



*Analysis of Recent U.S.
Intellectual Property Judicial
Opinions Relating to the
Defend Trade Secrets Act of
2016, 18 U.S.C Section 1836*





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Ms. Naumann has obtained trademark registrations, copyright registrations and design patents on behalf of artists, writers and companies. In addition to obtaining intellectual property protection through government agencies, She advises and drafts documents for ownership, shop rights, works for hire, transfers of rights, licenses, permissions, rescission, consents, distribution agreements, non-disclosure agreements, releases, trade secrets, proprietary information and web sites.



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Course Description

Course Presentation

- I. The Federal Defend Trade Secrets Act
 - A. Review of the statute's primary and most unique sections
 - B. Review of judicial decisions addressing topics such as
 - 1. ex parte seizure orders
 - 2. intersection with copyright and patent law
 - 3. reconciliation with state trade secret statutes and judicial decisions
 - 4. intersection with non-compete and non-solicitation agreements in different states
 - 5. state sovereign immunity
 - 6. non-disclosure agreements
 - 7. threatened misappropriation
 - 8. whistleblower provisions
 - 9. restrictions on employment and business
 - 10. interstate commerce requirement
 - 11. attorney fees
 - 12. reverse engineering

This course provides an in-depth examination in intellectual property for any attorney.

Course Material

This material is intended to be a guide in general and is not legal advice. If you have any specific question regarding the state of the law in any particular jurisdiction, we recommend that you seek legal guidance relating to your particular fact situation.

The course materials will provide the attendee with the knowledge and tools necessary to identify the current legal trends with respect to these issues. The course materials are designed to provide the attendee with current law, impending issues and future trends that can be applied in practical situations.



Course Learning Objectives and Outcomes

The ability to understand the duties, roles and responsibilities of counsel in situations involving the Defend Trade Secrets Act of 2016.

The ability to understand copyright eligibility for specific works and software.

The ability to understand the award of profits in a trademark infringement lawsuit and the requirement of willfulness.

Participants will learn how to advise clients about protecting trade secrets and defending suits under the federal Defend Trade Secrets Act;

Participants will learn how to estimate costs if a client undertakes a proceeding under 35 U.S.C. 145 and the extent of civil liability for failure to protect a licensor's trademark in another country.

Participants will develop an understanding of Judicial decisions which interpret the federal Defend Trade Secrets Act

Participants will become aware of the most recent U.S. Supreme Court intellectual property decisions which primarily address statutory interpretation

Participants will learn the scope of generic and descriptive trademarks and service marks; possible exceptions to state sovereign immunity for copyright infringement and copyright eligibility for judicial decisions summaries which are part of official state statutes.

Participants will gain practical skills in the area of: writing briefs and presenting oral arguments in the patent office or Federal Circuit would be greatly facilitated with knowledge of the Supreme Courts (i) most recent intellectual property decision and (ii) the most significant Defends Secret Act judicial decisions.

Participants will gain practical skills to advise clients on which procedural steps to take depending upon their individual circumstances and their business circumstances.

Timed Agenda:

Presenter Name: Adrienne B. Naumann
CLE Course Title: Analysis of Recent U.S. Intellectual Property Judicial Opinions Relating to the Defend Trade Secrets Act of 2016, 18 U.S.C Section 1836

| Time Format (00:00:00 - Hours:Minutes:Seconds) | Description |
|---|--|
| 00:00:00 | ApexCLE Company Credit Introduction |
| 00:00:20 | CLE Presentation Title "U.S. Intellectual Property Judicial Decisions" |
| 00:00:32 | CLE Presenter Introduction |
| 00:00:54 | CLE Substantive Material Presentation Introduction |
| 00:02:40 | Federal Court Interpretation of the Defend Trade Secretes Act. |
| 00:05:19 | Fres-Co Systems USA, Inc. v Hawkins et al. |
| 00:08:15 | Radiant Global Logistics, Inc. v Furstenau, Jr. et al. |
| 00:19:16 | Ex Parte Seizures |
| 00:23:50 | Attorney Fees |
| 00:31:12 | Copyright Registration |
| 00:47:50 | Future Damages |
| 01:02:54 | Presenter Closing |
| 01:03:13 | ApexCLE Company Closing Credits |
| 01:03:20 | End of Video |



Course Material

Defend Trade Secrets Act

I. Background

A. Passed by Congress in 2016 and presently codified at 18 U.S.C. 1831 et seq. [hereinafter ‘the Act’].

B. Provides original jurisdiction in federal courts for civil trade secret misappropriation lawsuits by private parties.

1. Prior to the Act, a private party could not access federal courts for trade secret misappropriation lawsuits except by diversity or pendant jurisdiction.
2. The disputed trade secret must be related to a service or product in interstate or international commerce.

C. Significant statutory features

1. If state law provides more protection for trade secrets, then state law prevails.
2. Law enforcement officials may enter a physical premise and seize property allegedly containing misappropriated trade secrets.
3. Provides immunity when (i) employees communicate alleged illegal acts of their employers that are (ii) related to trade secrets (iii) to the government or attorneys.
4. Only applies to acts of misappropriation occurring on or after the Act’s effective date.

D. Statutory Definitions

1. Trade secrets comprise information



- a. that the owner thereof has to take reasonable measures to preserve as confidential, and
- b. from which economic value is derived from this confidentiality, and
- c. from which third parties could derive an economic benefit if they know the information, and
- d. that derives independent economic value from not being generally known or easily accessible through lawful means.

E. Misappropriation may comprise one or more of acts of wrongful (i) acquisition, (ii) disclosure and/or (iii) use of the trade secret.

1. wrongful acquisition occurs whenever the acquiring person knows, knew or had reason to know that the trade secret was acquired by improper means.
2. wrongful disclosure or use occurs
 - a. without the owner's consent, and
 - b. where at the time of the disclosure or use a person knew or had reason to know that the trade secret was wrongfully obtained.
3. Improper means includes
 - a. transfer of a trade secret from a person who was (i) obligated to maintain secrecy, or (ii) otherwise limit use of the trade secret, OR
 - b. prior to relying in good faith upon a trade secret, a person knew or had reason to know that the trade secret
 - (1) was properly characterized as such, and that
 - (2) person nevertheless disclosed, transferred and/or used the trade secret as their own.
5. Reverse engineering, independent derivation or other lawful means of acquisition explicitly do not qualify as misappropriation under the Act.

II. Civil remedies for trade secret misappropriation

A. Injunction

1. an injunction cannot prevent new employment or restrict new employment unless



- a. there is threatened misappropriation of trade secrets, and/or
 - b. the confidential information comprises more than an employee's general workplace knowledge, or
 - c. a person actually wrongfully transfers a trade secret.
2. An injunction must not conflict with state law prohibiting restraints upon lawful professions, trades or other businesses.

B. Ex parte civil seizure orders

1. Initial requirements
 - a. affidavit or verified complaint
 - b. subject matter must qualify as a trade secret
 - c. there must be extraordinary circumstances for which a Federal Rule of Civil Procedure 65 order is inadequate [hereinafter F. R. C. P. 65]
 - i. example: evidence would be hidden or destroyed, or
 - ii. there would be non-compliance with a court order if notice were given.
2. Seizure process
 - a. The order must include findings of fact and conclusions of law.
 - b. The court must schedule a post seizure hearing date no later than seven days after the seizure order.
 - c. The applicant must post sufficient security for damage from the seizure or a seizure wrongfully obtained.
3. Seized subject matter in court custody
 - a. requires suitable confidential storage, and
 - b. the storage medium should not be connected electronically to a network without consent of both parties and a post seizure hearing.
 - c. the court must protect
 - (1) confidentiality of unrelated confidential information within or up on seized property such as personal financial data, and
 - (2) against publicity relating to the seized materials.
4. Post seizure hearing
 - a. the party originally in possession of the seized property responds to the order if there was no notice prior to the seizure.
 - b. if the applicant for the seizure order cannot adequately justify the seizure, the original order is dissolved or modified.
5. Remedies for wrongful seizure

- a. those of 15 U.S.C. 116(d)(11)(the Lanham Act) for lost profits, costs of materials, loss of good will, punitive damages, attorney fees and prejudgment interest.
- b. posting of pre-seizure security does not limit a third party's damages to the value of this security.

C. Financial remedies

1. If an injunction is inequitable, future use of a trade secret may be based upon a reasonable royalty.
2. Includes damages and/or unjust enrichment for actual losses caused by misappropriation
3. May also include exemplary damages and attorney fees for willful misappropriation, but conditioned upon an employer's compliance with the whistleblower provision addressed below.
4. Bad faith claims of misappropriation and injunctions proposed in bad faith may result in attorney fees to the prevailing party.

D. Whistleblower provision

1. An employee who informs an attorney or the government of an employer's improper acts in confidence is not liable for improper disclosure of related trade secrets.
2. Employers must provide notice of this immunity
 - a. the employer cannot receive punitive damages or attorney fees for trade secret misappropriation
 - b. from an employee to whom notice was not provided.

III. Federal courts interpret the Act

A. Several decisions from 2017 and thereafter are included in your power point for continuity and comparison.

B. Threatened misappropriation

1. Primesource Building Products, Inc. v. Huttig Building Products et al., 2017 U.S. Lexis 202748 (N. D. Ill. August 3, 2017)



- a. a preliminary injunction was requested to prevent wrongful disclosure and use of a confidential customer list.
 - b. the court held the plaintiff must do more than show that the former employee went to a direct competitor for a comparable position, so
 - c. the court denied a preliminary injunction for threatened disclosure of trade secrets, but
 - d. granted a preliminary injunction against solicitation of plaintiff's customers.
2. *Fres-Co Systems USA, Inc. v. Hawkins et al.*, 690 Fed. Appx. 72, 2017 U.S. App. Lexis 9679 (3rd Cir. 2017)
 - a. appeal from an order granting a preliminary injunction preventing disclosure and use of a former employer's client list
 - b. irreparable harm from threatened misappropriation is presumed where (i) previous employment responsibilities and (ii) subsequent employment responsibilities (iii) substantially overlap.
 - c. the case was remanded for an evidentiary hearing on the remaining requirements for a preliminary injunction.
4. *Executive Consulting Group, LLC v. Baggot*, 2018 WL 1942762 (D. Colorado April 25, 2018)
 - b. a request for a preliminary injunction was granted to prevent trade secret use and disclosure, and where plaintiff's former employee was hired by plaintiff's business competitor.
 - c. the plaintiff was likely to establish that defendant had misappropriated, and threatened to misappropriate, its trade secrets where
 - (1) the defendant forwarded confidential information to her personal e-mail account
 - (2) in violation of her employment agreement.
5. *Radiant Global Logistics, Inc. v. Furstenau, Jr. et al.*, 2019 WL 697004 (E. D. Mich. February 20, 2019)
 - a. the motion for a preliminary injunction was granted for threatened misappropriation, because
 - b. the defendant employee had signed plaintiff's confidentiality provisions, and

- (1) yet downloaded plaintiff's profit and loss statements, as well as other confidential business information, to his personal e-mail account, and
- (2) thereafter resigned from plaintiff and opened his own franchised office several days thereafter as a competitor.

C. Inevitable disclosure

1. Industrial Packing Supplies, Inc. v. Channell et al., 2018 WL 2560993 (N. D. Ill. June 4, 2018)
 - a. the court granted the motion to dismiss, but granted leave to refile.
 - b. the plaintiff alleged that a former employee would inevitably use its trade secrets with a new employer.
 - c. both the Act and the Illinois trade secret statute prohibit threatened misappropriation
 - (1) however, similar employment with a competitor does not by itself mean that
 - (2) a former employee will inevitably use or disclose this former employer's trade secrets.
 - d. Here defendant could easily avoid improper disclosure and use of trade secrets
 - (1) by simply not contacting plaintiff's clients, and/or
 - (2) not using plaintiff's proprietary designs.
2. Prime Therapeutics LLC v. Beatty et al., 354 F. Supp. 3d 957, 2018 WL 5669270 (D. Minn. 2018)
 - a. plaintiff's motion for a preliminary injunction was denied.
 - b. background
 - (1) the plaintiff administers prescription drug plans as does Beatty's subsequent employer.
 - (2) the injunction was to prevent improper disclosure and use of plaintiff's confidential business information.
 - c. the court held that inevitable disclosure requires
 - (1) intense direct competition, similarity of employment and a new employer's failure to prevent improper disclosure and use.
 - (2) here the evidence did not establish that the defendant employee improperly took trade secrets, and
 - (3) the subsequent employer 'phased in' projects which might jeopardize the former employer's trade secrets.

3. Packaging Corp. of America v. Croner, 2020 U. S. Dist. Lexis 1846 (N. D. Ill. January 3, 2020)
 - a. the court granted the defendant's motion to dismiss the Act claim.
 - b. The court also denied the plaintiff's motion for a preliminary injunction to restrain defendant from
 - (1) soliciting plaintiff's customers, and
 - (2) disclosing or using plaintiff's alleged trade secrets
 - c. background
 - (1) former sales employee/defendant solicited clients of former employer plaintiff for a competing employer
 - (2) the former employee did not return lawfully acquired information to his former employer, but
 - (3) he apparently deleted this information from his electronic equipment per company policy upon his departure from plaintiff's employ.
 - d. court's decision
 - (1) Illinois courts evaluate allegations of threatened misappropriation under the doctrine of inevitable disclosure.
 - (3) mere possession of lawfully obtained alleged trade secrets does not plausibly allege future wrongful disclosure or wrongful use.
 - (4) solicitation of a former employer's clients is also insufficient to support inevitable disclosure, because
 - (a) solicitation of former clients does not necessarily confirm that a defendant improperly used trade secrets in doing so.
3. Cabria Co. LLC v. Schuman, 2020 U.S. Dist. Lexis 11373, 2020 USPQ 2d 24009 (D. Minn. January 23, 2020)
 - a. the court denied a preliminary injunction to bar defendant from employment with a subsequent employer
 - (1) because there was no evidence of inevitable disclosure of the former employer's trade secrets.
 - b. background
 - (1) both former and current employers are quartz surface manufacturers, and
 - (2) plaintiff developed and owned designs and recipes which could not be reverse engineered.
 - (3) defendant former employee had signed a confidentiality agreement.

- (4) defendant also signed a two year non-compete agreement with plaintiff which then expired.
 - c. court's analysis
 - (1) mere lawful knowledge of trade secrets by a former employee is not sufficient to prove inevitable disclosure, and
 - (2) even where the defendant takes a comparable position with a competitor.
 - (3) that defendant solicited customers from the former employer does not establish that he improperly disclosed or used trade secrets.
 4. CGB Diversified Services, Inc. v. Adams, Case No. 2:20-cv-2061-HLT-KGG (D. Kansas April 13, 2020)
 - a. the Act claim was dismissed without prejudice.
 - b. plaintiff's former employee accepted a position with a business competitor.
 - c. plaintiff alleged that
 - (1) on eight different dates prior to his resignation defendant attached an external memory device to his work laptop, accessed trade secrets, and
 - (2) then used them in his new employment.
 - d. the court's decision
 - (1) that an employee properly accessed confidential files prior to resignation does not create a reasonable inference of misappropriation.
 - (2) here there were no allegations that the former employee failed to return external memory devices.
 - (3) inevitable disclosure requires facts about an employee's new position, and none were present here.
 - (4) accepting a position with a competitor without more does not infer inevitable or actual misappropriation.
 5. Power Integrations, Inc. v. DeLara et al., Case No. 20-cv-410-MMA(MSB) (S.D. Cal. March 26, 2020)
 - a. defendant's motion to dismiss was granted without prejudice.
 - b. parties were business competitors in the restaurant and catering industry
 - c. the court could not presume improper transfer of trade secrets from a former employee to a competitor simply because defendants lawfully possessed this information.

D. Evidence of actual misappropriation

1. *Biomin Am., Inc. v. Lesaffre Yeast Corp. et al.*, 2020 U. S. Dist. Lexis 54647 (D. Kansas March 30, 2020)
 - a. defendants are plaintiffs' former employees and a business competitor that now employs them in the livestock nutrition industry.
 - b. the court granted defendants' motion to dismiss
 - (1) one defendant/former employee told plaintiff's customers that Lesaffre's product was as effective as that of plaintiff's, but at a lower cost.
 - (2) this sole allegation was insufficient to sustain a claim secret misappropriation claim under the Act.
 - (3) that parties are competitors, without more, is also insufficient to establish improper use or disclosure under the Act.
2. *Schuylkill Valley Sports, Inc. v. Corporate Images Co. et al.*, 2020 U. S. Dist. Lexis 103828 (E. D. Penn. June 15, 2020)
 - a. the court denied plaintiff's emergency motion for a TRO and preliminary injunction without prejudice.
 - b. plaintiff contended that his former defendant/employees transferred confidential customer lists to their personal e-mail accounts.
 - c. the court held that this transfer just prior to leaving plaintiff's employ was insufficient evidence of improper use, disclosure or intent to use the customer lists.

C. Ex parte seizures

1. Most federal courts have relied upon F. R. C. P. 65 instead of the Act's ex parte seizures. However, there are exceptions of which practitioners should be aware.
2. *Shumway et al. v. Wright et al.*, No.19-cv-58 (D. Utah Aug. 26, 2019)
 - a. defendants were previously employed by plaintiffs.
 - (1) plaintiffs provide home health care and financial assistance for persons with medical problems from radiation and specific toxic materials.
 - (2) plaintiffs alleged that defendants misappropriated patient lists and other records to establish a competing business.



- b. the court granted an ex parte seizure and evidence preservation order, because
 - (1) defendants possessed plaintiffs' trade secret patient Information,
 - (2) defendants previously provided fake and misleading information, as well as a willingness to hide information.
 - (3) defendants would evade, avoid or otherwise disregard a Rule 65 order.
 - (4) defendants would hide or destroy evidence and trade secrets if they were previously aware of a seizure.
- 3. Solar Connect LLC v. Endicott et al., No. 17-cv-1235 (D. Utah Feb. 16, 2018)
 - a. Background
 - (1) plaintiff was in the business of generating solar energy sales leads.
 - (2) defendant Endicott was plaintiff's former employee with access to confidential information such as web interfaces and credentials
 - (3) defendants allegedly created a competing business with plaintiff's confidential information
 - b. the court
 - (1) defendants had previously been willing to hide information and move computer files rather than ceasing unlawful use
 - (2) defendants had also provided fake and misleading information, including their true identities.
 - (3) the seizure would exclusively consist of copies of digital files on site, and not of actual devices such as computers and phones.

E. Attorney fees

- 1. Dunster Live, LLC v. Lonestar Logos Management Corp. et al., 908 F.3d 948 (5th Cir. 2018)
 - a. Affirmed the denial of attorney fees for the defendant for the Act claim.
 - b. Reasons
 - (1) a dismissal w/o prejudice does not result in a prevailing party status, and
 - (2) an earlier denial of plaintiff's request for an injunction does not result in prevailing party status.



- c. prevailing party status for the Act is exclusively determined by federal law.
- 2. Farmers Edge, Inc. et al. v. Farmobile LLC et al., 2018 WL 3747833 (D. Neb. August 7, 2018) appeal filed September 5, 2018
 - a. Farmers Edge asserted that its confidential source code was misappropriated by a former employee
 - b. the court denied the prevailing defendant's request for attorney fees under the Act, because state and federal law each require
 - (1) the objective baselessness of the opposing party's claim, and
 - (2) subjective bad faith for bringing or maintaining a claim with an improper purpose.
 - c. in this case there was no evidence supporting either requirement.
- 3. Southern HVAC Corp. V. Konforte et al., 2019 WL918072 (M. D. Fla. February 8, 2019)
 - a. the magistrate judge recommended that the defendant's request for attorney fees be denied.
 - b. here plaintiff alleged that defendant violated a noncompete and consulting agreement by misappropriating confidential customer lists and price lists.
 - c. relying upon Dunster Live supra, the magistrate and district court concluded that dismissal without prejudice does not convey prevailing party status.
- 5. Insurent Agency Corp. et al. v. Hanover Insurance Corp. et al., 2020 U. S. Dist. Lexis 2565 (S. D. N. Y. January 8, 2020)
 - a. the magistrate judge recommended denial of defendants' motion for attorney fees.
 - b. background
 - (1) one defendant was plaintiff's former customer who established his own competing business.
 - (2) defendant then solicited plaintiff's other customers as potential investors and insurance carriers.
 - c. the magistrate's analysis
 - (1) the plaintiff had not brought a claim in bad faith or without merit
 - (2) several of plaintiff's claims had survived summary judgment as to other defendants,
 - (3) several of plaintiff's customers departed for defendant's new company soon after defendant's departure from plaintiff, and

- (4) plaintiff required extensive costly discovery to determine how this particular defendant misappropriated confidential information.
 - d. the court adopted the magistrate judge's recommendation and denied attorney fees.
- 6. B & P Littlesford, LLC v. Prescott Mach., LLC, Case No. 18-11425 (E. D. Mich. April 13, 2020)
 - a. the court awarded attorney fees to the defendant after dismissing the plaintiff's lawsuit because of expiration of the Act's statute of limitations.
 - b. one defendant Miller was plaintiff's former executive, and plaintiff discovered he had misappropriated trade secrets.
 - c. however, plaintiff deliberately withheld an FBI document
 - (1) that clearly demonstrated that the Act's statute of limitations expired prior to bringing the lawsuit.

F. Copyright registration

- 1. Siegler v. Sorrento Therapeutics, Inc. et al., 2019 U. S. Lexis 23779 (S. D. California, February 13, 2019)
 - a. plaintiff alleged that defendants misappropriated trade secrets within her copyright registered written works.
 - b. defendant's motion to dismiss was granted, because
 - (1) the plaintiff had not redacted the confidential information from her registered works, and
 - c. therefore the confidential information became publicly available and no longer qualified as trade secrets.
- 2. Capricorn Management Systems, Inc. v. Government Employee Insurance Organization et al.[hereinafter 'GEICO'], 2:15-cv-2926 (E. D. N. Y. March 16, 2020)
 - a. the court granted summary judgement to defendants on claims under the Act.
 - b. background
 - (1) Capricorn designs software for insurance companies and medical billing services.
 - (2) Capricorn provided a custom designed source code for GEICO.
 - (3) Capricorn believed that GEICO and others used its confidential information to create their own source code.

3. When Capricorn’s customized source code obtained copyright registration it also became publicly accessible in the copyright office
 - a. so trade secrets, if any, within the registered source code lost their trade secret status.

G. Reasonable measures to protect trade secrets

1. Lux Global Label Co., LLC v. Shacklett, IV et al., 2019 WL 3530424 (E. D. Penn. July 31, 2019)
 - a. the court denied the defendants’ motion to dismiss trade secret misappropriation claims
 - b. plaintiff and defendant business entities were competitors in the label printing industry, and
 - (1) defendant Shacklett was plaintiff’s former employee who was thereafter employed by another defendant.
 - (2) prior to his resignation, Shacklett downloaded plaintiff’s confidential information onto a pen drive and never returned this pen drive to his former employer.
 - c. the court concluded that a non-disclosure agreement is not necessary where
 - (1) a former employee acts in a willful and malicious manner; and
 - (2) other security safeguards were in place such as
 - i. separate network drives,
 - ii. restricted access to high level employees and officers,
 - iii. prohibition of non-employee unsupervised access to non–public areas, and
 - iv. monitoring of employee telephones and computers.
2. Charles Ramsey Co. et al. v. Fabtech-NY, LLC et al., 2020 U. S. Dist. Lex. 9348 (N. D. N. Y. January 21, 2020)
 - a. the court granted a motion to dismiss in part.
 - b. background
 - (1) the principle parties were piano manufacturing companies, and
 - (2) the plaintiff alleged misappropriation of proprietary confidential tooling methods.
 - (3) the plaintiff further alleged that it preserved tooling methods as confidential by advising employees of their confidential and proprietary nature.



- c. however, the court concluded that merely advising employees that information is confidential was not a sufficient reasonable precaution under the Act.
 - (1) instead there should at least be a written nondisclosure agreement and physical security measures.
- 3. *Trans-Radial Solutions, LLC. v. Burlington Medical, LLC et al.*, 2019 WL 3557879 (E.D. Va. August 5, 2019)
 - a. the court denied defendants' motion to dismiss
 - b. background
 - (1) plaintiff developed, manufactured and sold radiation shields,
 - (2) while defendant Burlington produces and sells radiation shields,
 - c. even if distribution agreement does not include a confidentiality clause, information may still qualify as a trade secret where
 - (1) there is restricted access thereto, and
 - (2) plaintiff disclosed information to defendants exclusively on a need to know basis.
- 4. *Brightview Group, LP v. Teeters et al.*, 2020 U. S. P. Q.2d (BNA)10090 (D. Maryland February 28, 2020)
 - a. the court granted Brightview's motion for a preliminary injunction.
 - b. background
 - (1) plaintiff's confidential information relates to developing senior living communities.
 - (2) while employed by plaintiff, defendants formed a competing senior living community development business.
 - c. the court concluded that absence of a non-disclosure agreement did not eliminate trade secret status because
 - (1) there was a confidentiality policy in a handbook to which employees signed a written acknowledgment, and
 - (2) only a small percentage of employees could access confidential information.
- 5. *Moss Holding Co. v. Fuller et al.*, 2020 U.S. Dist. Lexis 39068 (N.D. Ill. March 2020)
 - a. background
 - (1) plaintiff was in the business of fabricating custom décor.

- (2) two of plaintiff's former employees provided plaintiff's customer list to business competitor Image Options.
 - b. the plaintiff moved for an injunction to prevent defendants from (i) using plaintiff's client list and (ii) soliciting plaintiff's clients.
 - c. the court granted this injunction in part, because
 - (1) employees signed confidentiality agreements,
 - (2) the employee handbook included a non-disclosure policy,
 - (3) there was restricted access to customer information,
 - (4) log-in/password credentials for confidential information access.
6. WeRide Corporation et al. v. Huang et al., 379 F. Supp.3d 834 (N. D. Ca. 2019)
 - a. the court granted plaintiff's motion for a preliminary injunction
 - b. defendant Huang, a former employee of plaintiff's autonomous vehicle company, began his own competing business allegedly with plaintiff's technology trade secrets.
 - c. the court concluded that plaintiff had sufficiently protected its confidential information as a trade secret by
 - (1) restricting access to its secret code to:
 - i. onsite employees; and
 - ii. employees logging in with a unique username and password, and
 - (2) requiring a unique username and passwords to unencrypt, and
 - (3) requiring employees to sign a proprietary agreement with confidentiality provisions.
7. Revzip, LLC et al. v. McDonnell et al., 2020 U.S Dist. Lexis 70140 W. D. Penn. April 21, 2020)
 - a. the defendants' motion to dismiss was denied.
 - b. plaintiffs were in the restaurant, catering and fundraising business.
 - c. plaintiffs alleged that defendants misappropriated their confidential information comprising recipes, customer information and food preparation.
 - d. the court decided that plaintiffs took sufficient reasonable measures to preserve their confidential information as trade secrets with
 - (1) signed confidentiality agreements with employees

- (2) handbook including binding confidentiality provisions; and
 - (3) recipes and customer information were located upon a password protected server and only accessed on a need to know basis.
8. ExamWorks, LLC v. Baldini et al., 2020 U. S. Dist. Lexis 103366 (E. D. Cal. June 11, 2020)
- a. former employees/defendants unlawfully took plaintiff's confidential client lists prior to beginning a competing business.
 - b. The court held that there were reasonable security measures where
 - (1) all employees signed non-disclosure agreements;
 - (2) the company network was password protected;
 - (3) access to the network was limited to a need to know basis.
 - (4) the company held annual security awareness seminars
 - (5) the company required departing employees to certify that they had returned all trade secrets, and
 - (6) upon their departure, there was automatic cessation to database and network access

H. Damages

- 1. Punitive Damages
 - a. Hurry Family Revocable Trust et al. v. Frankel, 2019 WL 26894 (M. D. Fla. July 3, 2019)
 - (1) the court denied the defendant's motion to dismiss plaintiff's second amended complaint
 - (2) background
 - i. defendant sent confidential information from his work e-mail account to his personal e-mail account on numerous separate occasions, and
 - ii. according to plaintiffs, defendant used this information to solicit clients and capital to establish himself as a broker dealer.
 - (3) the court's decision
 - i. plaintiffs need not allege specific proof of damages to survive a motion to dismiss, and
 - ii. punitive damages should be resolved at the summary judgment stage or trial.

- c. Chadha et al. v. Chadha et al., 2020 U.S. Dist. Lexis 35627 (E. D. N.Y. March 2, 2020)
 - (1) the court denied punitive damages where defendants were in default, and
 - (2) there was no award of actual damages, because the plaintiff did not request actual damages.
 - (3) although plaintiff requested statutory damages, the Act does not provide statutory damages.
2. Future Damages: Steves & Sons, Inc. v. Jeld Wen, Inc., 252 F. Supp. 3d 537(E. D. Va. 2018)
 - a. the court denied Steves' motion for summary judgment on defendant's counterclaims for misappropriation damages under the Act and state law.
 - b. background
 - (1) plaintiff and defendant are competitors in the doorskin market.
 - (2) plaintiff filed an antitrust lawsuit while defendant submitted counterclaims for trade secret misappropriation.
 - c. the court found that future damages could be awarded based upon Jeld Wen's evidence of
 - (1) tested known products
 - (2) a known market as well as
 - (3) its own facility which had long operated successfully
 - (4) sufficiently reduced speculation as to the value of future use of misappropriated trade secrets.

I. Statute of Limitations

1. Javo Beverage Co. V. Cal. Extraction Venture, Inc., 2019 U. S. Dist. Lexis 207483 (S. D. Cal. December 2, 2019)
 - a. the court denied the defendant's motion to dismiss, which was based upon expiration of the Act's three-year statute of limitations.
 - b. Javo developed a proprietary production of extracts of tea, coffee and other botanical beverages.
 - c. according to plaintiff, a former employee improperly placed this information in his own patent applications and issued patents.



- d. the court concluded there was insufficient notice of wrongdoing to commence the statutory limitations period, because
 - (1) it is unreasonable for a party focused upon trade secrets
 - (2) to routinely review published patent applications and issued patents
 - (3) without other evidence of wrongdoing
 - e. the record did not demonstrate that Javo was or should have been aware of alleged misappropriation from other events or information.
2. Zirvi v. Flatley et al., 2020 U.S. Dist. Lexis 6703 (S.D.N.Y. January 14, 2020) appeal filed February 12, 2020
- a. the court dismissed the complaint for misappropriation with prejudice, because
 - (1) the Act's statute of limitations (i) had not been tolled, and (ii) had expired prior to commencement of this lawsuit
 - b. background
 - (1) individual plaintiffs were research employees of Cornell University in Ithaca, New York.
 - i. Cornell owned their patents and patent applications for genetic marker tests.
 - (2) plaintiffs alleged that in 1994 a grant proposal reviewer and his colleagues fraudulently filed patent applications
 - i. for their genetic marker test after reviewing plaintiffs' grant proposal
 - ii. thereafter one plaintiff communicated source code for the test to defendants' colleague
 - (3) in 2006 plaintiffs proceeded against defendants in the patent office for wrongful derivation of the genetic marker test,
 - i. the proceeding was dismissed for insufficient evidence of wrongful taking by the defendants.
 - (4) In 2010 Cornell University commenced a patent infringement lawsuit related to the genetic marker test against defendants, which
 - i. ended in dismissal of the litigation.
 - c. the court concluded that any of events commenced the limitations period by placing plaintiffs on notice
 - (1) publication of defendants' patent applications or issued patents,

- (2) one defendant's name appearing upon a published patent application allegedly containing the genetic marker trade secrets,
 - (3) that confidential code data appearing in defendant's published application could only have originated from plaintiffs, and
 - (4) the wrongful derivation proceedings and patent infringement lawsuit against defendant's company Illumina.
3. Progressive Sterilization, LLC v. Turbett Surgical LLC, 2020 U. S. Dist. Lexis 64574 (D. Del. April 13, 2020)
 - a. the court denied defendant's motion to dismiss based upon the expiration of the Act's statute of limitations.
 - b. plaintiff and defendant are in the equipment sterilization industry
 - c. defendants contended that plaintiffs should have been aware that their own document submitted to the United States patent office designated a co-defendant as inventor of a similar device.
 - (1) this awareness would have commenced the Act's three-year deadline which expired prior to this lawsuit.
 - d. the court
 - (1) too many questions remain unanswered in the record.
 - (2) not clear whether plaintiff's attorneys were familiar with the patent document, much less its content, and
 - (3) not clear that the actual patent application includes references to plaintiff's trade secrets.

J. International misappropriation

1. vPersonalize Inc. v. Magnetize Consultants, Ltd., 2020 U. S. Dist. Lexis 18491 (W.D. Wash. February 3, 2020)
 - a. the court denied the defendant's motion to dismiss plaintiff's misappropriation claim
 - b. background
 - (1) the alleged trade secrets misappropriated were design and manufacture methods of custom printed apparel and accessories.
 - (2) the United Kingdom defendant contended that the Act does not extend to misappropriation by foreign country entities and persons.
 - c. court's analysis

- (1) liability under the Act's civil provisions extends as far as the previously enacted criminal provisions to include actions of foreign nationals
 - (2) conduct occurring outside the U. S. is actionable if an act in furtherance of the offense occurred in the United States. 18 U.S.A. section 1837.
 - (3) here there was a continued sale of goods embodying misappropriated information in the United States.
2. Motorola Solutions, Inc. v. Hytera Communications Corp., Ltd., No. 1:17-cv-1973, ECF No. 834 (N. D. Ill. Jan. 31, 2020)
- a. background
 - (1) the complaint alleged that three engineers improperly took Motorola's confidential technical information to the defendant company in China
 - (2) the jury found that
 - i. this company then developed digital radios identical to those of Motorola by using this confidential information
 - b. the court awarded damages for misappropriation occurring in China, because
 - (1) an act in furtherance of the misappropriation occurred in the United States, i.e., continuing sales.

K. Trade Secret Ownership: Focused Impressions, Inc. et al. v. Sourcing Group, LLC et al., 2020 U. S. Dist. Lexis 67328 (D. Mass April 16, 2020)

- 1. Background
 - a. plaintiff is in the business of managing relationships between paper/envelope suppliers and Liberty Mutual Insurance
 - b. defendant Smith was employed as COO and then as an independent contractor by plaintiff.
 - c. Smith improperly provided Liberty Mutual's confidential pricing information to plaintiff's customers who were business competitors of Liberty Mutual.
- 2. The court's decision
 - a. the plaintiff did not allege that they owned the alleged trade secrets under 18 U.S.C. 1839(4), and
 - b. which defines an owner as someone in whom there is rightful or equitable title to, or license in, the trade secret.

- c. here the plaintiff did not own its customer's information so it had no standing to commence the lawsuit.

L. Whistleblower provision: Garcia v. Vertical Screen, Inc., 2020 U.S. Dist. Lexis 90193 (E.D. Pen. May 22, 2020)

1. The court denied the plaintiff's motion to dismiss the defendant's counter claims.
2. Background
 - a. the defendant was a lead plaintiff in litigation against the plaintiff for labor law violations.
 - b. however, the defendant-employer in this pending case alleged that it terminated defendant Garcia's employment because he misappropriated plaintiff's trade secrets.
 - c. the defendant alleged that the Act's whistleblower provision provided him immunity,
 - (1) because he disclosed the alleged trade secrets to his attorney.
3. The court concluded, however, that because immunity was an affirmative defense
 - a. the record must disclose facts to support or reject this defense
 - b. this was not the case here, because it was unclear
 - 1) whether defendant transferred all the disputed documents to his attorney,
 - (2) which documents he allegedly wrongfully acquired; or
 - (3) whether defendant planned to use them for other purposes after investigation of the labor violations.

M. Preemption: CDK Global et al. v. Brnovich et al., 2020 U.S. Dist. Lexis 88632 (D. Arizona May 15, 2020)

1. The court dismissed the plaintiffs' claim under the Act, and
2. held that the Act did not pre-empt a pending Arizona state law affecting transfer of customer information to qualifying third parties.
3. Background
 - a. the plaintiffs asserted that the Act pre-empted a recently enacted state statute, because the state statute required transfer of certain vehicle information to qualifying entities, and



- (1) thereby providing access to plaintiffs' proprietary computerized automobile management systems and misappropriation of plaintiffs' trade secrets.
3. The court's decision
 - a. the Act does not preempt merely because this state statute mandates transfers of automobile dealer confidential information in specific situations.
 - b. Nothing in the Act or its legislative history demonstrates that Congress intended to prevent states from authorizing lawful transfers of otherwise protected information.

N. Specificity of trade secret description: Next Payment Solutions, Inc. v. CLEAResult Consulting, Inc., 2020 U. S. Dist. Lexis 94764 (N. D. Ill. May 31, 2020)

1. The court granted the defendant's second summary motion and dismissed the Act claims.
2. Background
 - a. plaintiff assisted defendant with defendant's online rebate processing program for utilities
 - b. plaintiff alleged that defendant had misappropriated its confidential code for this purpose.
 - c. the summary judgment was directed to whether plaintiffs sufficiently identified these trade secrets.
3. the court's analysis
 - a. plaintiff did not separate trade secrets from other information within each software package or module.
 - b. there was no separation of trade secret from the functionality that is readily ascertainable by customers with proper means.
 - c. plaintiff's trade secrets description
 - (i) is too general and
 - (ii) only addresses what trade secrets do and not what they are.
 - d. there were no examples of, for example, actual source code, and
 - e. plaintiff did not provide its own documents
 - (1) to demonstrate that it even maintains the software in question, and.
 - (2) so it has not established that its own software exists and therefore could be misappropriated.



Program Transcript

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Resources

Resources Specific to this Course

In addition, please see the resources cited within the material.

Resources for the Legal Professional

ABA Center for Professional Responsibility - www.abanet.org/cpr

Chicago Bar Association - www.chicagobar.org

Commission on Professionalism - www.2civility.org

Judicial Inquiry Board - <http://www.illinois.gov/jib>

Illinois Board of Admissions to the Bar - www.ilbaradmissions.org

Illinois Department of Financial and Professional Regulation - www.idfpr.com/default.asp

Illinois Lawyers' Assistance Program, Inc - www.illinoislap.org

Illinois State Bar Association - www.isba.org

Illinois Supreme Court - www.state.il.us/court

Lawyers Trust Fund of Illinois - www.ltf.org

MCLE Program - www.mcleboard.org

