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WHITE PAPER

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Year-End Review of Key Trade Secret Decisions

A trade secret is any information used in one's business that derives independent economic value from being kept secret. Unlike patents, trade secrets are protected indefinitely for as long as they remain a secret. Due in part to the [enactment of the Defend Trade Secrets Act](#) in 2016, trade secrets have become an increasingly attractive form of intellectual property for businesses hoping to protect their innovations.

This *White Paper* summarizes and explains recent noteworthy decisions in trade secret law in the second half of 2019. (Also see our [Mid-Year Review of Key Trade Secret Decisions](#).) Each of these decisions has meaningful implications for trade secret owners, defendants, and practitioners alike.

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INTANGIBLE TRADE SECRETS ARE PROTECTED

Pelican Bay Forest Prods., Inc. v. Western Timber Prods., Inc., 443 P.3d 651 (Or. App. 2019)

Pelican Bay Forest Products, Inc., a lumber company, sued a competitor, Western Timber Products, Inc., for misappropriating trade secrets. Pelican Bay appealed after the trial court granted summary judgment for Western Timber.¹

A Pelican Bay employee gave his son-in-law a portion of his Pelican Bay customer list, along with other information about those customers and their business with Pelican Bay. The son-in-law began working for Western Timber and used the customer information in his new job. Western Timber argued that the customer list could not be a trade secret because the information resided in the employee's head—i.e., it was not in tangible form.² As the court put it, “[i]n [Defendants'] view, information *taken by memory* cannot, as a matter of law, constitute a trade secret.”³

The Oregon Court of Appeals disagreed, finding that “nothing in the terms of the Uniform Trade Secrets Act (“UTSA”) suggests that information otherwise constituting a trade secret would lose that status simply because a person is able to take that information in an intangible form.”⁴ “[T]he terms of the [UTSA] are written broadly so as to safeguard trade secrets, *no matter the form in which they may be misappropriated.*”⁵

TRADE SECRETS OR “GENERAL BUSINESS KNOWLEDGE?”

University Accounting Service, LLC v. Schulton, No. 3:18-cv-1486-SI, 2019 WL 2425122 (D. Or. June 10, 2019)

University Accounting Service (“UAS”) hired ScholarChip to design and maintain their tuition collection software. A principal software developer at ScholarChip copied various emails, customer lists, webinars and other confidential UAS data, left ScholarChip, and then created a product in direct competition with UAS. UAS sued ScholarChip and its former employee Schulton, and both defendants moved for summary judgment.⁶

UAS claimed the customer lists and webinars copied by the employee constituted trade secrets. But ScholarChip argued that the information was merely unprotected “general business knowledge.”⁷ Specifically, ScholarChip argued that the names

of UAS's clients are publicly known so its customer lists cannot be trade secrets.⁸ ScholarChip also argued that it made “extensive, industry-accepted efforts” to protect UAS's data, and therefore was not liable for Schulton's conduct.⁹

The court noted that “ScholarChip may be correct that the specific names of UAS's clients are publicly known and thus do not, by themselves, constitute a trade secret under Oregon law.”¹⁰ But UAS presented other evidence of protected trade secrets, such as customer-specific preferences and a private customer list. When viewed in the light most favorable to UAS as the non-moving party, the court found “these items contain information that derive independent economic value, actual or potential, from not being generally known to the public. If they did not, there would be *no reason why Schulton would have taken them with him* when he left his employment at ScholarChip.”¹¹

Ultimately, the trial court determined that whether (i) ScholarChip exercised the “reasonable degree of care” necessary to avoid liability and (ii) taking the customer list constituted “misappropriation” were genuine disputes of material fact.¹² The court therefore denied the summary judgment motion.

A PATENT FOR A FORMULA DOES NOT DESTROY TRADE SECRET STATUS FOR PROCESS

Global Protein Prods., Inc. v. Le, No. H044628, 2019 WL 6167395 (Cal. Ct. App. 2019)

Appellants Kevin K. Le and West Coast AG, LLC (jointly “WCA”) appealed the trial court's denial of their renewed motion to dissolve a stipulated permanent injunction prohibiting the acquisition, disclosure, or use of Global Protein Products' (“Global Protein”) trade secret.¹³ The trade secret in question related to a proprietary formula and process for treating field-cored iceberg lettuce. The trade secret formula, when applied to lettuce, prolongs shelf life by preventing dehydration, browning, and pinking of the lettuce's cut surface.¹⁴

In their appeal, WCA argued Global Protein publicly disclosed the ingredients of its secret formula in connection with obtaining a U.S. patent, which resulted in the information contained in the trade secret becoming part of the public domain.¹⁵ According to WCA, Global Protein extinguished its trade secret status, so the underlying basis for the stipulated permanent injunction no longer existed.¹⁶

While agreeing that “publication of a trade secret destroys it,” the California appellate court did not find that trade secret status was forfeited in this instance.¹⁷ The court reasoned that the “trade secret was not limited to the identity of the components used” but instead “encompassed the proprietary formula and the *process* for treating lettuce.”¹⁸

THE TIMING AND DEGREE OF SPECIFICITY TO IDENTIFY TRADE SECRETS

U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. 2019)

In August 2019, a federal grand jury in San Jose indicted Anthony Levandowski for theft of trade secrets.¹⁹ According to the indictment, Levandowski was a founding member of the group that developed Google’s self-driving car technology.²⁰ The indictment accuses Levandowski of downloading more than 14,000 files containing critical information about Google’s autonomous vehicle research before resigning without notice in January 2016 and starting his own autonomous vehicle company.²¹ Levandowski is charged with 33 counts of theft and attempted theft of trade secrets, in violation of 18 U.S.C. § 1832.²²

In a status conference in late October, U.S. District Judge William Alsup questioned whether the government laid out the allegedly misappropriated trade secrets with sufficient specificity, calling the question of what qualifies as a trade secret “the most important issue in the case.”²³ Judge Alsup ordered the parties to file briefs on (i) what degree of specificity must be proven to assert a trade secret in a criminal case and (ii) when prosecutors must prove the trade secret before trial.²⁴ Shortly thereafter, Levandowski filed a motion for a bill of particulars, and the parties each submitted briefs addressing the judge’s questions.²⁵

On December 3, 2019, Judge Alsup held a hearing on Levandowski’s motion seeking a bill of particulars from the government to specify the trade secrets he is accused of stealing.²⁶ The hearing was closed to the public for the majority of the discussion involving the alleged trade secrets. On the same day, Judge Alsup issued a final scheduling order setting Levandowski’s criminal jury trial for January 25, 2021.²⁷

One day later, on December 4, 2019, Judge Alsup denied Levandowski’s motion as moot.²⁸ The motion was based on

a concern that some of the files provided by the government contained too many features and thus lacked sufficient specificity to identify the alleged trade secrets.²⁹ Accordingly, the government clarified at a November hearing that “it was not alleging and would not allege that the trade secrets defendant allegedly stole were any particular *subset* of components or features found within a referenced file, but rather the *entirety* of the file identified in the indictment.”³⁰ The government stated that it will be proceeding under this theory, “specifically that the trade secrets it is alleging are the implementation of each of the files in its entirety, not a subset of specific elements therein.”³¹ According to the order, defense counsel agreed that the government’s concession eliminated the need for a bill of particulars, so the motion was denied as moot.³²

GA TRADE SECRETS ACT RETAINS SOVEREIGN IMMUNITY

Board of Regents of the University System of Georgia v. One Sixty Over Ninety, LLC, 830 S.E.2d 503 (Ga. App. 2019)

One Sixty, a media and branding agency, sued the University of Georgia, (“University”), after a University employee provided One Sixty’s trade secrets to a competitor.³³ The University moved to dismiss, arguing in part that the complaint was barred by sovereign immunity.³⁴ The trial court denied the University’s motion, concluding that “while the [Georgia] Trade Secrets Act does not contain an express or implied waiver of sovereign immunity, a violation of the Trade Secrets Act constitutes a tort that is actionable under the Tort Claims Act.”³⁵ The trial court issued a certificate of immediate review, and the Court of Appeals of Georgia granted the University’s application for interlocutory appeal. One Sixty then cross-appealed.

One Sixty argued that the trial court erred in concluding that the Trade Secrets Act does not waive sovereign immunity. One Sixty claimed that “because the Trade Secrets Act defines a ‘person’ as, in part, a ‘government [or] governmental subdivision or agency[.]’ and that a ‘person’ is entitled to recover damages for misappropriation’ of a trade secret, the Trade Secrets Act waives sovereign immunity.”³⁶

The Georgia appellate court disagreed, finding that the Trade Secrets Act did not expressly or impliedly waive the state’s sovereign immunity.³⁷ Although the Trade Secrets Act defines a

“person,” in relevant part, as “a government” or “governmental subdivision,” the court held that “nothing in the act sufficiently identifie[d] the state or any of its departments to waive the state’s sovereign immunity by implication.”³⁸ Specifically, the court found it significant that the General Assembly did not include “state” or identify the branches of state government when enacting the Trade Secrets Act—wording that would make plain its intention to waive state sovereign immunity.³⁹

The court nevertheless held that the University was not immune from One Sixty’s suit. One Sixty sued for trade secret misappropriation pursuant to Georgia’s Tort Claims Act, which does waive sovereign immunity, rather than Georgia’s Trade Secrets Act, which *does not*.⁴⁰

REMEDIES: ENHANCED DAMAGES, ATTORNEY FEES, AND INTEREST

Liqwd, Inc. and Olaplex LLC v. L’Oreal USA, Inc., No. 1:17-cv-00014 (D. Del. 2019)

Liqwd and Olaplex sued L’Oreal for trade secret misappropriation in 2017, alleging that L’Oreal created “three slavish ‘me too’ knockoffs” of its hair coloring product.⁴¹ Olaplex also sued for patent infringement and breach of contract claims.

The jury returned a verdict in August 2019, finding that L’Oreal willfully and maliciously misappropriated Olaplex’s trade secrets and violated a nondisclosure agreement (“NDA”) between the parties.⁴² The jury awarded Olaplex \$22,265,000 on the trade secret claims and an additional \$22,265,000 for L’Oreal’s breach of the NDA.⁴³ In its judgment, the court lowered the trade secret violation and breach of contract damages to a total of \$9,499,732.48.⁴⁴ The court explained that “damages for trade secrets and breach of contract are limited to the time the defendants possessed trade secrets.”⁴⁵ After one of plaintiff’s patents was published disclosing the active ingredient in its product, “the trade secrets the defendants misappropriated were no longer trade secrets.”⁴⁶

Both parties filed postjudgment motions. Seeking the full amount of damages prescribed by the jury, Olaplex moved to amend the judgment, for enhanced damages, and for attorney fees.⁴⁷ L’Oreal moved, *inter alia*, for a new trial and a reduced damages award.⁴⁸

Olaplex argued that the court “treated the trade secret misappropriation as subsumed by the patent damages” and “overruled the jury’s trade secret award by 57%.”⁴⁹ The court disagreed, finding that it did not “subsume[]’ the damages into one category” and instead “carefully calculated the dates that overlapping occurred and subtracted those amounts.”⁵⁰ The court concluded that its calculations were “an accurate assessment of the damages found by the jury, less duplicative recovery.”⁵¹

Next, the court awarded a three times enhancement of trade secret damages due to defendant’s conduct, finding that there was “clearly willful and malicious misappropriation of trade secrets.”⁵² According to the court, the facts “overwhelmingly support this reasoning, from the initial meeting to purchase the plaintiff, to the copying of the trade secrets of the plaintiff, to the sale and continued sale of the trade secret products. There is no doubt this behavior was willful, and the evidence supports the same.”⁵³ The court also awarded Olaplex attorney fees of over \$14 million (for all issues) and pre- and post-judgment interest at the prime rate.⁵⁴

The court denied L’Oreal’s motion for a new trial and amended judgment and its renewed motion for judgment as a matter of law.⁵⁵

CONCLUSION

This *White Paper* highlights recent noteworthy trade secret cases. In these cases, courts have provided insight into several issues, including enforcement of intangible trade secrets, the balance between trade secret status and patent disclosures, the timing and degree of specificity required to identify trade secrets, waiver of sovereign immunity, and enhanced damages and attorney fees for trade secret misappropriation.

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ENDNOTES

- 1 Pelican Bay Forest Prods., Inc. v. Western Timber Prods., Inc., 443 P.3d 651 (Or. App. 2019).
- 2 *Id.* at 659.
- 3 *Id.* (emphasis added).
- 4 *Id.*
- 5 *Id.* (emphasis added).
- 6 University Accounting Service, LLC v. Schulton, No. 3:18-cv-1486-SI, 2019 WL 2425122 (D. Or. June 10, 2019).
- 7 *Id.* at *5.
- 8 *Id.*
- 9 *Id.* at *4.
- 10 *Id.*
- 11 *Id.* (emphasis added).
- 12 *Id.* at *4-*8.
- 13 Global Protein Prods., Inc. v. Le, No. H044628, 2019 WL 6167395 (Cal. Ct. App. 2019).
- 14 *Id.* at *1.
- 15 *Id.* at *9.
- 16 *Id.*
- 17 *Id.*
- 18 *Id.* at *10 (emphasis in original).
- 19 Indictment, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Aug. 15, 2019), ECF No. 1.
- 20 *Id.* at 1-2.
- 21 *Id.* at 2-4.
- 22 *Id.* at 4.
- 23 Dorothy Atkins, *What's A Trade Secret? Alsup Raises Key Levandowski Issue*, Law360 (Oct. 29, 2019), <https://www.law360.com/articles/1214683/what-s-a-trade-secret-alsup-raises-key-levandowski-issue>.
- 24 *Id.*; see also Minute Entry, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Oct. 29, 2019), ECF No. 46.
- 25 See Motion for Bill of Particulars by Levandowski, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Nov. 6, 2019), ECF No. 52; see also Memorandum of Law Re Specification of Trade Secrets by USA, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Nov. 11, 2019), ECF No. 53; Memorandum of Law Regarding Timing of Bill of Particulars by Levandowski, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Nov. 11, 2019), ECF No. 54.
- 26 See Minute Entry, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Dec. 3, 2019), ECF No. 67.
- 27 Final Scheduling Order at 3, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Dec. 3, 2019), ECF No. 68.
- 28 Order Re Motion for Bill of Particulars, U.S. v. Anthony Levandowski, No. 3:19-cr-00377 (N.D. Cal. Dec. 4, 2019), ECF No. 66.
- 29 *Id.* at 1.
- 30 *Id.* (emphasis added).
- 31 *Id.* at 2.
- 32 *Id.*
- 33 Board of Regents of the University System of Georgia v. One Sixty Over Ninety, LLC, 830 S.E.2d 503 (Ga. App. 2019).
- 34 *Id.* at 506-07.
- 35 *Id.* at 507.
- 36 *Id.* (quoting Ga. Code Ann., § 10-1-761).
- 37 *Id.*
- 38 *Id.* at 508.
- 39 *Id.* at 509.
- 40 *Id.* at 513.
- 41 Redacted Complaint, Liqwd, Inc. et al v. L'Oreal USA, Inc., No. 1:17-cv-00014 (D. Del. Jan. 6, 2017), ECF No. 11.
- 42 Redacted Jury Verdict, Liqwd, Inc. et al v. L'Oreal USA, Inc., No. 1:17-cv-00014 (D. Del. Aug. 12, 2019), ECF No. 1060.
- 43 *Id.* at 2-3.
- 44 Memorandum and Judgment, Liqwd, Inc. et al v. L'Oreal USA, Inc., No. 1:17-cv-00014 (D. Del. Aug. 20, 2019), ECF No. 1078.
- 45 *Id.* at 2.
- 46 *Id.*
- 47 Memorandum and Order at 1, Liqwd, Inc. et al v. L'Oreal USA, Inc., No. 1:17-cv-00014 (D. Del. Dec. 16, 2019), ECF No. 1162.
- 48 *Id.*
- 49 *Id.* at 4.
- 50 *Id.* at 9.
- 51 *Id.*
- 52 *Id.* at 17, 33.
- 53 *Id.*
- 54 *Id.* at 33.
- 55 *Id.*

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