees, and remanded the case. The agreement that the employee would reimburse the employer for a strictly voluntary, optional training program if he quit within 30 months of completing the program was enforceable because it was not an invalid restraint on employment under Business & Professions Code section 16600, did not implicate the Labor Code, did not circumvent the collective bargaining process or lack consideration, and was not procedurally unconscionable or a taking of wages.

***Richtek United States v. Upi Semiconductor Corp*., 2016 Cal. Super. LEXIS 1067 (decided May 27, 2016).** Plaintiffs sought to seal an exhibit containing its customers list that was submitted by defendants with a declaration in support of an opposition to plaintiffs' motion to stay. The court stated that while such information is frequently not protectable as a trade secret in California, plaintiffs presented a colorable claim that the exhibit containing customer information was protectable as a trade secret because they demonstrated the expended time and effort identifying the customers with particular needs or characteristics. The court also found that plaintiffs' overriding interest in maintaining the secrecy of this information while their claim is resolved on the merits through this litigation overrode the right of public access to the contact list, which is less significant since the nature of the information is clearly described in public filings and revealing the specific customer contacts would not aid the public's understanding of the papers filed in connection with the motion to seal. The court further found that plaintiffs' interest would be prejudiced if the contact list was not sealed and that no less restrictive means existed to protect plaintiffs' interest. The motion to seal was granted.

## <u>Connecticut</u>

***Doe v. Hartford Bd. Of Educ.*, 2016 Conn. Super. LEXIS 2333 (2016) (unpublished).** The plaintiff was a minor student who suffered from molestation and sexual assault. Plaintiff told a social worker working as an employee of the Hartford Board of Education about her abuse. The social worker was under a mandatory duty to report the abuse but failed to do so. The plaintiff brought a claim for breach of fiduciary duty against the defendant who employed the social worker. The defendant argued that no fiduciary relationship was established between the social worker and plaintiff, and because no case law existed to demonstrate a fiduciary relationship could attach between a social worker and a student, defendant should prevail on summary judgment. The court disagreed, holding that the absence of case law as support for the legal proposition that a school employee can never owe a fiduciary duty did not mean the court could not find "justifiable trust confided on one side and a resulting superiority and influence on the other" in this instance. The court found that a reasonable fact finder may view the power dynamic between the social worker and the minor student, who had confessed intimate details of her life with the social worker over four years, as rising to the level necessary to create a fiduciary relationship.

***Beacon Ins. & Inv. Group, LLC v. Panzo, et al.*, 2016 Conn. Super. LEXIS 2073 (Conn. 2016)** (holding that plaintiff provided sufficient consideration to defendant in the form of increased wages for signing the noncompetition agreement which was enforceable as to time, scope, and geographic reach); Campbell Oil Co. v. AmeriGas Propane, LP, 2016 NCBC 5, (N.C. 2016) (finding that: (1) a noncompete contract that was overly broad in geographic scope could be revised by the court; and (2) that the plaintiff company waived its rights to terminate its obligations under the noncompete contract and engage in competitive activity when it accepted substantial payment under the contract from the defendant company for its accounts receivable); Deere Emples. Credit Union v. Smith, 2016 Ill. App. Unpub. LEXIS 269 (Ill. App. Ct. 2016) (vacating on interlocutory appeal preliminary injunction to enforce portions of an overly broad restrictive covenant on ground that plaintiff-appellant did not demonstrate likelihood of success on the merits); Frenkel Benefits, LLC v. Mallory, 2016 N.Y. App. Div. LEXIS 5998 (N.Y. App. Div. 2016) (affirming the denial of summary judgment because the noncompete business scope term "insurance," though not overly broad, was subject to multiple interpretations raising issues of material fact); Greystone Funding Corp. v. Kutner, 137 A.D. 3d 427 (N.Y. App. Div. 2016) (finding that on motion for summary judgment, defendants failed to show that no material issues of fact existed as to the reasonableness and enforceability of the noncompete and nonsolicitation agreements); Guild Agency Speakers Bureau & Intellectual Talent Mgt., Inc. v. Speakers Boutique, Inc., 2016 N.Y. Misc. LEXIS 3447 (N.Y. 2016) (denying summary judgment and holding that defendants demonstrated likelihood of success in showing that the noncompete agreement was not enforceable and was overbroad because it would unduly restrict defendants from working in the speakers bureau business and would cause significant financial hardship); Ikaria, Inc. v. Montgomery, 2016 Wis. App. LEXIS 34 (Wis. App. Ct. 2016) (unpublished) (affirming dismissal of breach of noncompete clause and implied duties of loyalty and good faith and fair dealing claims, in part by rejecting plaintiff's argument that defendants were on the brink of inventing valuable technology before they resigned and started their own company, and in part by affirming trial court's finding that defendants were not in direct competition with plaintiffs); John G. Ullman Assoc., Inc. v. BCK Partners, Inc., 139 A.D.3d (N.Y. App. Div. 2016) (finding that the trial court erred in granting the preliminary injunction because plaintiff failed to show by clear and convincing evidence that the restrictive covenants at issue were necessary to protect its legitimate business interests); Sandhills Home Care, LLC v. Companion Home Care-Unimed, Inc., 2016 NCBC 59 (N.C. 2016) (holding that a noncompete agreement that restricted former home health care employees from working or holding any ownership interest in any health care capacity was unenforceable because the scope of employment was too broad to protect the plaintiff's legitimate business interest without infringing on former employees' rights); Sandhills Home Care v. Companion, 2016 N.C. Sup. Ct. LEXIS 62, (N.C. 2016) (The court found plaintiff's noncompete and nonsolicitation agreements were reasonable and granted plaintiff a preliminary injunction after employee, who provided individualized home health care services to clients left plaintiff's employ and solicited plaintiff's home health care customers); Shape Corp. v. Kukarni, 2016 Mich. Cir. LEXIS 36 (Mich. Cir. 2016) (circuit court would issue preliminary injunction until defendants sign an agreement with plaintiff attesting that, during the two-year term of the noncompetition agreement, employee's new employment has not and would not be in a position that competes with plaintiff's IEM business, that employee would not have a role in new employer's IEM business, that employee would not solicit or provide information to assist new employer to solicit customers or prospective customers of plaintiff, and that employee would not reveal or share with new employer any confidential information he obtained from plaintiff during the term of the non-competition agreement or until the further order of the court.); TSD Enter., LLC v. Secora, 2016 Ill. App. Unpub. LEXIS 1986 (Ill. App. Ct. 2016) (reversing motion to dismiss as "the reasonableness of a postemployment restrictive covenant necessarily depends upon the unique facts and circumstances of each case" and allegations were sufficient to demonstrate inadequate remedy at law to request preliminary injunction); TSG Finishing, LLC v. Bollinger, 2016 NCBC 65 (N.C. 2016) (finding that following the purchase of employee's company through a stock sale, the employee was still subject to the restrictive covenants in his previous employment agreement even though there was no assignment clause because: (1) express assignability is not required in a stock sale; and (2) because the corporate entity was not altered by the sale, therefore the enforceability of noncompete provisions were not affected).

***B.G. Balmer & Co. v. Frank Crystal & Co.*, 2016 Pa. Super. LEXIS 516 (Pa. Super. Ct. 2016)** (holding that the trial court did not abuse its discretion in awarding punitive damages to a former employer because the "record [was] replete" with evidence that former employees breached their nonsolicitation agreements, compiled the former employer's client lists and trade secret information and used the information at their current employer, and attempted to destroy the former employer's business relationships; 1.88:1 ratio of punitive to compensatory damages was appropriate; Pennsylvania "gist of the action" doctrine, which bars a party from recasting breach-of-contract claims into tort claims, did not bar the employer from bringing tort claims around the misuse of trade secrets that accrued while the employees were employed, before the nonsolicitation provision in the contracts at issue became effective); Insight Ky. Partners II, L.P. v. Preferred Auto. Servs., 2016 Ky. App. LEXIS 98 (Ky. App. 2016) (holding that the trial court should have excluded testimony from the company's damage expert pursuant to Ky. R. Evid. 702 where, his model would have held the customer liable for unrelated damages.); Smith v. Kleynerman, 882 N.W.2d 870 (Wis. App. 2016) (finding standing for damages from breach of fiduciary duty claim because injury from breach affected plaintiff's rights to profits).

***BTS, USA, Inc. v. Executive Perspectives, LLC*, 166 Conn. App. 474 (Conn. App. Ct. Mar. 14, 2016)** (affirming the trial court's ruling which determined that the names of plaintiff's vendors and vendor employees did not constitute trade secrets because plaintiff failed to establish that the information contained any independent economic value or that plaintiff had taken measures to maintain the secrecy of that information); Quality Cardiovascular Care, LLC v. Malinics, 2016 Conn. Super. LEXIS 32 (Conn. Jan. 6, 2016) (denying defendant's motion in limine to designate clinical patient lists as non-trade secrets because substantial evidence existed to submit such a question to a jury); Mays v. S. Res. Consultants, Inc., 299 Ga. 216 (2016) (reversing temporary restraining order enjoining plaintiff from possessing or disseminating defendant's confidential information and trade secrets because the parties conceded that plaintiff had returned all alleged confidential or proprietary information and was not disseminating it).

**<u>Florida</u>**

***Smart Pharm., Inc. v. Viccari*, 2016 Fla. App. LEXIS 8173 (Fla. Dist. Ct. App. 2016).** Plaintiff, a compounding pharmacy sought a preliminary injunction against a former salesman who had solicited clients away from plaintiff to a competitor. The lower court denied the motion because, although the salesman's conduct breached his restrictive covenants, the court held that plaintiff had adequate remedies at law. The circuit court reversed. Violation of a restrictive covenant creates a presumption of irreparable injury warranting an injunction. To rebut the presumption, defendant must establish the absence of injury. In this case, plaintiff demonstrated that the salesman's conduct had deprived it of customers, prohibiting the salesman from rebutting the irreparable harm presumption. The court also rejected any argument that plaintiff had adequate remedies at law because monetary damages are difficult to prove with any certainty and even if provable would not adequately compensate for all aspects of a violation of a covenant not to compete.

**<u>Georgia</u>**

***Tolson Firm, LLC v. Sistrunk*, 338 Ga. App. 25 (2016).** Defendant was a former associate at a law firm. After she left the firm and attempted to solicit some of the clients with whom she worked, the law firm filed suit, alleging, among other things, that defendant breached her fiduciary duty of loyalty to the firm. The court denied defendant's motion for summary judgment, holding that questions of fact existed as to whether defendant owed fiduciary duties to the firm and whether she breached those duties. The court first noted that defendant: (1) was the primary point of contact at the firm for many cases; (2) could enter into client engagement agreements on behalf of the firm without prior approval; (3) could accept and reject cases; and (4) could solicit business on behalf of the firm. This evidence created a question of fact as to whether defendant owed a fiduciary duty to the firm. Then, relying on Section 9(3) of the Restatement (Third) of the Laws Governing Lawyers, the court held defendant could have breached her fiduciary duties by soliciting clients while she was still employed at the firm.

***Avion Sys. v. Bellomo*, 338 Ga. App. 141 (2016)** (granting summary judgment on employer's breach of fiduciary duties claim against employee because employees generally do not owe employers fiduciary duties and employer failed to establish that employee had authority to create obligations on behalf of employer to create a principal-agent relationship); Ram Tool & Supply Co. v. HD Supply Constr. Supply, Ltd., 2016 Tenn. App. LEXIS 516 (2016) (unpublished) (company's claim for breach of fiduciary duty and other claims based on former employee's unlawful recruitment (before he left company) of other company employees were not preempted by Tennessee Uniform Trade Secrets Act because there was sufficient evidence of means other than the use of the company's trade secrets or confidential information); Dunn v. Etzel, 166 Conn. App. 386 (2016) (holding that plaintiff's breach of fiduciary duty claim against defendant company's employee, which arose during the course of her employment, was barred); Vill. Mortg. Co. v. Veneziano, 2016 Conn. Super. LEXIS 246 (2016) (unpublished) (holding that defendant breached his fiduciary duty as vice president of plaintiff's company by engaging in self-dealing, disregarding the corporate formalities, and commingling, misappropriating, and embezzling funds from corporate accounts for his own personal use).

## Illinois

***Destiny Health, Inc. v. Connecticut General Life Ins. Co.*, 2015 IL App (1st) 142530**: Plaintiff filed suit against defendants, claiming that they had violated the Illinois Trade Secrets Act and breached a confidentiality agreement. The claims arose from discussions, covered by a confidentiality agreement, in which plaintiff offered to work with defendants to provide a points-based wellness incentive system to people covered by defendants' health insurance programs. Defendants elected not to pursue a relationship with plaintiff, and launched their own program. Plaintiff alleged that program used its confidential information, in violation of the confidentiality agreement.

The lower court granted defendants summary judgment, and the Illinois Appellate Court affirmed. The court found there was no specific evidence that defendants had used plaintiff's trade secrets, and the mere fact that defendants had put in place a points-based system after reviewing plaintiff's information was inadequate to establish a fact issue where plaintiff could not point to specific attributes of its program that were used, and the evidence was that they were in fact dissimilar. The court also held that plaintiff, in order to make a claim based on the inevitable disclosure of trade secrets, needed to show that defendants had more than mere access to plaintiff's alleged trade secrets: the plaintiff also had to show defendants could not have developed their program without using plaintiff's trade secrets, which the plaintiff had failed to provide evidence of. The court distinguished inevitable disclosure cases dealing with direct competitors because the plaintiff and defendant in this case merely were contemplating contracting, and the negotiations had fallen through. The court stated that for the same reasons, plaintiff's breach of contract action failed as well.

***Bridgeview Bank Group v. Meyer*, 2016 IL App (1st) 160042**: Plaintiff filed an action against a former employee, alleging (among other things) breach of contract and violations of the Illinois

Trade Secrets Act. Plaintiff moved for entry of a temporary restraining order, which was denied; the Illinois Appellate Court affirmed. The court noted that while defendant's answer to the verified complaint was not itself verified, and that defendant was therefore not entitled to present evidence or affidavits in opposition to the TRO, plaintiff's own pleadings were insufficient to establish it was entitled to such relief. Plaintiff did not specifically allege what made the information that it claimed had been misappropriated unique in the industry, instead only generally describing it as "marketing strategies, processes and information"; plaintiff also failed to describe how its information was compiled, or the degree of effort expended in putting it together. Likewise, plaintiff alleged that defendant solicited its customers, but did not name any specific customer that it claimed to have lost, nor what information of plaintiff's defendant used to obtain that customer. This lack of facts prevented plaintiff from showing a likelihood of success on the merits, as required for issuance of a TRO. The court further noted that the only violation of the confidentiality agreement alleged concerned past communications involving defendant; accordingly, the forward-looking remedy of a TRO was inappropriate.

***Conxall Corp. v. iCONN Systems, LLC*, 2016 IL App (1st) 140158**: After a jury returned a defense verdict in Illinois Trade Secrets Act (ITSA) action, defendant moved for attorney fees under Section 5 of the ITSA, which authorizes an award of attorneys' fees if a "claim of misappropriation is made in bad faith." The trial court denied the motion, and defendant appealed. (Plaintiff also appealed the denial of a motion for judgment n.o.v., on the basis that certain jury instructions were misleading and the evidence did not support the verdict; the Appellate Court affirmed the denial of the motion for judgment n.o.v.)

The Appellate Court issued three separate opinions on the question of attorneys' fees. The majority opinion, as expressed in the concurring opinion of Justice Rochford, was that the standard for an award of attorneys' fees under Section 5 of the ITSA should be guided by the standards of Illinois Supreme Court Rule 137, providing for sanctions for vexatious and harassing actions, for frivolous filings, and for other filings that are presented for an "improper purpose." However, Justice Rochford was clear that Rule 137 merely guides the inquiry of bad faith under Section 5, and does not constrain that inquiry. As the trial court applied a different standard, a two-part test applied in California courts to decide "bad faith" under that state's trade secret statute, the Appellate Court vacated the denial of the motion for attorneys' fees and remanded for the trial court to decide the motion under the proper standard. (Justice Hoffman agreed with this analysis, but would have simply affirmed the denial of the motion, rather than remanded for further proceedings.)

## <u>Indiana</u>

***Benton County Wind Farm LLC v. Duke Energy Indiana, Inc*., 13-cv-1984, 2015 WL 12559884 (S.D. Ind. Aug 26, 2015)**: In this opinion, the court reconsidered its earlier ruling denying the plaintiff wind farm's motion to seal contract pricing and bidding information contained in the court's summary judgment ruling. The court held that documents forming the basis for a court's decision are presumed to be public, and only trade secret information, information covered by a recognized privilege, or information required by statute to be kept confidential are entitled to be maintained under seal. The court found that, on reconsideration, the parties had cured their previous failure to show that contract price amounts and bid amounts were kept confidential and derived value from not being generally known or readily ascertainable, and thus were trade secrets under the Indiana Trade Secrets Act that could be kept under seal. The court further agreed to modify its original summary judgment opinion by replacing specific pricing terms with generic descriptions of the information.

***Charles Schwab & Co., Inc. v. Thomas Staley and J.P. Morgan Securities, LLC*, 15-cv-01148, 2015 WL 5567172 (S.D. Ind. Sep 22, 2015)**: Plaintiff brokerage sought a preliminary injunction prohibiting plaintiff's former employee from, among other things, disclosing plaintiff's trade secrets while working for his current employer. In denying the preliminary injunction request, the court agreed that certain information about plaintiff's clients and client prospects could qualify as trade secrets under the Indiana Trade Secrets Act. The court also found "suspicious" the former employee's behavior in accessing an unusually large number of plaintiff's account records around the time he was interviewing for a position with the defendant new employer. Nevertheless, the court found that plaintiff had failed to demonstrate any irreparable injury as it could not show any actual loss of clients, goodwill, or customer trust, nor could it show misuse of any of plaintiff's confidential information or trade secrets.

***Oneamerica Financial Partners, Inc. v. T-Systems North America, Inc.*, 15-cv-01534, 2016 WL 891349 (S.D. Ind. Mar 9, 2016)**: In this action, the plaintiff financial services company brought various common law claims against the company to which it had outsourced many of its information technology functions. The plaintiff moved to maintain under seal in the court file various documents attached to the parties' pleadings. These documents contained, according to the plaintiff, information about its information technology system—such as software and hardware in use, identity of vendors, regional locations, and information technology policies—that could help a hacker infiltrate that system's defenses, thereby exposing the confidential personal information of its clients. The court found that elimination of that risk of exposure was good cause justifying sealing the documents, even though the information in them was not trade secrets, covered by a recognized privilege, or required by statute to be kept confidential. Drawing an analogy to compilations of publicly available data qualifying as trade secrets under the Indiana Trade Secrets Act, the court also rejected the defendant's objection that some of the information was already in the public domain, finding that giving a hacker a single source of information helpful in hacking the plaintiff's system would increase the risk of a hack.

***Biomet3i, LLC v. Heather Land*, 16-cv-00125, 2016 WL 3124622 (N.D. Ind. Jun 3, 2016)**: The parties filed a joint motion for entry of a protective order, which the court denied (with leave to refile). Because the proposed protective order applied to more than just discovery and provided for the filing of sealed documents with the court clerk, the court imposed a higher level of scrutiny, limiting protection only to "narrow, demarcated categories of legitimately confidential information." Claimed trade secrets would meet that standard, but the court rejected the proposed order because it also sought to protect non-trade secret information, and the parties had failed to provide a concrete explanation of how disclosure of such information would—not just "could"—threaten a competitive injury. The court noted that information that was merely embarrassing or revealed weaknesses would not satisfy that standard. The court also ruled that a protective order must explicitly permit any interested member of the public to challenge the secreting of particular documents.

**<u>Kentucky</u>**

***Insight Ky. Partners II, L.P. v. Preferred Auto Svcs.*, Nos. 2014-CA-001189-MR and 2-14-CA-001236-MR (Ct. of Appeals of Kentucky, June 10, 2016).** Appeal from jury verdict in favor of Plaintiff on breach of fiduciary duty claim arising from former employee's alleged embezzlement of funds. On cross-appeal, Plaintiff asserted error arising from trial court's decision to deny motion to amend complaint to add claim for misappropriation of trade secrets. No error was found, as the trial court properly found that the asserted trade secrets did not appear to be confidential, and that in any event the information did not derive any independent economic value from known being known by others. In so ruling the Court relied upon a

Tennessee opinion ruling that remembered information as to a business' prices, the specific needs and business habits of certain customers, and an employee's relationships with certain customers were not entitled to trade secret protection.

**Louisiana**

***Billedeaux Hearing Ctr., LLC v. Urban-Kingston*, 182 So. 3d 1280 (La. App. 3 Cir. 2016).** Billedeaux entered into an employment agreement with its employee, Urban-Kingston, which contained a noncompete clause preventing Urban-Kingston from competing with Billedeaux in Louisiana, Arkansas, Texas, and Mississippi. The agreement also contained a severability clause. After leaving Billedeaux, Urban-Kingston began working for a competitor in two Louisiana parishes. Billedeaux obtained a temporary restraining order and then a preliminary injunction prohibiting Urban-Kingston from working in those parishes. Urban-Kingston filed a motion to dissolve the preliminary injunction, arguing that Billedeaux had failed to show irreparable harm and that the noncompete agreement was overly broad. Denying Urban-Kingstone's motion, the court rejected both arguments. Regarding irreparable harm, the court noted that Louisiana Revised Statute 23:921 does not require a showing a irreparable harm when an employee enters into a noncompete agreement. Likewise, the noncompete agreement stated that Billedeaux was entitled to injunctive relief "without the necessity of providing irreparable harm." Accordingly, a showing of irreparable harm was not required. Regarding the argument that the agreement was overly broad, the court held that because the employment agreement contained a severability clause "the trial court could reform the contract, if necessary, to enforce the prohibition in the two parishes in which [Urban-Kingston] admits she was employed by a company in direct competition with Billedeaux in violation of the agreement."

**Michigan**

***Rocket Enterprise, Inc. v. Bowers*, No. 2014-4890-CB, 2015 Mich. Cir. LEXIS 235 (Macomb Cty. Cir. Ct. August 28, 2015).** Rocket Enterprise was a flag sales company who sued two former employees who began their own flag business, Liberty Flag Group, in 2008. Rocket alleged a number of causes of action, including claims for misappropriation of trade secrets, against its former employees. Both employees moved for dismissal of the trade secret claim, alleging that as a matter of Michigan law customer lists cannot be trade secrets. The Court denied the motion, finding that the Michigan Court of Appeals previously had held that customer lists can be trade secrets where they are not easily ascertainable and are developed and nurtured from much investigation. Here, an issue of fact existed as to whether the customers lists in question were trade secrets that foreclosed a motion to dismiss. Furthermore, the Court held, decisions relied upon by the Defendants involved customer lists that were developed by the employees themselves, rather than the employer. The allegations in the complaint supported a finding that the list were developed by the employer and, as a result, dismissal was inappropriate.

***Mid Mich. Med. Billing Serv. V. Williams*, 2016 Mich. App. LEXIS 319 (Mich. App. 2016)** Plaintiff provides medical billing services in Flint, Michigan. Defendant was employed as an office manager for plaintiff between 2002 and 2013, except for a short period in 2010 and 2011. One of her responsibilities was overseeing client relations. Defendant voluntarily left her employment with plaintiff and began her own medical billing business out of her home. One of her clients was a former client of plaintiff. Defendant signed and agreed to be bound by the employee manual, which prohibited her from performing any work for any of plaintiff's past or current clients. Defendant contended it was unreasonable to the extent that its duration and geographic scope was unlimited. In modifying the trial court's judgment, the court of appeal held that it was unreasonable to permanently prohibit defendant from pursuing employment opportunities, directly or indirectly, from any current or previously contracted client of plaintiff. The court reasoned the restraint is much broader than reasonably necessary to protect the confidential information of plaintiff, or reasonably protect plaintiff's competitive business interests. Such a restriction functions not only as a restraint on defendant, but also on plaintiff's current and former clients, as it permanently deprives them of competitive choices and limits their freedom to select a service provider of their own choosing. Although plaintiff argued that the expansive restriction is necessary to protect its business interests, the court reasoned that plaintiff does not have an unlimited right to restrict the business choices of its clients. Additionally, a provision that prohibits a former employee from acquiring employment from a former or current client of plaintiff encompasses an ever-growing number of potential clients and could extend five years, ten years, fifteen years, or more beyond the contractual relationship between the former or current client and plaintiff. Thus, the court concluded that to the extent plaintiff's employee handbook permanently prohibits a former employee from obtaining employment from any current or previously contracted client of plaintiff, that restriction is an unreasonable restraint on trade and unenforceable as written. Because plaintiff's employment agreement contained a comparable provision that precluded former employees from soliciting plaintiff's clients for a period of 12 months after leaving plaintiff's employment, the court concluded that it was appropriate to modify the applicable provision to incorporate a corresponding 12-month period during which defendant is prohibited from obtaining employment from any current or previously contracted client of plaintiff. The court concluded it was not necessary to place a geographic limit on the provision because it was intended to prevent employees from utilizing client information acquired during their employment relationship with plaintiff in a way that unfairly disrupts and solicits plaintiff's business.

***Rka Petroleum Cos. V. Joseph Kratochvil & Atlas Oil Co*****., 2016 Mich. App. LEXIS 718 (Mich. App. 2016)** RKA Petroleum Companies, Inc. filed suit against its former employee, Joseph Kratochvil, and Kratochvil's subsequent employer, Atlas Oil Company, based on their attempts to lure another RKA employee to leave her job at RKA for employment at Atlas. Kratochvil's employment agreement included the following "nonsolicitation" provision: "During the Nonsolicitation Period, I will not, directly or indirectly, hire, solicit, or encourage to leave the Company's employ any employee of the Company, or hire any former employee of the Company within one year of the date such person ceases to be a Company employee." After leaving RKA and going to Atlas, Atlas's CEO emailed Kratochvil with the following request regarding the RKA employee they were attempting to lure away: "Can you please provide me with your thoughts on the structure of the offer, including logistics." A follow-up email that day indicated that Kratochvil and others "recommend[ed] a starting salary of $80k." Kratochvil then signed an "Offer Letter Request Form." The next day, Lamphear received a letter from Kratochvil offering her a position at Atlas. The letter closed with the following paragraph: "Laurie, please feel free to contact me if you have questions about the information contained in this Letter. We look forward to your arrival at Atlas and are confident that you will play a key role in Atlas'[s] growth. On behalf of the entire Team at Atlas, I look forward to welcoming you aboard." Lamphear accepted Atlas's offer, but rescinded her acceptance shortly thereafter. In its effort to retain Lamphear, RKA increased her pay to $100,000 annually. The circuit court summarily dismissed RKA's claims, discerning no material question whether Kratochvil breached his nonsolicitation agreement with RKA or whether Atlas interfered with that contract. The court of appeal reversed, concluding that "[s]ending a former coemployee an employment contract, discussing ways to hire her with one's new colleagues, calling her to discuss the offered employment, and encouraging her to reconsider her decision to rescind offered employment all violate[d]" the terms of the nonsolicitation provision.

***Rave's Const. & Demolition v. Merrill*, 2016 Mich. App. LEXIS 14 (Mich. App. 2016).** Plaintiff Rave's had completed small construction projects for Kroger's. Prior to their involvement with Rave's, the Merrills, defendants, owned their own construction company and had completed several large scale projects for Kroger's. Kroger did not have confidence that Rave's could complete whole-store remodeling projects and would not allow Rave's to bid such projects without the Merrills' involvement. The Merrills worked with Rave's on Kroger projects for about two years until the arrangement broke down. Rave's laid off two of its employees who had signed noncompete agreements. The two employees went to work with the Merills on Kroger projects. Rave's sued the two employees for breach of their noncompete agreements, and claimed $86,000 in damages based on the profits realized by the Merrills as a result of the work performed by the two employees. The trial court dismissed the claims. The trial court found that even if the covenants had been breached, Rave's had not proven its claimed damages were a result of the breach because the reason Rave's was not awarded the projects was attributable solely to its dissociation from the Merrills. The court of appeals affirmed on the basis that Rave's had failed to contest the trial court's finding.

**<u>New Jersey</u>**

***AIT Global, Inc. v. Yaday*, 445 N.J. Super. 513 (2016).** The defendant worked as an information technology consultant for plaintiff, a New Jersey corporation registered as a temporary help service firm (THSF), under a contract that included early termination and restrictive covenant provisions. After the defendant left five months before the end of his twelve-month term, the plaintiff sued to recover liquidated damages pursuant to the early termination provision, and brought various other contract and tort claims. The trial court granted summary judgment in favor of the defendant, holding that the employment agreement was unenforceable where the plaintiff agency was not licensed as a THSF. The court reversed the lower court's grant of summary judgment, holding, as a matter of first impression, that the New Jersey Private Employment Agency Act does not prohibit registered THSFs from including enforceable restrictive covenants and liquidated damages provisions in employment contracts; rather, it merely exempts THSFs from the Act's purview if they do not impose restrictive covenants and liquidated damages provisions on employees. Because the Act did not require the plaintiff agency to be licensed as a THSF before it could sue to enforce restrictive covenants, the court remanded the case for further proceedings.

**<u>New York</u>**

***City of Binghampton v. Whalen*, 32 N.Y.S. 3d 727 (2016).** Defendant, formerly employed by plaintiff as Director of Parks & Recreation, was entrusted with the collection of fees and funds on plaintiff's behalf. Over the course of six years, defendant stole more than $50,000 from plaintiff and pleaded guilty to grand larceny. Plaintiff filed suit for breach of fiduciary duty seeking to recover all the compensation paid to defendant during the period of the theft. The trial court granted plaintiff summary judgment on the issue of liability, but concluded that triable issues of fact remained as to plaintiff's entitlement to damages under the faithless servant doctrine. Plaintiff appealed. The appeals court held that because an employee has a duty to be loyal to his employer, if the employee engages in repeated acts of disloyalty, complete and permanent forfeiture of compensation is warranted. The court found that the trial court erred in denying plaintiff's remedy following summary judgment because the law in New York requires that even when some or all of the services defendant provided were beneficial to the principal, the principal is still entitled to forfeiture of compensation. The court declined to relax the faithless servant doctrine so as to limit plaintiff's forfeiture to a task-by-task analysis of entitled compensation, but rather found plaintiff was entitled to all compensation earned by defendant during the period in which defendant was disloyal.

***Bower v. FDR Servs. Corp.*, 2016 N.Y. Misc. LEXIS 2400 (N.Y. Sup. Ct. 2016) (unpublished).** Plaintiff sought a preliminary injunction to prevent enforcement of noncompete, nonsolicitation, and confidentiality provisions of an employment agreement between himself and his former employer, following receipt of a cease and desist letter from defendant (former employer). The covenants at issue were not necessary to protect any legitimate business interest and imposed an undue hardship in the plaintiff employee, because they contained no geographic limitation and barred him from working in an entire industry. However, because plaintiff could not demonstrate irreparable harm, as there was no indication by his present employer that it intended to terminate his employment as a result of the cease and desist letter, the court denied the request for a temporary injunction barring enforcement of the restrictions.

***Integra Optics, Inc. v. Messina*, 2016 N.Y. Misc. LEXIS 2646 (N.Y. Sup. Ct. 2016) (unpublished).** Plaintiff Integra Optics, Inc. moved for a preliminary injunction to enforce the terms of a noncompetition agreement signed by defendant Messina, a former sales executive. The court concluded the noncompete clause was reasonable in time and geographic scope: its one year term was within a reasonable limit and, under the circumstances of the case, the lack of geographic limitation was also reasonable. The parties operated within a narrow and well-defined and global market, and marketing and sales activities were conducted by phone and email. Integra had a legitimate interest in protecting its proprietary sales related information to which Messina had access from exploitation by a competitor. Nonetheless, the court found that Integra's apparent use of wrongful threats, including threatening to withhold earned commissions if the defendant refused to sign the noncompete agreement, barred provisional relief under the doctrine of unclean hands. The injunction request was denied.

***Aqualife Inc. v. Leibzon*, 2016 N.Y. Misc. LEXIS 6 (N.Y. Sup. Ct. Jan. 5, 2016) (unpublished).** The noncompete and nonsolicitation covenants contained in operating agreements between plaintiff employer and defendant former employees were unenforceable because they imposed an undue hardship on the employees, by preventing them from participating in any way in the water filtration and purification market, anywhere in the world—an unnecessary restraint of free trade. The inequity was compounded by the fact defendants were not engaged in the sale, distribution, or advertisement of products similar to those of their former employer. The covenants operated to restrict access to customers who defendants obtained through their independent efforts and sales techniques alone, without proof they were in some way special, unique, or extraordinary, could not be considered trade secrets. Defendants' motion to dismiss was granted in full.

***BDC Mgt. Servs. LLP v. Singer*, 2016 N.Y. Misc. LEXIS 62 (N.Y. Sup. Ct. Jan. 7, 2016) (unpublished).** Defendants Singer, dentists, entered into an acquisition agreement with plaintiff BDC Management Services which contained noncompete and nonsolicitation provisions. Plaintiffs received control of the business while defendants received the funds to expand their practices; plaintiffs invested millions in defendants' business. The covenants imposed a two-year employee nonsolicitation clause and a maximum four-year noncompete clause limited to a 75-mile radius. Three years following the execution of the acquisition agreement, 11 employees, including defendants, left the employment of plaintiffs and ceased paying management fees as required under the acquisition agreement but continued to provide dental services to clients, retaining the monies for themselves. In New York, noncompete and nonsolicitation covenants are the consideration for the sale of a business, and a violation of the covenant(s) by the defendants establishes irreparable injury. The court granted plaintiffs' request for injunctive relief.

***24 Seven, Inc. v. O'Grady*, 2016 N.Y. LEXIS 2142 (N.Y. Sup. Ct. June 9, 2016) (unpublished).** Plaintiff 24 Seven alleged that defendant O'Grady violated her employment agreement by trading on and transmitting confidential information to her new employer and soliciting business from its customers. In her employment contract, defendant O'Grady had agreed for two years to refrain from disseminating any confidential information (including customer information) she obtained in the course of her employment, following termination. The agreement also provided that she would not solicit any customers from 24 Seven. The candidate and client information at issue here were publicly available and 24 Seven did not dispute defendant's position that she did not take any information from plaintiff during or after her employment. The case was dismissed.

**<u>North Carolina</u>**

***XPO Logistics, Inc. v. Anis*, 2016 NCBC 52 (N.C. 2016)** Defendant was employed by plaintiff, XPO Logistics, as department director following a merger of plaintiff and defendant's former company. Upon completion of the merger, defendant signed an employment agreement, in which she promised not to use or disclose plaintiff's confidential information except in the course of fulfilling her duties as director. The employment agreement also contained a noncompete clause which: (1) was limited to a defined geographic and business area; and (2) stated that for six months after termination, defendant would not provide services that were the same as, or reasonably related to, the services she performed during her last two years with plaintiff. The employment agreement also entitled defendant to severance payments if she was terminated without cause. On her last day of work defendant forwarded a number of plaintiff's business files and emails to her personal email account and tried to conceal her actions by deleting the transaction from her computer. After defendant transitioned to another employer, plaintiff sought to enforce the noncompete agreement. Defendant argued that there was no valid consideration for the employment agreement's noncompete provision. Defendant also argued that plaintiff's promise to pay severance payments upon termination if defendant was not terminated for cause was insufficient consideration for the noncompete provision because the promise was illusory due to plaintiff's sole discretion to define "for cause." The court held that the promise to pay severance payments was valid consideration for the noncompete agreement. The court also found that the promise was not illusory because plaintiff's discretion was restricted by the obligation of good faith performance. Under the obligation of good faith, the court could enforce defendant's right to severance payments if plaintiff failed to tender the payments in bad faith.

**<u>Ohio</u>**

***AK Steel Corp. v. ArcelorMittal USA, LLC*, 55 N.E.3d 1152 (Ohio App. 2016).** Plaintiff AK Steel Corporation appealed the decision of the trial court, which modified a noncompete agreement in favor of its former employee Keith Howell, who voluntarily resigned his position with the company to accept a position with a competitor defendant ArcelorMittal USA, LLC. Howell's severance agreement contained a noncompete provision, which limited Howell's ability to work for a competing business for a one-year period following the termination of his employment with AK Steel. The trial court found the one-year noncompete provision to be unduly burdensome and modified the length of time to six months. In reversing, the Court of Appeal determined that the record did not establish that a one-year noncompete agreement was unreasonable. The Court emphasized that the record demonstrates that Howell had access to confidential information and corporate strategic initiatives that AK Steel had a legitimate business interest in keeping confidential, or otherwise out of the knowledge of its direct competitors. For example, AK Steel executives testified that Howell had information about AK Steel's business plan from years 2015-2017, was privy to certain manufacturing processes for current and next generation products, and had information related to company strategy and plant location. Furthermore, there was testimony with respect to the pricing and awarding of annual contracts that make up a large portion of AK Steel's business. One such executive testified about the nature of the industry with respect to annual contract negotiating and the necessity of a one-year noncompete provision. Following a one-year period of noncompetition, a vacating employee would no longer have confidential information related to that year's margin, pricing, and negotiation information. Moreover, the evidence demonstrated that Howell would be prevented from maintaining employment in the steel industry for a period of one year. However, the trial court failed to consider that "sole means of support" is not limited to employment income. The record here supported a finding that Howell was a highly sought after senior executive of a major steel company, and was recruited by an even larger competitor. Although there was testimony that Howell had a family that depended on his income, there was also testimony that Howell had a large, vested retirement plan from AK Steel, and his new employment with ArcelorMittal would include a $900,000 signing bonus. Thus, the court of appeal concluded that the trial court erred in determining whether the noncompete provision deprived Howell of his “sole means of support” (undue hardship) by failing to consider his additional resources.

***Definitive Solutions Co. v. Sliper*, 2016 Ohio App. LEXIS 483 (Ohio App. 2016) (unpublished).** In an action for breach of a nonsolicitation provision brought by a software-and digital-design firm against a corporation after four of the design firm's employees left to start a competing business, taking the corporation with them as a client, the trial court properly granted summary judgment in favor of the corporation where the plain language of the contract did not prohibit the corporation from hiring another business to perform work.

## <u>Tennessee</u>

***Davis v. Johnstone Grp., Inc.*, 2016 Tenn. App. LEXIS 181 (Tenn. App. 2016).** John Davis was an employee of Johnstone Group, Inc. ("JGI"), which provides real estate appraisal services. A year and a half after he started working for JGI, Davis registered as a real estate appraiser trainee and completed training for which he paid. He then proceeded to become certified, which required 3,000 hours of practical appraisal experience under the supervision of a certified appraiser. In 2005, Davis signed a new employment agreement which contained a noncompetition clause. Davis resigned from JGI ten years later, in 2015, to go work for Appraisal Services Group, Inc. (ASG). JGI immediately sent letters to both Davis and ASG warning them that should Davis work for ASG, it would be a violation of the 2005 agreement, resulting in legal action. Shortly thereafter, Davis filed for declaratory relief. Relying on prior case law, the court stated that in order to enforce the noncompete, JGI must show special facts beyond protection from ordinary competition that would give Mr. Davis an unfair advantage in competing with JGI. Prior case law established that considerations in determining whether an employee would have such an unfair advantage include (1) whether the employer provided the employee with specialized training; (2) whether the employee is given access to trade or business secrets or other confidential information; and (3) whether the employer's customers tend to associate the employer's business with the employee due to the employee's repeated contacts with the customers on behalf of the employer. In refusing to enforce the agreement, the court noted that special facts, which might support the enforcement of a non-competition provision, might include specialized training received from the employer, access to confidential information such as business secrets, confidential pricing information and confidential customer lists, and situations where the employer's customers tend to associate the business with the employee because of repeated contacts with him. The trial court had found that "[t]he training Davis received with Johnstone is generally the same training he would have received in any other office in his quest to become a certified real estate appraiser. There is no secret training that others do not know about which would give Davis an unfair advantage over [JGI] . . . ." Likewise, the trial court found that JGI did not have an exclusive customer list that Mr. Davis might reference in his work with ASG. In fact, the trial court found that Mr. Davis had no "special relationship with [JGI's] customers, such that [Mr.] Davis would enjoy an unfair competitive advantage." Accordingly, the court of appeal concluded that JGI had failed to prove facts that would have warranted enforcement of the noncompete.

**<u>Texas</u>**

***Southwestern Energy Prod. Co. v. Berry-Helfand*, 491 S.W.3d 699 (Tex. 2016).** Berry-Helfand was an experienced reservoir engineer who analyzed data on East Texas oil and gas formations from 2.75 million acres across five counties to determine where gas production could be augmented with horizontal drilling designed to optimize potential from the James Lime reservoir. Her objective was to pinpoint "sweet spots" for drilling and producing with multiple stacked payout pursuant to a particular method that would exploit the reservoir without damaging it. Over the years, Berry-Helfand worked with two geologists in her undertaking—Muncey and Wells. With their assistance, Berry-Helfand developed a "treasure map" of the best localized spots for drilling the James Lime formation in East Texas. Berry-Helfand and Wells then sought to generate interest in the James Lime project by acquiring a drill-ready prospect (the "Pearson Prospect") and then marketing it to exploration companies for development. Wells and Berry-Helfand presented the Pearson Prospect to Southwestern Energy Production Co. ("SEPCO") in February 2005. Though SEPCO had not acquired any mineral leases with James Lime as the primary drilling objective and possessed zero horizontal wells, SEPCO moved forward with evaluating potential purchase or development of the Pearson Prospect. Before Berry-Helfand and Wells disclosed any information, SEPCO executed a confidentiality and noncompete agreement that required SEPCO to maintain the information's confidentiality, use it solely to evaluate the instant opportunity, and promptly return or destroy the original and all copies of the confidential information, as well as not to compete with the Berry-Helfand team or a period of one year. After reviewing the information Berry-Helfand subsequently provided, SEPCO negotiated an exclusive evaluation period through April 2005, during which Berry-Helfand continued to provide additional data and maps at SEPCO's request. SEPCO did not make an offer within the evaluation period, and she eventually closed a deal with Petrohawk Properties, LLP, in July 2005, securing a 3% royalty. However, SEPCO retained Berry-Helfand's confidential information despite her repeated demand for its return. As early as March 2005, SPECO had begun internally identifying the James Lime play as a "primary drilling objective". By 2010, SEPCO had acquired 1,888 leases and drilled over 140 wells, 88 of which were James Lime horizontal wells, in areas clustered around the sweet spots. These efforts were one-hundred percent successful and generated an undisputed $381.5 million in production revenue. At trial, the jury found SEPCO liable for breaching the confidentiality agreement, fraud, breach of fiduciary duty, and statutory theft of trade secrets and valued the trade secrets at $11.445 million, or 3% of the production revenue generated by SEPCO. The total verdict for all claims reached over $40 million, including $4.6 million in Berry-Helfand's attorneys' fees and pre- and post-judgment interest. The court of appeals reversed and rendered a take-nothing judgement on all but the actual damages award for misappropriation of trade secrets, held that disgorgement was not available since the parties were not in a fiduciary relationship, and remanded for an award of attorneys' fees for SEPCO as the prevailing party on the statutory theft claim. The Texas Supreme Court addressed two key damages issues in its holding and remanded the case for a new trial. First, the Court noted that a "flexible and imaginative approach" is applied to the calculation of damages in misappropriation-of-trade-secrets cases. Such damages can take many forms, including the value of a plaintiff's lost profits, the defendant's actual profits from the use of the secret, the value a reasonably prudent person would have paid for the trade secret, the development costs the defendant avoided by the misappropriation, and a reasonable royalty. The Court held that the 3% damage amount was an average figure from Berry-Helfand's Petrohawk agreement and its subsequent track record, when the transaction actually employed a sliding scale for the overriding royalty. The expert's failure to consider the sliding-scale resulted in an "incomplete and misleading picture" when the sliding scale would have yielded a more certain result—a fatal flaw to the damages calculation. Second, the Court noted that it had not "expressly limited the remedy [of equitable disgorgement] to fiduciary relationships nor foreclosed equitable relief for breach of trust in other types of confidential relationships." Thus, whether disgorgement would be equitable in this case was remanded for determination in light of the liability and damages determinations following a new trial.

***In re M-I L.L.C.*, No. 14-1045, 2016 Tex. LEXIS 389 (Tex. Jan. 13, 2016).** M-I L.L.C. and National Oilwell Varco, L.P. ("NOV") are competitors providing solid-control equipment and services to the oil-and-gas industry. Jeff Russo had previously been employed by M-I as the business development manager of its screen division and subsequently left M-I to work for National Oilwell Varco as the global product line manager of its screen division. In response to a demand letter from M-I regarding Russo's possible breach of his non-compete agreement, Russo filed suit seeking declaratory judgment that the non-compete agreement was unenforceable, and M-I filed counterclaims for breach of the non-compete agreement, breach of fiduciary duty, misappropriation of trade secrets, and tortious interference as well as claims against NOV for misappropriation of trade secrets and tortious interference, seeking both declaratory and injunctive relief. At the temporary injunction hearing, M-I sought to exclude everyone, except the parties' counsel, their experts, and Russo, from the courtroom during the testimony seeking to establish M-I's trade secrets. The trial court denied M-I's request, stating that the exclusion of NOV's representative would violate due process. The hearing was recessed, and M-I filed a petition for writ of mandamus. The Supreme Court of Texas found that the trial court abused its discretion when it concluded that the exclusion of NOV's representative from portions of the preliminary injunction hearing involving alleged trade secrets would violate due process without balancing the competing interests at stake; the application of the balancing necessarily entailed factual determinations based on a fully developed record. The Supreme Court further held that the trial court abused its discretion when it ordered the affidavit submitted as an offer of proof of the trade secret testimony to be offered by M-I be disclosed to NOV without reviewing it in camera.

***Acadia Healthcare Co. v. Horizon Health Corp*., 472 S.W.3d 74 (Tex. App.—Fort Worth, July 23, 2015).** Psychiatric Solutions Inc. ("PSI") owned Horizon Health Corporation ("Horizon"). Several members of Horizon's executive team discussed the possibility of purchasing Horizon from PSI, as PSI was considering the possibility of going private and no longer being publicly traded. However, PSI was ultimately acquired by Universal Health Services ("UHS"), who rejected the Horizon executives' proposal to purchase Horizon and kept it under the UHS ownership umbrella. Shortly thereafter, several members of the executive committee left Horizon to join the ranks of Acadia Healthcare, a direct Horizon competitor. The close-in-time departure of the Horizon executives lead Horizon to conduct a forensic examination of its computer systems. This investigation unearthed evidence that all of the executives, except one, had conferred in making their decisions to leave, strategizing their exits, and preparing for their departures. In leaving, the executives accessed and made copies of

Horizon documents, despite their respective confidentiality, nonsolicitation, and noncompetition agreements with Horizon. Certain executives, once working for Acadia, set up meetings with former potential clients of Horizon, utilizing information learned while employed by, but not shared with, Horizon. Horizon filed suit alleging breach of fiduciary duty, misappropriation of trade secrets, conversion, accessing proprietary information in violation of the Theft Liability Act (i.e., theft of trade secrets), tortious interference with existing contracts and prospective business relationships, and conspiracy. The jury awarded Horizon $4,198,000 in future lost-profit damages. Acadia appealed the decision, in part arguing that Texas law does not authorize an award of significant damages for alleged future lost profits when the only evidence of damages consists of statistics generated by an expert witness.. The expert's calculation focused on a statistical analysis of likely contract sales, yet it was based on evidence never introduced into the record and relied on several extreme assumptions (e.g. that an at-will employee would stay with the company for fifteen years and that each hypothetical contract would have been profitable for all fifteen years). The Court noted that because the expert's "calculations, estimates, 'statistical analysis', and 'work papers'" were not admitted into evidence and merely served as demonstrative aids, deciphering his conclusions was difficult on appeal and only highlighted the "analytical gap" between the data and his opinion. As such, the expert's testimony was no evidence of lost profits an legally insufficient to support the damage findings as to the multi-million dollar future lost-profits award.

***Swinnea v. ERI Consulting Eng'rs, Inc.*, 481 S.W.3d 747 (Tex. App. 2016).** Swinnea was an equal owner of ERI, managing asbestos abatement projects for contractors, and partners with Snodgrass in a limited partnership called Malmeba Company, Ltd. (Malmeba). In summer 2001, without Snodgrass's knowledge, Swinnea and another ERI employee formed a new company, Air Quality Associates, Inc. (Air Quality). In August 2001, Snodgrass and ERI purchased Swinnea's interest in ERI. In conjunction with this sale, Swinnea agreed to remain employed by ERI for six years and not to compete with ERI during this time period. The following year, Swinnea's wife started a new abatement contracting company, Brady Environmental, Inc. In 2004, Snodgrass and ERI sued Swinnea for statutory fraud in a real estate and stock transaction, common law fraud, breach of the noncompete, and breach of fiduciary duty. Snodgrass and ERI prevailed, receiving an award which included disgorgement of profits and punitive damages. In appealing the damages award, Swinnea argued that the disgorgement award was duplicative of the punitive damages award. The court rejected this argument, noting that courts are authorized to award both disgorgement and punitive damages since (1) the purpose of disgorgement damages is to protect relationships of trust by discouraging agents' disloyalty, and (2) courts are authorized to further protect relationships of trust by assessing a punitive award, in addition to disgorgement, if warranted. The court also affirmed the amount of punitive damages issued, noting that Swinnea had engaged in premeditated, intentional violations of Swinnea's fiduciary duties and further noting that the punitive damages were appropriate since they were less than four times the amount of the compensatory damages awarded.

## Virginia

***Reading & Language Learning Ctr. v. Sturgill*, 2016 Va. Cir. LEXIS 12 (Va. Cir. 2016).** Plaintiff, Reading & Language Learning Center, was a private speech therapy practice serving clients with language, speech, and reading disorders. Plaintiff sued its former consultant, defendant, for breach of her noncompete agreement when she accepted employment from plaintiff's clients after leaving the company. Defendant argued that the noncompete agreement was not enforceable because it was overly broad and void as a violation of public policy because plaintiff had misclassified defendant as an independent contractor. The court agreed, holding that the noncompete was unenforceable because: (1) the restrictive covenant was overly broad in scope because it prohibited defendant from contracting or working in plaintiff's field in any capacity; and (2) the entire employment agreement was void as a violation of public policy because plaintiff misclassified defendant as an independent contractor, not an employee. The court found that misclassification of workers was a clear public policy violation in Virginia because employment contracts could not be created to assist an employer in avoiding its statutory obligations to pay taxes and other employment related expenses or allow the employer to deprive a worker of statutory rights while the employer reaps the benefits to the detriment of the entire workforce and government.

## Wisconsin

***North Highland, Inc. v. Jefferson Machine & Tool Inc.*, 369 Wis. 2d 223 (Wis. Ct. App. Apr. 28, 2016) (unpub.)**: Plaintiff filed suit for breach of fiduciary duty and trade secret misappropriation, based on a former employee's actions in starting a new business competing with plaintiff and use of the amount of plaintiff's confidential bid for a project to undercut plaintiff's bid and win the project for his new venture. The lower court granted summary judgment to defendant on these claims, and the Court of Appeals affirmed.

The Court of Appeals held that the amount of plaintiff's confidential bid did not constitute a trade secret under the Wisconsin Uniform Trade Secrets Act ("WUTSA"). The court looked to the definition of "trade secret" in the WUTSA, which includes "formulas, patterns, compilations, programs, devices, methods, techniques or processes," but is not exclusively limited to those items. The court held that the single piece of information at issue—the total price offered in a confidential bid—was not the "same type of item" as the examples of trade secrets provided in the WUTSA. Because this information did not comprise a trade secret under the WUTSA, plaintiff's claim under that act failed as a matter of law.