

Speaker 1: Welcome to the trade secret law evolution podcast, where we give you comprehensive summaries and takeaways on the latest developments and trends in trade secret law. We want you to stay current and ahead of the curve when it comes to protecting your company's most valuable assets. I'm your host, Jordan Grotzinger. [inaudible].

Speaker 2: Hi, everybody. Welcome back to the trade secret law evolution podcast, episode [00:00:30] 35 this week. Talk about sabotage as misappropriation sounds interesting and surviving summary judgment. The first case was from this month, uh, just last week, actually, and out of the district of Colorado. In that case, the plaintiff made commercial oil and gas plungers, and hired a machine shop the defendant to produce drawings of the plungers based on the plaintiff's specifications. The plaintiff met with the defendant and its representatives about the defendant manufacturing, the plungers, [00:01:00] and the plaintiff required an NDA governing the drawings and any drawings the defendant would produce for the plaintiff before providing its drawings to the defendant. So the defendant prepared initial drawings that the plaintiff found to be inferior. The plaintiff then had the defendant create revised plunger drawings and both included language that said the drawings were confidential. The relationship soured, as you can imagine, and the plaintiff alleges that the defendant attempted to sell and patent the plaintiff's plungers [00:01:30] as its own.

Speaker 2: So the plaintiff terminated the defendant services and began manufacturing its own plungers. Also, the plaintiff alleges that the defendant began modifying the plunger design drawings. It had generated for the plaintiff to create its own plunger designs later. The plaintiff received a cease and desist letter from a competitor, not the defendant, a competitor of the plaintiff. A third-party claiming that the competitor received two mailings containing [00:02:00] drawings of the plaintiff's plungers and that those designs infringed the competitor's patent, the drawings were the defendant's drawings and a handwritten note on one of them stated that the plaintiff had been copying the competitors' patents and selling them to the plaintiff's biggest customer. But according to the plaintiff, the drawings were the modified drawings. The defendant created as its own designs, which were based on the drawings. It had prepared for the plaintiff and it was these [00:02:30] changes, those modifications, those allegedly unauthorized modifications that resulted in the apparent infringement of the plaintiff's competitors' patents.

Speaker 2: Not only did the competitor send a cease and desist letter to the plaintiff, but it also told, uh, the plaintiff's biggest customer that the plaintiff had infringed its patents. And for that reason, the plaintiff alleged it didn't succeed in a seven figure bid to that customer, the biggest [00:03:00] and lost other bids. So the plaintiff sued the defendant for trade secret misappropriation and related claims. The defendant moved for summary judgment and the court denied it primarily based on the issue of damages. The defendant made what I'll call a creative argument. It argued that the modifications should be separated from the subsequent mailing of them and thus no damages result from the modification itself. But the plaintiff argued that the [00:03:30] damages from lost contracts and lost sales wouldn't have happened, but for the modifications, because it was the modifications that led its competitor to assume that the plaintiff was

infringing on the competitor's patent, the court found quote, this is enough for a reasonable jury to link misappropriation to damages.

Speaker 2: Although the plaintiff will need to prove actual damages and the link at trial close quote. Now this seems kind of obvious, but what struck me about this case or unique about this case is that [00:04:00] the court effectively found that using the plaintiff's trade secrets for purposes of sabotage, that is by sending a modified version of them to a competitor of the plaintiff to make it look like the plaintiff infringed, the competitor's patent, as distinguished from the defendant using the plaintiff's trade secret to develop its own plunger was found to be misappropriation. The second case is about surviving summary judgment. And this case was from last month, late last month, [00:04:30] and out of the district of Arizona, in that case, the plaintiff is a freight management logistics company. And the defendant is a former employee alleged to have stole one of the plaintiff clients and trade secrets.

Speaker 2: The plaintiffs sued for misappropriation under the Arizona uniform trade secrets act and the federal defend trade secrets act and both sides move for summary judgment. As we know for something to be considered a trade secret, it must actually be secret, be valuable to the [00:05:00] owner and to its competitors because of its secrecy. Also known as quote, independent economic value and subject to reasonable efforts to maintain secrecy here. The court said, quote, neither party has established the absence of disputes of material facts as to the secrecy efforts to maintain secrecy and economic value of the plaintiff's customer information close quote. And again, for the non-lawyers out there, the reference to, uh, issues [00:05:30] of disputed fact relates to the summary judgment procedure. A party is entitled to summary judgment. In other words, a judgment before an actual trial, if the moving party establishes that there are no genuine issues of material or important facts, and therefore the judge can just take those effectively undisputed facts plugging the law.

Speaker 2: And right, so the court found that quote, there are many material factual disputes concerning the secrecy [00:06:00] and measures to maintain secrecy of the information close quote as to secrecy and efforts to maintain it. Plaintiff cites two measures. First, the plaintiff uses restrictive covenant agreements to keep its information secret. Second plaintiff argues it provided outside agents only limited access to customer information on its software platforms. The defendant responds that the plaintiff's customer information doesn't qualify as trade secrets because [00:06:30] much of the information was provided by plaintiff's customer, not the plaintiff itself. In addition, some of the plaintiff's documents were prepared in part by that customers, employees, and those employees were not required to sign confidentiality agreements. The defendant also argued that the plaintiff's bids rates pricing are regularly posted by the plaintiff's employees on third-party websites, and that the plaintiff allowed outside agents to [00:07:00] access its software based information with few limits, the plaintiff denied these points, but quote, based on the briefing and evidence, the parties provided it is not possible to draw absolute conclusions regarding the extent to which the information was actually kept secret.

Speaker 2: And whether plaintiff made sufficient efforts to keep the information secret, close quote. Also the court said, quote, there are disputes of material fact as to the independent economic value of the information secrecy [00:07:30] close quote, the plaintiff argued that the defendants quote, extreme steps to siphon the customer information to his personal email account close quote demonstrates the inherent value and usefulness of the information. But the court said, quote, this fact is in dispute as the defendant denies that he forwarded the information to his personal email for its economic value. Instead, the defendant claims he sent the emails because he was actively working on matters [00:08:00] related to the emails and denied having used the information after his resignation. You see that a lot in these cases and continuing with the court said, quote, there is a dispute of material fact in the nature of a credibility issue as to the economic value of the secrecy of the plaintiff's customer information close quote.

Speaker 2: Ultimately the court held all of these issues were for a jury to decide, okay, now to the two takeaways using or disclosing [00:08:30] someone's trade secrets for sabotage, like in the case where the defendant sent a modified version to the plaintiff's competitor to make the plaintiff looked like it was a patent infringer can be misappropriation. The defendant doesn't have to use it for its own purposes, such as developing its own product. Although in that case, the defendant presumably had self-serving purposes when it allegedly to sabotage the plaintiff, presumably to eliminate competition, [00:09:00] if it was successful in bringing its plunger to market and take away too is often there is conflicting evidence as to whether material is actually secret, uh, efforts to maintain secrecy and independent economic value. And in those cases, it's hard to obtain summary judgment, to obtain or avoid summary judgment. You need to make your proof like whether something is actually secret or available from other sources as airtight as possible. [00:09:30] That's it for this, this episode. Hope everyone is well until next time. Thanks.

Speaker 1: Okay. That's a wrap. Thanks for joining us on this episode of the trade secret law evolution podcast as the law evolves. So will this podcast. So we value your feedback, let us know how we can be more helpful to you. Send us your questions and comments. You can reach me by email at [grotzingerj@gtlaw.com](mailto:grotzingerj@gtlaw.com) or on LinkedIn. And if you like, what you hear, please spread the word and feel free to review us. Also, [00:10:00] please subscribe. We're on apple podcasts, Stitcher, Spotify, and other platforms. Thanks everybody. Until next time,

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