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Intellectual Property Law and New Media
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Class 13

Trade Secret Cases
And

The trade secret lawyer

Ed Lamoureux/Steve Baron

“Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470; 94 S. Ct. 1879 (1974).”

Federal patent law does not supersede state trade mark law.

Pepsi Co. v. Redmond
54 F.3d 1262 (7th Cir. 1995)

- Redmond was high-ranking executive with Pepsi.
- Had access to confidential information about Pepsi's sports-drink division.
  - Strategic Plan
  - Annual Operating Plan
  - Attack Plans for Specific Markets
  - New Delivery System
- Agreed not to disclose confidential business information of Pepsi.
- Left Pepsi to work for Quaker Oats – maker of Gatorade.

Pepsi Co. v. Redmond

- **Pepsi sues Redmond and Quaker Oats for misappropriation of trade secrets – based on mere threat of misappropriation**
- **District Court enjoins Redmond from assuming his new position for six months and from ever using Pepsi's trade secrets**
- **Court of Appeals affirms the ruling.**

Pepsi Co. v. Redmond

- **“[W]hen we couple the demonstrated inevitability that Redmond would rely on PCNA trade secrets in his new job at Quaker with the district court's reluctance to believe that Redmond would refrain from disclosing these secrets in his new position (or that Quaker would ensure Redmond did not disclose them), we conclude that the district court correctly decided that PepsiCo demonstrated a likelihood of success on its statutory claim of trade secret misappropriation.”**

Pepsi Co. v. Redmond

- **Implications**
  - **Where you gain access to confidential and trade secret information while employed by Company 1, you may be prevented (at least for a period of time) from working with a competing Company 2 if you would inevitably disclose the information you learned while employed by Company 1.**
  - **No need for Company 1 to prove that you took the information.**

“DVD Copy Control Assn., Inc. v. Bunner, 116 Cal. App. 4th 241, 10 Cal. Rptr. 3d 185, 69 U.S.P.Q.2d 1907 (Cal. Ct. App. 2004).

DVD Copy Control Assn., Inc. v. Bunner illustrates three “trade secret facts of life” in the age of new media:
First, US law does little to control the actions of entities operating outside the US;

Second, once a secret has been published on the Internet, it’s virtually impossible to quash;

Third, it’s unreasonable (and generally not possible) to hold subsequent publishers (entities republishing the information) responsible for trade secret violations.”

“McRoberts Software Inc. v. Media 100 Inc., 329 F.3d 557 (7th Cir. 2003).”

Courts can find multiple types of IP protection have been violated. Not bound to just one.

In this case, copyright AND trade secret

“IDX Systems Corp. v. Epic Systems, Corp., 285 F.3d 581 (7th Cir. 2002).”

The tests count; DO THEM

So what’s the secret, what’s so secret about it, etc. Don’t ask the courts to figure out the issue.

“United States v. M.J. Trujillo-Cohen, CR-H-97–251 (S.D. Tex. 1997).”

- **EEA (and later the DSTA) work overseas.**

EF Cultural Travel BV v. Explorica, Inc. 274 F.3d 577 (1st Cir. 2001)

- EF offers global teen tours
- Explorica competes with EF
- Several former EF employees work for Explorica
- Explorica's Internet consultant designs computer program called a "scraper" to glean all of the necessary information from EF's website.

EF Cultural Travel BV v. Explorica, Inc.

- Zefer utilized tour codes whose significance was not readily understandable to the public.
- With tour codes, scraper accessed EF's website repeatedly and easily obtained pricing information for those specific tours.
- Scraper sent more than 30,000 inquiries to EF's website and recorded the pricing information into a spreadsheet

EF Cultural Travel BV v. Explorica, Inc.

- **EF sues under the Computer Fraud and Abuse Act**
- **[Whoever] knowingly and with intent to defraud, accesses a protected computer without authorization, or exceeds authorized access, and by means of such conduct furthers the intended fraud and obtains anything of value ... shall be punished.**
- **Why CFAA?**
  - **Federal jurisdiction**

EF Cultural Travel BV v. Explorica, Inc.

- District Court finds that act of scraping EF's website using tour codes was violation of CFAA. Enters preliminary injunction.
- Appellate Court agrees and affirms.
- Implications
  - There's good scraping (e.g. Google, Yahoo!)
  - There's bad scraping (e.g. using confidential information in conjunction with bots)

PhoneDog v. Kravitz, (N.D. Cal. Nov. 8, 2011)

- PhoneDog reviews and rates mobile products and services.
- Noah Kravitz works as reviewer at PhoneDog.
- PhoneDog provides Twitter handle: @PhoneDog_Noah
- Kravits tweets reviews
- Gains 17,000 Twitter followers

PhoneDog v. Kravitz

- Kravitz leaves PhoneDog
- PhoneDog askes Kravitz to relinquish Twitter account
- Kravitz changes handle to @noahkravitz and continues to use account
- PhoneDog sues for misappropriation of trade secrets - account followers and password

PhoneDog v. Kravitz

- Kravitz asks court to dismiss claims.
- Court refuses to dismiss the trade secret claim.
- Court suggests that it will be necessary to hear evidence about whether Twitter followers and account passwords are trade secrets.
- Case settles – terms confidential but Kravitz still using @noahkravitz

PhoneDog v. Kravitz

- **Implications:**
  - **Companies seek to protect social media accounts more vigorously now via contracts with employees.**

“Christou et al. v. Beatport, LLC, 849 F. Supp. 2d 1055 (D. Colo. 2012).”

- **Client lists (friends, followers, etc) are protected trade secrets**

“Art of Living Found. v. Doe, 2012 U.S. Dist. LEXIS 61582, 2012 WL 1565281 (N.D. Cal. May 1, 2012).”

If it’s publicly available, it’s not a trade secret

“Corporate Techs., Inc. v. Harnett, 731 F.3d 6 (1st Cir. 2013).”

Is your email blast to all your customers about your new job, trade secret infringement?

Might be.

'Right-to-repair' fight extends from iPhones to tractors

- On one side of the debate is the "right-to-repair" movement. On the other side are manufacturers such as John Deere and Apple
- But so far, the manufacturers are winning. Twenty-three states considered so-called "right-to-repair" legislation in 2019. None of those states passed such a law.
- The real objective of some "right-to-repair" proponents, said [opponents] is to get to the source code that operates modern tractors, forcing manufacturers to turn over their intellectual property.
- "We believe that is what this legislation would compel manufacturers to do," said Stephanie See, the director of state government relations for the Association of Equipment Manufacturers, which represents John Deere, Case IH, New Holland and Caterpillar, among others.
- Mike Peterson, a corn, soybean and hog farmer east of Northfield, Minn., said all tractors should be self-diagnosing. "This should be a moot point," he said.
- But they're not, and paying for the "guaranteed continual cost" of a diagnostic subscription won't make sense for a lot of farmers, Peterson said.
  - https://www.pjstar.com/news/20200118/right-to-repair-fight-extends-from-iphones-to-tractors

Non-Competition Agreements

- **Fifield v. Premier Dealer Services, Inc., 2013 WL 3192931 (Ill. App. 1st June 24, 2013)**
  - **The appellate court refused to enforce two-year non-solicitation and noncompetition provisions in employment agreement because employee's employment, which lasted for three months before he decided to resign, was deemed to be inadequate consideration.**
  - **Implications: employers may need to offer additional consideration at time employee is asked to agree to non-competition clause**

DOJ Indicts Hong Kong Citizen in Attempted Trade Secrets Scheme

- **According to the indictment filed in the Northern District of New York, businessman Chi Lung Winsman Ng allegedly conspired with an unnamed former GE engineer (referred to as "Co-conspirator #1") to steal GE trade secrets worth tens of millions of dollars. The trade secrets concerned the development and manufacture of electronic component called a MOSFET, which are electronic switches that regulate the flow of electricity through devices such as wind turbines, solar inverters, medical imaging systems, and aviation equipment. MOSFETs are a complex part, and require roughly 200 steps to manufacture correctly.**
- **The indictment alleged that between March 2017 and January 2018, Mr. Ng, who previously worked as the vice president of sales for a Chinese semiconductor company that sold materials used to build MOSFETS, and Co-conspirator #1 schemed to develop a business that would manufacture and sell silicon carbide MOSFETs using trade secrets that Co-conspirator #1 had stolen from GE. In efforts to secure funding for their new business, Mr. Ng allegedly told prospective investors that a start-up company he formed with Co-conspirator # 1 possessed assets (such as intellectual property) worth no less than $100 million. As part of the scheme, the conspirators allegedly sought about $30 million in funding in exchange for an ownership stake in their start-up company.**

Wholesale Scraping of "Public" Data May Be Trade Secret Misappropriation

In a recent case the Eleventh Circuit reversed a lower court's dismissal of trade secret claims relating to the scraping of insurance quotes. (*Compulife Software, Inc. v. Newman*, No. 18-12004 (11th Cir. May 20, 2020)).

The appellate court agreed with the lower court that while Compulife's insurance quote database was a trade secret, manually accessing life insurance quote information from the plaintiff's publicly web-accessible database would generally not constitute the improper acquisition of trade secret information.

However, the court disagreed with the lower court in finding that the use of automated techniques to scrape large portions of the database could constitute "improper means" under state trade secret law. In reversing the lower court's dismissal of the trade secret claims, the appeals court stressed that "the simple fact that the quotes taken were publicly available does not *automatically* resolve the question in the defendants' favor."

Even though there was no definitive ruling in the case – as the appeals court remanded the case for further proceedings – it is certainly one to watch, as there are very few cases where trade secrets claims are plead following instances of data scraping.

https://newmedialaw.proskauer.com/2020/06/17/wholesale-scraping-of-public-data-may-be-trade-secret-misappropriation/

Jeffrey Neuburger on June 17, 2020. Proskauer New Media and Technology Law Blog

Social Media Ownership Cases

- **The Satanic Temple of Washington Can't Get Its Facebook Pages Back**
  - **This dispute involves the online accounts of the Satanic Temple of Washington: two Facebook pages, one of which had 17,000 followers, a Twitter account, and a "google account".**
  - **Departing members, who were once authorized as administrators, took control of the account. The Temple asserted claims under the CFAA, the cybersquatting statute, as well as under state law. The court finds them all deficient and grants the ex-members' motion to dismiss (with leave to amend).**
- **Bridal Wear Company Takes Back Control of Instagram Account from Ex-Employee**
  - **A bridal wear business' (JLM Couture) successful reclaim of its Instagram and other social media accounts.**
  - **In this case, a New York federal judge granted a preliminary injunction against the defendant, Hayley Paige Gutman, prohibiting her from interfering with plaintiff's use of the account.**

The trade secret lawyer

Epic Games. V. Sykes - 2019

Epic Games v. Sykes (2019)

- **Who's Who?**
  - **Plaintiff = Epic Games = Game Development company and creator of *Fortnight***
  - **Defendant = Ronald Sykes = Individual residing in North Carolina**
- **What happened?**
  - **Epic owns of all Fortnite-related proprietary, secret, and confidential business and technical information**
  - **Sykes participates in Epic's User Experience Testing at Epic's headquarters.**
  - **Sykes signs NDA and agreed to keep information confidential.**

Epic Games v. Sykes (2019)

- How does Sykes screw up?
  - Three days after participating in testing, he announce on Twitter: “I played S11 and can tell you the new stuff,” and invited other users to “dm” him.
  - He then published 8 tweets in 7 minutes during which he revealed what he characterized as “Insider Season 11 Leaks & Info.”

Epic Games v. Sykes (2019)

- **What does Epic do?**
  - **Sues Sykes in Federal Court in North Carolina.**
  - **Sykes quickly consents to the entry of a Consent Judgment which prohibits Sykes from:**
    - **Acquiring or seeking to acquire any of Epic's Trade Secrets, Confidential Information, or other Epic trade secrets;**
    - **Using any of Epic's Trade Secrets, Confidential Information, or other Epic trade secrets;**
    - **Disclosing any of Epic's Trade Secrets, Confidential Information, or other Epic trade secrets;**
    - **Inducing, assisting, or encouraging others in acquiring, using, or disclosing any of any of Epic's Trade Secrets, Confidential Information, or other Epic trade secrets;**
    - **Violating the terms of his NDA or any other contract with Epic that Sykes has entered into or enters into at any time in the future; or**
    - **Helping, inducing, or encouraging others to violate Epic's Terms of Service, the Fortnite End User License Agreement, or any other contract between Epic and any third party.**
  - **Sykes pays $10,000.**

Epic Games v. Sykes (2019)

- Life lessons from the case?
  - NDAs are real and enforceable.
  - Don’t steal trade secrets.
  - Anonymous Twitter handles won’t save you.
  - 15 minutes of fame is not worth a permanent injunction and $10,000.

Starline Media v. Star Status Group

6:20-cv-1210 (Middle Dist. Fla.)

- Plaintiff – Video game mfg. – creator of "Royale High"
- Defendants
  - Elisha Trice – former employee of Starline Media
  - Star Status Group = Video game mfg. – hired Trice
- Plaintiff accuses Trice of violating non-disclosure agreement by delivering confidential information to Star Status about Royale High and creating video game called Crown Academy.
- Plaintiffs served subpoena on Roblox – a third party who runs games for both parties. Subpoena seeks:
  - sales reports, reports of revenues, the disbursement of revenues, uploads, code, files, games, chats and communications
- Defendant seeks "protective order" to limit discovery.
- Why?

YouMap, Inc. v. Snap Inc. and Zenly

1:20-cv-00162 (Delaware)

- You Map filed the suit arguing that Snap and its subsidiary, Zenly — which it acquired in 2017 for more than $200 million — misappropriated "novel, cutting-edge, location-based social media and mapping trade secrets.
- You Map alleges Zenly employees signed up for You Map's beta testing and then swiped the trade secret technology for Zenly's own app, adding that the technology was then worked into Snap's product after the acquisition.
- Defendants move to dismiss the trade secret claims because the complaint failed to allege the accusations with specificity.
- Court denies motion to dismiss and allows claims to go forward. At motion to dismiss, claims must be reviewed in a light most favorable to the plaintiff.

Learning Curve Toys v. Playwood Toys
342 F.3d 714 (7th Cir. 2003)

Learning Curve Toys v. Playwood Toys
342 F.3d 714 (7th Cir. 2003)

- **Take-Aways:**
  - **Confidential relationships can be formed by "hand-shake" deals.**
  - **Intuitive flashes of creativity may be protectable at trade secrets.**
  - **Be careful what you give and take in preliminary meetings with potential partner.**

Lamoureux's First Rule of Vacations: THE TREE ALWAYS WINS

CAROLYN COLE Los Angeles Times

THAT TEXT CAN WAIT

A crashed Buick Encore is displayed as the Auto Club and CHP hold an event on distracted driving. The driver was on Highway 46 in Paso Robles when she hit a tree. She admitted she had been texting.