

# COMMERCE CASE MANAGEMENT PROGRAM DECISIONS:

## TRADE SECRET OPINIONS

by

**JEFF GUTKOWSKI AND KEVIN BERRY<sup>1</sup>**

As employers continually seek to maintain a competitive advantage, many are turning to confidentiality agreements with their employees as a means of keeping what they perceive to be sensitive information from their competitors. Confidentiality agreements have, however, only limited usefulness as a protective measure because the common law of trade secrets is often determinant of the scope of the agreement and the duties of the employee. The Commerce Court has decided cases with varied fact patterns, to which the Court has applied a fairly standard, but rigid analysis.

---

<sup>1</sup>Jeff Gutkowski, Temple University's James E. Beasley School of Law, Class of 2008, is the author. Kevin F. Berry, Esquire, a commercial and business litigator, is a partner at Duane Morris LLP and the editor of this chapter. This chapter addresses cases through early October of 2007.

This work is part of a joint project that originated between the Philadelphia Bar Association's Business Law Section and its Business Litigation Committee, and Temple's Beasley School of Law; which effort has now been expanded to include students from the Rutgers-Camden School of Law. Students work with a lawyer mentor/editor to summarize and describe opinions in the Commerce Case Management Program by distinct areas of subject matter. Each lawyer works with one, two or three law students on a particular area of the law in which the Commerce Program Judges have issued opinions, with the students doing the research and writing and the lawyer guiding and editing the work. As completed, each "chapter" will be posted on the Business Litigation Committee's web page, which can be located on the Bar Association's website, <http://www.philadelphiabar.org/>, with the goal to catch up to the hundreds of opinions already written, and then to keep up with the opinions added annually. Ideally, we hope to publish this compilation in a single book. If you are interested in participating in this project, that has so many potential benefits, please contact Lee Applebaum at (215) 893-8702 or [lapplebaum@finemanlawfirm.com](mailto:lapplebaum@finemanlawfirm.com). Temple Law Professor William J. Woodward, Jr. was and is essential to the creation and development of this effort, and Professor Eve Klothen has brought Rutgers-Camden School of Law students into the effort.

Procedurally, these cases typically arise when an employer requests that the Court enjoin a former employee from either working for a competitor or becoming a competitor themselves. Such a request gives rise to competing policies; the protection of business against unfair competition arising from the improper use of its own secrets versus the rights of individuals to engage in the unrestricted pursuit of occupations and livelihoods.<sup>2</sup> As a result, the Court is circumspect in its analysis of each fact pattern, as evidenced by the limited amount of relief granted on the basis of misappropriation of trade secrets. No decisions, as they pertain to trade secrets, have been successfully appealed.

A preliminary injunction is a severe restriction on an individual's autonomy. Enjoinment is only warranted if the requesting party shows that the injunction:

- (1) . . . is necessary to prevent immediate and irreparable harm which could not be compensated by damages;
- (2) greater injury [will] result by refusing it than by granting it;
- (3) . . . properly restores the parties to their status as it existed immediately prior to the alleged wrongful conduct; and
- (4) the activity sought to be restrained is actionable and an injunction is reasonably suited to abate that activity.”<sup>3</sup>

To prove a misappropriation of trade secret, the plaintiff has the burden of showing:

- (1) there was a trade secret, (2) of value to the employer and important in the conduct of his business, (3) that by reason of discovery or ownership the employer had the right to the use and enjoyment of the secret; and (4) the secret was communicated to the employee while in a position of trust and confidence under such circumstances as to make it inequitable and unjust for him to disclose it to others, or make use of it himself.<sup>4</sup>

For the most part, the Court has based refusal to award relief on the plaintiff's inability to prove the existence of a “trade secret.” While there is no clear test with which to determine

---

<sup>2</sup>Fidelity Fund, Inc. v. Di Santo, 347 Pa. Super. 112, 120, 500 A.2d 431, 436 (1985).

<sup>3</sup>Harsco Corp. v. Klein, 395 Pa. Super. 212, 576 A.2d 1118 (1990).

<sup>4</sup>A.M. Skier Agency, Inc. v. Gold, 747 A.2d 936, 940 (Pa. Super. 2000) (citing Gruenwald v. Advanced Computer Applications, Inc., 730 A.2d 1004, 1012-13 (Pa. Super. 1999)).

whether or not certain information qualifies as a trade secret, the trade secret must be particular to the complaining employer and not a general secret to the trade.<sup>5</sup> In addition, the Court has articulated six factors that form the basis of its analysis:

- (1) the extent to which the information is known outside the owner's business;
- (2) the extent to which it is known by employees and others involved in the owner's business;
- (3) the extent of measures taken by the owner to guard the secrecy of the information;
- (4) the value of the information to the owner and to his competitors;
- (5) the amount of effort or money expended by the owner in developing the information; and
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.<sup>6</sup>

Customer lists and pricing information are the most common forms of information for which employers have sought protection in the Commerce Court.<sup>7</sup> Although recognized as on the “fringe” of the trade secrets periphery<sup>8</sup>, a Customer List may qualify as a trade secret through the employer's material investment of time and expense. However, where the identities of the customers are generally known to firms in the same business, the Customer List is not

---

<sup>5</sup>Renee Beauty Salons, Inc. v. Blose-Venable, 438 Pa. Super. 601, 607-608, 652 A.2d 1345, 1349 (Pa. Super. 1995).

<sup>6</sup>Christopher M's Hand Poured Fudge, Inc. v. Hennon, 699 A.2d 1272, 1275 (Pa. Super. 1997).

<sup>7</sup>See Pollack v. Skinsmart, September Term, 2002, No. 2167, 68 Pa. D. & C.4th 417 (C.C.P. Phila. October 5, 2004) (Cohen, J.); United Products Corporation v. Transtech Manufacturing, Inc., August Term, 2000, No. 4051, 2000 WL 33711051, (C.C.P. Phila. November 9, 2000) (Sheppard, J.); Labor Ready, Inc. v. Trojan Labor, December Term 2000, No. 3264, 2001 WL 1807932 (C.C.P. Phila. January 25, 2001) (Sheppard, J.); Medical Resources, Inc. v. Miller, November Term 2000, No. 2242, 2001 WL 1807934 (C.C.P. Phila. January 29, 2001) (Sheppard, J.) petition for rehearing denied by 797 A.2d 381 (Pa. Super. 2002); Olympic Paper Co. v. Dubin Paper Co., October Term 2000, No. 4384, 60 Pa. D. & C.4th 102 (C.C.P. Phila. December 29, 2000).

<sup>8</sup>A.M. Skier Agency, Inc., 747 A.2d at 939-940.

confidential and therefore not a trade secret.<sup>9</sup> Additionally, because information known to an employee prior to his employment with a particular employer, is necessarily known outside the employer's business, it thus fails the test to be classified as a trade secret.<sup>10</sup> Exemplifying the difficulty of establishing a customer list as a trade secret, in the only successful request for relief over the misappropriation of a customer list by the Commerce Court, a dermatological practice maintained a computer database of twenty thousand patients and their confidential treatment information.<sup>11</sup> Access to the database was restricted, but a group of independent contractors, who had previously worked at the center, acquired the database from other employees. They then used the list to "reschedule" patients from one practice to the other and pointedly advertise their service, resulting in \$700,000 in profits. In this rare instance, the court granted a motion for partial summary judgment limited to the issue of liability for a claim of misappropriation of trade secrets.<sup>12</sup> Similarly, the court awarded contract damages of \$238,000, based on a former employee's current gross income, where he admittedly used the former employer's specific proposal language in the furtherance of his current, competing position.<sup>13</sup> The court found that the language was protectible in that it represented a particular methodology of consulting project management, the development of which was the result of years of industry experience and investment.

Pricing information is not protectible as a trade secret. In the two cases in which such information was at issue, the court summarily dismissed the contention due to the incentive that

---

<sup>9</sup>See Olympic Paper Co. v. Dubin Paper Co., *infra*.

<sup>10</sup>See Medical Resources, Inc. v. Miller, *infra* (citing Thermo-Guard, Inc. v. Cochran, 408 Pa. Super. 54, 65, 596 A.2d 188, 193-194 (1991)).

<sup>11</sup>Pollack v. Skinsmart, *infra*.

<sup>12</sup>Id.

<sup>13</sup>Omicron v. Weiner, August Term 2001, No. 669, WL 22362173 (C.C.P. Phila. Oct. 10, 2003) (Cohen, J.), affirmed in part and reversed in part, 860 A.2d 554 (Pa. Super. 2004).

customers have in disclosure during negotiations with other competitors.<sup>14</sup> As a result, the information is there for the asking and is therefore not a trade secret.

Other information which the Court has, to date refused to qualify as a trade secret includes, products in view of the public and capable of reverse engineering, and processes, not unique to industry in general, absent nuances or processes particular to the employer,<sup>15</sup> as well as software purchased from a third party vendor and the general functions of in-house developed software, unless the employee whom the employer is seeking to enjoin is capable of programming the software's code.<sup>16</sup> Finally, an idea or process submitted to an employer, in exchange for company recognition and expected remuneration from an employee awards program, is not "misappropriated" when the recognition and remuneration is not forthcoming.<sup>17</sup>

Also disfavored are tort claims of Conversion and Unjust Enrichment, based solely on the misappropriation of trade secrets. The Commerce Court has dismissed such claims as being preempted under Pennsylvania's Uniform Trade Secrets Act<sup>18</sup> and has noted that such intangible rights as the confidentiality of trade secrets, are inappropriate as a basis for a claim for conversion, citing Restatement (Second) of Torts, § 242.<sup>19</sup>

Although most of the cases cited herein rely on well-established common law principles, the adoption of the Pennsylvania Uniform Trade Secrets Act,<sup>20</sup> effective April 19, 2004, presents

---

<sup>14</sup>Olympic Paper Co. v. Dubin Paper Co., *infra*; Labor Ready, Inc. v. Trojan Labor, *infra*.

<sup>15</sup>United Products Corp. v. Transtech Manufacturing, Inc., *infra*.

<sup>16</sup>Innaphase Corp. v. Overman, July Term 2003, No. 2807, 2004 WL 237718 (C.C.P. Phila. Feb. 5, 2004) (Sheppard, J.).

<sup>17</sup>Babiarz v. Bell Atlantic-Pennsylvania, Inc., August Term 2000, No. 1863, 2001 WL 1808554 (C.C.P. Phila. July 10, 2001) (Herron, J.).

<sup>18</sup>Firsttrust Bank v. Didio, March Term 2005, No. 200, 2005 WL 2001105 (C.C.P. Phila. July 29, 2005) (Jones, J.).

<sup>19</sup>Romy v. Burke, May Term 2002, No. 1236, 2005 WL 280861 (C.C.P. Phila. Jan. 20, 2005)(Sheppard, J.).

<sup>20</sup>12 Pa.C.S.A. §5301, et. seq.

a potential “trap for the unwary.” The Act does not apply to misappropriations which occurred prior to the effective date, including “a continuing misappropriation that began prior to the effective date of this act and which continues to occur after the effective date of this act.”<sup>21</sup> Importantly, the Act establishes statutory definitions for “misappropriation” and “trade secret,” significantly broadening the latter from that found in the Restatement of Torts.<sup>22</sup> The Act also displaces conflicting tort, restitutionary and other laws that provide civil remedies for trade secret misappropriation.<sup>23</sup> As a result, the conclusions drawn from pre-Act decisions may not be consistent with decisions now made under the Act, and should be closely scrutinized to evaluate their continuing authority.

---

<sup>21</sup>Section 4 of 2004, Feb. 19, P.L.143, No. 14, effective April 19, 2004.

<sup>22</sup>12 Pa.C.S.A. §5302.

<sup>23</sup>12 Pa.C.S.A. §5308. See Firsttrust Bank v. Didio, March Term 2005, No. 200, 2005 WL 2001105, (C.C.P. Phila. July 29, 2005) (Jones, J.).

## COMMERCE CASE MANAGEMENT PROGRAM OPINIONS<sup>24</sup>

**OLYMPIC PAPER COMPANY V. DUBIN PAPER COMPANY, October Term 2000, No. 4384, 60 Pa. D. & C.4th 102 (C.C.P. Phila. Dec. 29, 2000) (Sheppard, J.)** (The Court found an employer's customer list and pricing list were not "trade secrets" worthy of protection due to their availability from other sources). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/oly.pdf>.

In Olympic Paper Co., the Court denied trade secret protection to a former employer's customer list and pricing list due to their availability from other sources. The court did however, enjoin the employee from soliciting the former employer's customers based upon a restrictive covenant agreed to by the employee in exchange for a promotion and "sign-on bonus."<sup>25</sup>

Defendant Reddy had been employed as a salesperson for the plaintiff Olympic Paper Company, for five months, prior to joining defendant Dubin Paper Company. Olympic and Dubin are both in the business of selling specialty paper products to the restaurant and food service industry. While employed at Olympic, Reddy received a price list, a sales book and a customer history, which summarized the identity of the customer, what the customer paid and what the customer bought, for each of his thirteen accounts. After being fired by Olympic, Reddy used the customer list and pricing list as a means of attracting business to his new employer, Dubin.

---

<sup>24</sup>These summaries are current to November 2007.

<sup>25</sup>The Agreement contained the following description of the Property of the Employer: a. All past, present and future Customers of [Olympic] which are not heretofore defined as [Reddy's] Property, price books, catalogues, customer lists and records, samples, and all other data relative to [Reddy's] relationship with its customers, suppliers and competitors are the property of the Employer. All printed material hereunder are subject to recall at any time by [Olympic], and upon such recall will be surrendered by [Reddy]. Upon termination, all such material will be surrendered by [Reddy] forthwith, without any further notice.

Elsewhere, The Agreement defines "trade secrets" as including the "sales methods, customer lists, and other data relative to [Olympic's] relationships with its customers, suppliers and competitors. . . ."

Although an employer is entitled to protect business relations with its clients, the protection of the confidentiality of the identities of those clients is distinguishable.<sup>26</sup> Determining whether an employer's customer lists are entitled to protection as trade secrets depends on whether they are secrets particular to the complaining employer, rather than general secrets of the trade.<sup>27</sup> While customer data may be entitled to protection as a trade secret, customer lists are at the very "periphery" of trade secret law.<sup>28</sup> The identities of an employer's customers are not confidential where those identities would be generally known to the firms in the same business. Customer lists and other data compilations gathered by an employer, through a material investment of time and expense, may qualify as trade secrets or confidential information protectible through injunctive relief.<sup>29</sup>

Olympic was unable demonstrate the required investment of time and expense in compiling the customer list. Additionally, its pricing was not a trade secret because such information was obtainable simply by asking its customers how much they pay for pizza boxes and other paper products. The Court opined it to be to the customer's benefit to divulge such information while negotiating the best deal from their suppliers. Further undermining Olympic's request for protection was the fact that its own customer service representatives and purchasing agents have access to the same information and are not restricted by covenant. As a result, neither the customer list nor the price list qualified as a trade secret, although contractually, the employee was required to return such materials as property of the employer.

---

<sup>26</sup>Robert Half of Pennsylvania, Inc. v. Shana Feight, April Term 2000, No. 1667 (C.C.P. Phila. June 29, 2000) (Herron, J.).

<sup>27</sup>Bettinger v. Carl Berke Ass'n, Inc., 455 Pa. 100, 105-106, 314 A.2d 296, 299 (1974).

<sup>28</sup>Renee Beauty Salons, 438 Pa. Super. at 604, 652 A.2d at 1347.

<sup>29</sup>A.M. Skier Agency, Inc., 747 A.2d at 939-940.



**POLLACK V. SKINSMART DERMATOLOGY AND AETHETIC CENTER, P.C., September Term 2002 No. 2167, 68 Pa. D. & C.4th 417 (C.C.P. Phila. Oct. 5, 2004) (Cohen, J.)** (the Court granted plaintiff's motion for partial summary judgment limited to the issue of liability for a claim of misappropriation of trade secrets resulting from the acquisition and use of a patient list, containing patients' medical information, by former "employees"). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/020902167.pdf>.

In Pollack v. Skinsmart, following the breakdown of sale negotiations over Philadelphia Institute of Dermatology (PID), jilted buyers, former independent contractors servicing the practice, started their own dermatological practice, (Skinsmart), with the help of PID's list of patients, copied from the practice's computer database. Access to the information was limited, by designed office procedures, and few employees had unfettered access to the entire database. Skinsmart used The Patient List to acquire patients by rescheduling those with existing appointments at PID to an appointment at Skinsmart. Skinsmart similarly advertised their practice to current PID patients and referral physicians. These practices resulted in the transfer of a significant number of PID patients and ultimately netted profits of approximately \$700,000. The plaintiff filed a partial summary judgment motion to decide liability for misappropriation. The defendants countered by claiming that the list was not a trade secret because of the inclusion of patients not exclusive to PID.

To establish a claim for misappropriation of a trade secret, the plaintiff must show:

- (1) the existence of a trade secret
- (2) that the secret was of value to him and important to the conduct of his business
- (3) that by reason of discovery or ownership he had the right to the use and enjoyment of the secret, and
- (4) that the secret was communicated to the defendants while they were in a position of trust and confidence under such circumstances as to make it inequitable and unjust for them to

disclose it to others, to make use of it themselves, to the prejudice of plaintiff.<sup>30</sup>

While it is the plaintiff's burden to define the secret, there is no precise test for determining whether certain information is a trade secret. The information sought to be protected must be particular to the employer, rather than general secrets of the trade.<sup>31</sup> Under Pennsylvania law, customer lists may be recognized as trade secrets,<sup>32</sup> based on: (1) the extent to which the information is known outside of the owner's business; (2) the extent to which it is known by employees and others involved in the owner's business; (3) the extent of measures taken by the owner to guard the secrecy of the information; (4) the value of the information to the owner and to his competitors; (5) the amount of effort or money expended by the owner in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.<sup>33</sup>

Based on the required confidentiality of patient information as well as application of the other factors, the court had little difficulty finding the Patient List to be valuable as a trade secret. The list of over twenty thousand customers was compiled over the span of many years and was maintained by computers, software and employees, all requiring significant capital expenditures. Because the defendants never had direct access to the list, they were forced to rely on other PID employees to circumvent the protective procedures in effect at PID in order to obtain the list. Regardless of a lack of restrictive covenant, the doctors had a duty not to disclose or use the Patient List because of their confidential employment relationship with PID.<sup>34</sup> The doctors had

---

<sup>30</sup>See Gruenwald v. Advanced Computer Applications, Inc., 730 A.2d 1004, 1012-13 (Pa. Super. 1999).

<sup>31</sup>Renee Beauty Salons, Inc., 438 Pa. Super. at 607 - 608, 652 A.2d at 1349.

<sup>32</sup>Felmlee v. Lockett, 466 Pa. 1, 9, 351 A.2d 273, 277; A.M. Skier Agency, Inc., 747 A.2d at 940; Restatement (First) Torts, §757, Cmt. b.

<sup>33</sup>Tyson Metal Products, Inc. v. McCann, 376 Pa. Super 461, 465, 546 A.2d 119, 121 (1988).

<sup>34</sup>See Christopher M's Hand Poured Fudge, Inc., 699 A.2d at 1276.

treated patients on behalf of PID and were provided limited access to the confidential information in order to provide adequate treatment.

As a result, the court granted plaintiff's motion for partial summary judgment, determining that the existence of non-exclusive patients on the list had nothing to do the qualification of the list as a trade secret, but rather only impacted the issue of damages.

**MEDICAL RESOURCES, INC. V. MILLER**, November Term 2000, No. 2242, 2001 WL 1807934 (C.C.P. Phila. Jan. 29, 2001) (Sheppard, J.), aff'd, 797 A.2d 381 (Pa. Super. 2002) (The Court refused to enjoin a former employee from competing against the plaintiffs, finding no evidence of misappropriation or use of information not acquired prior to employment with plaintiffs). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/mr0011-2242.pdf>.

In Medical Resources v. Miller, an employee with 4 years of local, Northeast Philadelphia, market experience prior to joining plaintiffs for 7 years, opened his own competing facility under a name (Open MRI Northeast) similar to that of his former location, (Northeast Imaging). Former employer filed suit to enjoin Miller from using any information obtained through his access to the company's computer system and Marketing Plan, doing any business with plaintiff's referring doctors and customers, hiring plaintiff's employees and continuing to trade under the name Open MRI Northeast.

No restrictive covenant or non-compete agreement was at issue, although in 1997, Miller executed a confidentiality agreement.<sup>35</sup> As an employee, Miller accessed the computer system, (ICIS), on which plaintiffs maintained physician information. The information contained therein included the number of referrals, referral patterns and reimbursement information for referring physicians. Miller was also familiar with and assisted in the development of the plaintiff's

---

<sup>35</sup>**Confidentiality.** Serious problems could be caused for the Company by unauthorized disclosure of internal information about the Company, whether or not for the purpose of facilitating improper trading in the stock. Company personnel should not discuss internal Company matters or developments with anyone outside of the Company, except as required in the performance of regular corporate duties. We will expect the strictest compliance with these procedures by all personnel at every level.

Marketing Plan, which included commonly known information, such as the top area referring physicians as well as more particular information, such as the referring physician reimbursement rates. While still employed, Miller prepared to open his own facility by forming a corporation, purchasing equipment and renting office space. He also enlisted the help of the plaintiff's chief salesperson to solicit letters from potential customers with which to confirm the viability of the business to potential investors. Plaintiffs were unable to demonstrate that the defendant had retained any proprietary material upon leaving their employment and were unable to substantiate allegations of patients confused by the name of defendant's competing facility.

Although the Court seemed unsympathetic to the defendant, due to the duplicitous nature of his conduct while still employed, it found that only the information available through ICIS and the Marketing Plan were potentially trade secrets, but there was no evidence that the defendant's prior knowledge of local, referring physicians was not his primary source of local, market information. Because information known to an employee prior to his employment with a particular employer, is necessarily known outside the employer's business, it thus cannot be classified as a trade secret.<sup>36</sup> As a result of the defendant's prior experience and knowledge of the market, the plaintiffs were unable to prove the use of any confidential information from the computer database and were similarly unable to demonstrate that his knowledge of the marketing plan had been used to build the business. Therefore, no trade secrets had been misappropriated.

Furthermore, the confidentiality agreement offered no alternative recourse. An employer's rights under a non-disclosure agreement or restrictive covenant extend only so far as necessary to protect the employer's legitimate business interest in its trade secrets, customer

---

<sup>36</sup>See Fidelity Fund, Inc. v. DiSanto, 347 Pa. Super. at 122, 500 A.2d at 437 (1985) ("if the information was originally in the employee's possession then it could not have been communicated to him by the employer so as to make it inequitable or unjust for the employee to disclose it to others").

goodwill and specialized training.<sup>37</sup> Because there had been no demonstrated infringement of trade secrets, the court had no choice but to reject the Petition insofar as it was solely based on a claim of trade secret misappropriation.

**LABOR READY, INC. V. TROJAN LABOR AND SALLY CZEPOINIS, December Term 2000, No. 3264, 2001 WL 1807932, (C.C.P. Phila. Jan. 25, 2001) (Sheppard, J)** (The Court refused to enforce a restrictive covenant due to the plaintiff's failure to prove the information for which it was seeking protection amounted to trade secrets). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/lr0012-3264.pdf>.

In Labor Ready, Inc. v. Trojan Labor, the plaintiff sought to enjoin a former employee, defendant Czeponis, from working for a competing firm following her termination, on the basis of alleged misappropriation of trade secrets. Labor Ready is in the business of providing temporary laborers to various industries, in this case to the Philadelphia Shipyard. Finding no trade secrets and no evidence of misappropriation, the court refused to enforce a restrictive covenant against an employee fired for poor performance, under either Pennsylvania or Washington law.

Prior to her termination by plaintiff, Czeponis had been employed as a labor coordinator for six months. A labor coordinator surveys branch offices to secure the workforce required by the client and completes invoices based on the hours worked by each employee. An employment contract signed at the time of the defendant's hiring included a confidentiality agreement delineating the employer's idea of protectible assets.<sup>38</sup> Additionally, in their request for injunction, the plaintiff identified other items needing protection.<sup>39</sup>

---

<sup>37</sup>Thermo-Guard, Inc., 408 Pa. Super. at 65, 596 A.2d at 193-94.

<sup>38</sup>The confidentiality agreement covered:

- (a) The ideas, methods, techniques, formats, specifications, procedures, designs, systems, processes, data and software products which are unique to Company;

Generally, regardless of the existence of the confidentiality agreement, an employer is entitled to protect its trade secrets from disclosure.<sup>40</sup> Whether information is a trade secret is a factual question and it is the plaintiff's burden to prove the existence of legally protectible trade secrets.<sup>41</sup> Trade secrets must be the particular secrets of the complaining employer rather than information generally known in the trade or readily ascertainable through proper means.<sup>42</sup>

Despite the impressive list of "confidential information" included in the employment agreement, the hearing testimony showed that the Labor Ready information to which Czeponis had access was generally known in the temporary labor industry or readily ascertainable through other means. The Court determined that Labor Ready not only had failed to distinguish its means of business from those commonly practiced in the temporary labor industry, but failed to show

---

(b) All customer, marketing, pricing and financial information pertaining to the business of the Company;

(c) All operations, sales and training manuals;

(d) All other information now in existence or later developed which is similar to the foregoing; and

(e) All information which is marked as confidential or which, by its nature, is confidential.

<sup>39</sup>These included "unique, confidential business practices, models and data; customer lists; the names of key individuals within the organization of customers and potential customers relating to the particular needs of those customers and potential customers; customer habits and preferences; special needs and requirements of customers; recruiting methods; training methods; site selection models; compensation models; dispatch office layouts; pricing data; computer software and hardware; formats; manuals; methods and techniques of operation and training; and personnel files on all of its employees and marketing strategies."

<sup>40</sup>Bell Fuel Corp. v. Cattolico, 375 Pa.Super. 238, 544 A.2d 450, 458 (1988), appeal denied, 520 Pa. 612, 554 A.2d 505 (1989).

<sup>41</sup>Christopher M's Hand-Poured Fudge, Inc., 699 A.2d at 1275 (Pa. Super. 1997).

<sup>42</sup>See Spring Steels, Inc. v. Malloy, 400 Pa. 354, 162 A.2d 370, 372-373 (1960) (steel manufacturing process is not a trade secret where other firms use the same process); Renee Beauty Salons, 438 Pa.Super. at 601, 652 A.2d at 1349-1350 (finding that lists of hair salon's customers' names, telephone numbers and styling preferences were not protectible trade secrets because the Information was easily obtainable through a number of sources).

that the employee's access to particular secrets, including overhead costs and rate negotiation, was anything other than limited.

In finding for the employee, the court was loathe to grant protection to information identified within the employment contract just because the employer had claimed it as confidential, especially when the contract involved a non-sophisticated employee and the information, at the time of the agreement's signing, was as yet unseen. Instead, the court opted to require the plaintiff to substantiate evidence of the trade secret and the employee's access. Ultimately, because the information to which the defendant had access was either industry trade knowledge or determinable by other means, (such as worker surveys or by simply calling and asking the clients), the information was denied trade secret status.<sup>43</sup> Finally, even though the amount the former employer charges the client may be a particular trade secret, the court refused to grant such information protected status due to a client's incentive to expose and publicize such information during negotiations with other labor companies in an effort to secure more competitive pricing.

As a result, the information which Labor Ready was attempting to protect was not a trade secret and even if it was, Labor Ready had failed to establish any misappropriation warranting an injunction.

---

<sup>43</sup>See Fidelity Fund, Inc., 347 Pa.Super. 112, 500 A.2d at 437 (1985) (holding that customer information is not protectible as a trade secret if a competitor need only contact the customers to get such information).

**INNAPHASE CORPORATION V. OVERMAN**, July Term, 2003, No. 2807, 2004 WL 237718, (C.C.P. Phila. Feb. 05, 2004) (Sheppard, J.) (The Court affirmed a prior denial of plaintiff's Petition for a Preliminary Injunction to enforce a Non-Disclosure and Developments Agreement with defendant, former Vice President, due to plaintiff's inability to prove the existence of trade secrets). This Opinion is available at [http://courts.phila.gov/pdf/cpcvcomprg/innaphase-op\\_to\\_superior\\_ct.pdf](http://courts.phila.gov/pdf/cpcvcomprg/innaphase-op_to_superior_ct.pdf).

In Innaphase Corp. v. Overman, a former employer sought to enjoin its former Vice President of Customer Services<sup>44</sup> from returning to work for his prior employer, based on a Non-Disclosure and Developments Agreement.<sup>45</sup> Innaphase also sought to enjoin the defendant from

---

<sup>44</sup>In this position, Overman supervised a team of deployment specialists who introduced software to clients' sites, adapted software to clients' needs and provided customer support.

<sup>45</sup>Paragraph 4 of the Agreement states:

(1) Confidentiality. Employee [Meric Overman] shall keep confidential, except as the Company [Innaphase Corporation] may otherwise consent to in writing, and not to disclose, or make use of except to employees of the Company who need to know such information for the purposes of their employment, at any time either during or for a period of 60 months subsequent to the term of this Agreement, any confidential information or trade secrets of the Company or of any third party which the Company is under an obligation to keep confidential, including information and knowledge pertaining to products and services offered, innovations, designs, ideas, plans, trade secrets, proprietary information, know-how and other technical information, advertising, marketing plans, strategies and systems, processes, software programs, projects, plans, proposals, distribution and sales methods and systems, sales and profit figures, customer and client lists, business plans, relationships with dealers, distributors, wholesalers, customers, clients, suppliers and others who have business dealings with the Company (such confidential information and trade secrets of and pertaining to the Company, collectively "Confidential information") which Employee may produce, obtain or otherwise acquire during his tenure with the Company, for any reason whatsoever, unless such information is in the public domain through no wrongful act of Employee. In furtherance of the foregoing covenant, and not by way of limitation of such covenant, and subject to the exceptions set forth therein, Employee agrees not to deliver, reproduce or in any way allow any such Confidential Information or any documentation relating thereto, to be delivered or used by any third parties.

(2) Conflicting Employment/ Return of Material. During the term of this Agreement and for a period of 12 months thereafter, Employee shall not



working for any other firm in the Laboratory Information Management System (LIMS) market as well as from misappropriating Innaphase trade secrets.<sup>46</sup>

Innaphase develops, sells and consults on software applications and services to the LIMS and pharmaceutical markets, generating \$17M in revenue, 80% of which is developed through pharmaceutical sales. For the five years immediately preceding his employment with Innaphase, the defendant had worked for LabWare, which similarly develops, sells and consults on software applications. Only 17% of LabWare revenues come from the pharmaceutical market. After two years with Innaphase, during which time the defendant received promotions from Director of

---

engage in any other employment, occupation, consulting or other activity relating to an endeavor that would be competitive, directly or indirectly, with any of the business activities of the Company under this agreement or which would otherwise conflict with his obligations to the Company under this Agreement. In the event of the termination of this Agreement for any reason, whatsoever, Employee agrees to promptly surrender and deliver to the Company, all records documents and data of any nature pertaining to any Confidential Information which Employee may produce or obtain during the course of this Agreement.

(3) Covenant Not To Disclose. Employee acknowledges that his willingness to enter into the confidentiality and non-disclosure provisions set forth in this Section 4 was a material inducement to the Company to employ Employee. Each party hereto acknowledges that such party has carefully considered the nature and extent of the restrictions, rights and revenues conferred upon such party under this Agreement and acknowledges that the same are: (i) reasonable in time and territory; (ii) are designed to eliminate competition which otherwise would be unfair to the Company; (iii) do not stifle the inherent skill and experience of Employee and would not operate as bar to Employee's sole means of support; (iv) are fully required to protect the legitimate interest of the Company; and (v) do not confer a disproportionate benefit upon either party to the detriment to the other party. During the term of this Agreement and for a period of 60 months thereafter, Employee will not, on behalf of himself or on behalf of any other Person as an employee, proprietor, stockholder, partner, consultant or otherwise, provide, directly or indirectly, any of the Company's Confidential Information to any enterprise.

<sup>46</sup>Despite an arbitration clause in the employment agreement, plaintiff filed a Petition for Preliminary Injunction and Complaint to enforce the agreement, seeking permanent injunction against the defendant.

Customer Implementation to Vice President of Customer Services, the defendant accepted a return position with LabWare, in which his compensation was not tied to the number of customers recruited.

Enjoinment is only warranted if the requesting party shows that the injunction: “(1) . . . is necessary to prevent immediate and irreparable harm which could not be compensated by damages; (2) greater injury [will] result by refusing it than by granting it; (3) . . . properly restores the parties to their status as it existed immediately prior to the alleged wrongful conduct; and (4) the activity sought to be restrained is actionable and an injunction is reasonably suited to abate that activity.”<sup>47</sup>

Despite an extended effective period, the enforceability of the Agreement was not at issue. Innaphase alleged that enjoinment was required to prevent immediate and irreparable harm from the potential disclosure of confidential information related to the defendant’s knowledge of four software programs. While Pennsylvania allows an employer to protect its confidential information, regardless of an employment agreement, the information must be a particular secret to that employer, not a general secret of the trade, and must be of peculiar importance to the conduct of the employer’s business.<sup>48</sup> In determining that the information the plaintiff sought to protect was not a trade secret, the court employed “a fair analysis of the totality of the evidence” standard of review. The Court’s conclusions were informed by the level of the defendant’s contribution to the development and the extent of his knowledge of each product, the particular uniqueness of each product as indicated by existing copyrights and patents, the availability of the information from other sources, and the potential for competition in the market presented by the new employer.

---

<sup>47</sup>Harsco Corp., 576 A.2d at 1121.

<sup>48</sup>Bell Fuel Corp., 544 A.2d at 460.

Despite testimony indicating that the defendant was a “key contributor” to the design of the first software application, still in development and exclusive to the pharmaceutical industry, the court denied the existence of “trade secrets” by focusing on the defendant’s inability to disclose the product’s programming code and LabWare’s limited competition to the product.<sup>49</sup> Testimony also indicated that the defendant participated on the due diligence team investigating the purchase of the second software application from a third party vendor. In this instance, the Court determined no trade secrets were at issue because the product’s specifications were available from the third party vendor employees who were not covered by a confidentiality agreement. Additionally, the court emphasized, the product contained no patents or copyrights. The lack of copyrights or patents was similarly an important aspect in the disqualification of the third software application. Here, again the Court noted no indication that LabWare competed against the product.

Finally, where “secrets” could only be described as the defendant’s experience, there is no misappropriation of confidential information. As a result, Innaphase failed to establish that any of the information obtained during Overman’s employment was confidential.<sup>50</sup> The defendant did not possess the technical capabilities to advise his employer how to program code to replicate Innaphase developed products and there was no evidence of any disclosure or misappropriation of company materials.

Ultimately, the inability of the plaintiff to establish the existence of “trade secrets” was central to the court’s determination that an injunction was not necessary to prevent immediate and irreparable harm which could not be compensated by damages. Additionally, the Court

---

<sup>49</sup>LabWare pharmaceutical sales only amounted to 17% of its gross revenue.

<sup>50</sup>Even the customer list for which the plaintiff sought protection was published on the plaintiff’s website.

believed the defendant's intention to comply with the agreement, making the injunction unwarranted.

**BABIARZ V. BELL ATLANTIC-PENNSYLVANIA, INC.**, August Term, No. 1863, 2001 WL 1808554, (C.C.P. July 10, 2001) (Herron, J.) (The Court sustained Defendants' Preliminary Objections to Counts alleging misappropriation of trade secrets because the plaintiff voluntarily submitted his marketing idea to his employer, with the expectation of recognition and compensation). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/babiarz2.pdf>.

In Babiarz v. Bell Atlantic-Pennsylvania, Inc., the plaintiff/employee responded to his employer's corporate solicitation for new and innovative ideas for improving the company's competitiveness and revenues. He submitted a plan to certify new and existing homes and businesses as meeting a particular quality of interior wiring, as a means for selling complementary services and promotions. He called the plan "Bell Atlantic Ready." At the time of his submission, the plaintiff was employed as a service technician with responsibilities to install and repair telephone lines and other telecommunications products. The idea was clearly outside the course of his employment.

For Bell Atlantic PA, the idea represented a new technical plan and business process. In return for his idea, the employee was assured of recognition and if successful, the maximum amounts payable under existing corporate employee achievement programs, including a program for management personnel. The initial disclosure was made to his immediate supervisor with the expectation of confidentiality. Following the disclosure to his supervisor, Babiarz presented his idea to various supervisors in the company.

Sometime thereafter, unbeknownst to the plaintiff, Bell Atlantic-Pennsylvania informed Bell Atlantic and/or Bell Atlantic Communications and Construction Services, Inc. (BACCSI) about the program and credited someone else with the development and invention. Ultimately, the program was disclosed to all defendants, notwithstanding any proprietary rights due the

plaintiff. Coincidentally, at the time of the Court's opinion, the program had been renamed "Verizon Ready" and consisted of all the elements suggested by the plaintiff. For roughly two years, the plaintiff assisted other Bell Atlantic PA employees in developing the program, but was later advised that the company would no longer pursue the idea. Three years later, the plaintiff heard a radio advertisement for "Bell Atlantic Ready" which has reaped BACCSI millions of dollars in profits.

At no time did Babiarz surrender, transfer, abandon and/or assign his rights or interest in the concept which was not within his scope of employment. Once reduced to writing, he advised the company that any patent and/or registration should reflect his invention, authorship and origination and his expectation of appropriate compensation if successful.

The plaintiff filed suit alleging civil conspiracy, accounting, conversion, unfair competition, misappropriation of trade secret, misappropriation of invention, breach of fiduciary duty, fraud, breach of contract and/or quasi-contract, unjust enrichment, restitution pursuant to section 136 of the Restatement of Restitution and breach of trust. The court sustained preliminary objections to the misappropriation of trade secrets and invention allegations, finding that the allegation sounded more in contract than misappropriation of trade secret or invention. Additionally, the court could not eliminate the potential existence of a "shop right" granted to the defendants.<sup>51</sup>

---

<sup>51</sup>A "shop right" arises "where the employee devises the invention on the employer's time and at the latter's expense using his materials and facilities, and allows him to use the invention without special compensation." Aetna-Standard Engineering Co. v. Rowland, 343 Pa. Super. 64, 70-71, 493 A.2d 1375, 1379 (1985). However, the employment relationship, standing alone, does not give the employer a shop right; the employer might show an express agreement for the right." *Id.* Additionally, "absent an express contrary agreement, an employee must assign his invention to his employer if he was hired for the purpose of using his inventive ability to solve a specific problem or to design a certain procedure or device for the employer." *Id.* at 70, 493 A.2d at 1378.

The court determined that the plaintiff's allegations themselves negated the idea that the invention or secret was "misappropriated." Misappropriation requires an unauthorized, improper, or unlawful use of funds or other property for purpose other than that for which intended."<sup>52</sup> In Pennsylvania, the tort of misappropriation has three elements: (1) the plaintiff has made a substantial investment of time, effort and money into creating the thing misappropriated such that the "thing" qualifies as a kind of property right, (2) the defendant has appropriated the "thing" at little or no cost, and (3) the plaintiff has been harmed by the misappropriation.<sup>53</sup>

Plaintiff's own allegations confirmed that the idea was intended to be used by Bell Atlantic Pennsylvania, in exchange for compensation and recognition. The idea was developed for two years by the plaintiff and other Bell Atlantic employees. The Court characterized the issue as more the failure to credit or compensate the plaintiff for the idea, willingly given to Bell Atlantic, and the dissemination of the plan to the other defendants. Although the allegations alleged misappropriation, the court found the plaintiff's redress to be contract or quasi-contract based and therefore not a misappropriation.

**UNITED PRODUCTS CORPORATION V. TRANSTECH MANUFACTURING, INC., August Term 2000, No. 4051, 2000 WL 33711051 (C.C.P. Phila. Nov. 9, 2000) (Sheppard, J.)** (the Court refused to enforce a confidentiality agreement due to the plaintiff's failure to prove the information for which it was seeking protection consisted of trade secrets). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/unitedff.pdf>.

In United Products Corporation, the Court refused to enforce the terms of a confidentiality agreement entered into by former employees who had left to start their own competing business. (The Court did, however, enjoin the employees from competing on

---

<sup>52</sup>Misappropriation is defined as "[t]he unauthorized, improper, or unlawful use of funds or other property for purpose other than that for which intended." Black's Law Dictionary (6th ed. 1990).

<sup>53</sup>Sorbee Int'l. Ltd. v. Chubb Custom Ins. Co., 735 A.2d 712, 716 (Pa. Super. 1999)(quoting Lebas Fashion Imports of USA, Inc. v. ITT Hartford Ins. Group, 50 Cal.App.4th 548, 561, 59 Cal.Rptr.2d 36, 43 (1996)).

particular projects based on non-solicitation and non-compete agreements.) Plaintiff UPC had alleged that its process for designing and supplying railroad car interiors, its customer and supplier list, and the designs of their products were proprietary and protected under the agreement.

Before starting Transtech Manufacturing, Inc., its principals had worked for the plaintiff as engineers and accountants, having approved confidentiality agreements in exchange for raises.<sup>54</sup> UPC is in the business of interior railcar design and retrofitting, having introduced the process of “kitting” to the railcar industry.<sup>55</sup> They also supply couplings to the industry. Specifically, UPC offered evidence of several classes of products it believed to be trade secrets, including:

---

<sup>54</sup>The Confidentiality Agreement at issue stated:

During the course of my employment with the Company, I will learn and have access to the Company’s trade secrets, confidential information and proprietary materials, which may include methods, procedures, computer programs, databases, customer lists and identities, employee lists and identities, processes, premium and other pricing information, research, provider and other payment rates, methodologies, contracts and contractual forms, and other information which is not publicly available generally and which has been developed or acquired by the Company at with considerable effort and expense. I shall hold all trade secrets, confidential information and proprietary materials in the strictest confidence and shall not directly or indirectly disclose, divulge or reveal the same to any third party at any time or retain or use the same after my employment with the Company ends. I understand this provision encompasses confidential information and proprietary materials may not be trade secrets. Prior to or upon the termination of my employment with the Company, I shall return to the Company all of its property and documentation, together with all such trade secrets, confidential information and proprietary information to extent embodied in any tangible form.

<sup>55</sup>“Kitting” involves the assemblage of two or more related parts tested to form fit functionality prior to shipment to the railroad. The process has its origins in the automotive industry and allows the customer to shop in one place for assembled and pre-fit equipment that might previously have been supplied as various parts by different vendors under numerous contracts.

1. the interior package for SEPTA railcars consisting of everything inside the railcar except seats, windows, window trim, and high ceiling lights and doors,
2. the interior package for AMTRAK, consisting of bag racks,
3. AMTRAK café car parts, including the PPD module, handrail, table and windscreen, and
4. spare parts consisting of the uncoupling rod, door edge kit, door pull kit and the safety bar kit.

A confidentiality agreement, in and of itself, does not create or broaden the protections afforded by common law, but is evidence of the confidential nature of the data involved.<sup>56</sup> A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and gives him an opportunity to obtain an advantage over competitors who do not know or use it.<sup>57</sup> In determining that UPC had failed to establish the existence of trade secrets, the court noted that product designs cannot be a trade secret if they are in public view, do not consist of "secret" materials, and are susceptible to reverse engineering, as the UPC railcar interior products are. Additionally, designs of spare parts, as replacement parts, cannot be trade secrets because a third party, other than UPC, originally designed and produced the part.

Also, though a production process may constitute a trade secret,<sup>58</sup> the "kitting" process, as employed by UPC, is not a secret. The Court found similar processes to have long been used in the transit and automobile industries and UPC's process did not contain any "secret" nuances not used by others. Furthermore, "customer lists are at the very periphery" of trade secret law,<sup>59</sup> and in this case, the identities of AMTRAK and SEPTA, and their need for railcar interior parts

---

<sup>56</sup>Morgan's Home Equip. Corp. v. Martucci, 390 Pa. 618, 136 A.2d 838, 843 n. 5 (1957). Bell Fuel Corp., 544 A.2d at 461. See also Christopher M's Hand Poured Fudge, Inc., 699 A.2d at 1275 (1997) (stating that one factor relevant to trade secret determination is the extent of employer's measures to guard the secrecy of the information).

<sup>57</sup>Restatement (First) of Torts § 757, cmt. b at 5 (1939), quoted in Tyson Metal Prods., Inc., 376 Pa.Super. 461, 546 A.2d at 121. See also Felmlee, 351 A.2d at 277.

<sup>58</sup>See Air Products and Chemicals, Inc. v. Johnson, 296 Pa.Super. 405, 442 A.2d 1114, 1121 (1982).

<sup>59</sup>Renee Beauty Salons, 438 Pa.Super. 601, 652 A.2d at 1347.



is hardly a secret. Particular information about these customers, such as needs, contact names and price information, is not a trade secret because such information is available for the asking.<sup>60</sup> Similarly, industry supplier information is easily obtainable through the Thomas Registry and any particular information about the supplier (such as particular price and product information) cannot be a secret because of his incentive to disclose such information in order to make sales.<sup>61</sup>

Because UPC offered little in the way of detailed information about itself to which the defendants had access, such as business plans, profit margins, or outstanding bids, the evidence presented failed to establish the existence of trade secrets.

**OMICRON SYSTEMS INC. V. WEINER**, August Term 2001, No. 00669, 2002 WL 452238 (C.C.P. Phila. March 14, 2002) and 2003 WL 22362173 (C.C.P. Phila. Oct. 10, 2003) (Cohen, J.), affirmed in part and reversed in part, 860 A.2d 554 (Pa. Super. 2004) (In initially ruling on defendant's preliminary objections, the Commerce Court denied an objection against the legitimacy of a business interest, finding that although the complaint did not allege a misappropriation of trade secrets, it sufficiently pleaded legitimate interests in customer goodwill and specialized employee training. After trial, the Commerce Court denied defendant's request for a new trial, following an award of \$238,000 in contract damages, based on gross income. The court additionally awarded attorney fees, as a result of former employee's misappropriation and use of particularized consulting proposal language, in breach of his restrictive covenant. On appeal, the Superior Court affirmed the trial judge's determination of the breach of contract, but expanded the ruling by recognizing the use of the particularized proposal language as a misappropriation of trade secret. The Superior Court reversed the award of attorney fees, because the complaint contained neither a general prayer for relief or specific request for attorney's fees). The Opinions are available at <http://courts.phila.gov/pdf/cpcvcomprg/omicron.pdf> and <http://courts.phila.gov/pdf/cpcvcomprg/omicron1003.pdf>.

In Omicron v. Weiner (2002), the Commerce Court refused to sustain the defendant's Preliminary Objections to the complaint due to a lack of legitimate business interest. The court recognized that Pennsylvania common law on trade secrets applies independently of any contract

---

<sup>60</sup>Fidelity Fund, 500 A.2d at 437 (holding that the policy expiration dates of insurer's customers was not protectible because a competitor would "merely need to contact the customers to get such information."); Renee Beauty Salons, 652 A.2d at 1349-50 (holding that lists of hair salon's customers' names, telephone numbers and styling preferences were not protectible trade secrets because the information was easily obtainable through a number of sources).

<sup>61</sup>Van Products Co. v. General Welding & Fabricating Co., 419 Pa. 248, 213 A.2d 769, 776 (1965) 776 (Suppliers and accounts payable are not trade secrets).

between disputing parties. On one hand, common law restricts an employee's disclosure of trade secrets regardless of an executed confidentiality agreement,<sup>62</sup> however the existence of a non-disclosure agreement does not create the right, but merely serves as evidence of the confidential nature of the data.<sup>63</sup> Although the Court noted the absence of any claim for misappropriation of trade secrets, it found that Omicron's interest in customer goodwill and specialized training were sufficiently pleaded.

Following the trial, Omicron v. Weiner (2003), the Court denied defendant's post trial motions after having determined that a former employee had violated his restrictive covenant with his former employer when he used portions of the former employer's proposal language, in furtherance of a competitor's (Proscap) business, in the broadly defined computer consulting and software implementation market. At trial, Omicron proved that (1) they and Proscap shared identical clients and (2) the two concerns provided similar if not identical services to those clients, and (3) the defendant applied information and actual proposal language that he acquired at Omicron in the service of Proscap's clients. Weiner admitted use of Omicron's proposal language in furtherance of Proscap's business interests. Without calling the language "trade secrets," the Court noted a record "replete with instances of . . . anti-competitive conduct . . . clearly violative of the restrictive covenant agreement." The Court noted the "pilfering" of Omicron's proposal language as a clear breach of the confidentiality agreement.

The Superior Court affirmed the Commerce Court's determination that use of the contract language was violative, but, unlike the Commerce Court, categorized the proposal language as a "trade secret" particular to the plaintiff and worthy of protection. In its review, the Superior Court agreed the plaintiff presented evidence that the significance of the copied language was the

---

<sup>62</sup>Christopher M's Hand Poured Fudge, Inc., 699 A.2d at 1276.

<sup>63</sup>Morgan's Home Equip. Corp., 390 Pa. at 625, n.5.

specific methodology which it represented. As a result, these paragraphs were among the most important parts of the former employer's proposal process, a process that took a significant investment in time and money to develop. Additionally, the plaintiff protected the proposal language by requiring customers sign a confidentiality agreement. Although the concepts could be reproduced, the Superior Court found that it would require expertise in IT consulting and a similar type of investment. Accordingly, the paragraphs copied from Omicron proposals were "trade secrets," which fell under the confidentiality provisions of the Omicron agreement prohibiting Mr. Weiner from disclosure. By using the Omicron proposal language in Proscape proposals, the defendant violated the confidentiality clause of the Omicron agreement.

**FIRSTRUST BANK V. DIDIO, March Term 2005, No. 200, 2005 WL 2001105, (C.C.P. Phila. July 29, 2005) (Jones, J.)** (the Court sustained the defendants' Preliminary Objections to counts of unjust enrichment and conversion based on the theft of trade secrets, as pre-empted under the Uniform Trade Secrets Act, 12 Pa. C.S. §§5301-08). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/050300200.pdf>.

In Firstrust Bank v. Didio, plaintiffs filed causes of action against former employees for violation of Pennsylvania's Uniform Trade Secrets Act (the Act), 12 Pa. C.S. §§5301-08, breach of fiduciary duty, unjust enrichment, fraudulent misrepresentation and nondisclosure, negligent misrepresentation, conspiracy and conversion resulting from the alleged acquisition and use of the Bank's customer lists, marketing strategies, regulatory forms, pricing and other information to create a competing financial services firm. The defendants contended that all counts, other than that alleging violation of the Act itself, were preempted by the Act. The Act displaces conflicting tort, restitutionary and other law that provides civil remedies for misappropriation of a trade secret. The Commerce Court determined that the claims for unjust enrichment and conversion were based solely on the theft of trade secrets, and were therefore barred by the Act.

**ROMY V. BURKE, May Term 2002, No. 1236, 2005 WL 280861 (C.C.P. Phila. Jan. 20, 2005) (Sheppard, J.)** (Court granted summary judgment in part and denied in part various counts based on the defendants' alleged misappropriation, conversion and use of corporate assets to create market competitors). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/romy-op.pdf>.

In Romy v. Burke, plaintiffs brought suit against various corporate fiduciaries (Individual Defendants) resulting from their roles in creating market competitors (Corporate Defendants) by utilizing corporate funds and properties. Plaintiffs had originally alleged a claim of conversion based on the misappropriation of corporate funds and trade secrets and/or business plan. While denying summary judgment on the count sounding in conversion of corporate moneys, the Commerce Court commented, in footnote 3, on the previously voluntarily dismissed allegation of conversion based on misappropriation of trade secrets and/or business plan, indicating that "such intangible rights cannot serve as the basis for a claim for conversion," citing Restatement (Second) Torts § 242 (1965).

**ROBERT HALF OF PENNSYLVANIA, INC. V. FEIGHT, April Term 2000, No. 1667, 48 Pa. D. & C.4th 129 (C.C.P. Phila. June 29, 2000) (Herron, J.)** (although the Court refused to protect the identities of plaintiff's clients and hiring contacts as trade secrets, it did narrow an overly broad restrictive covenant as a means of protecting the plaintiff's legitimate business interests in customers with whom a former employee had established a relationship, while employed by plaintiff). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/half-opn.pdf>.

In Robert Half v. Feight, the plaintiff sought to enjoin a former employee from working for a firm which competes with one of the plaintiff's subsidiaries, other than that which employed the defendant, on the basis of a restrictive covenant. As a staffing manager, the defendant placed temporary accounting and financial personnel while employed at plaintiff's Accountemps division and later accepted a position at Legal Search, placing permanent legal secretaries and paralegals. Legal Search competes with another Half division, the Affiliates. While employed at Accountemps, the defendant had exercised continuous access to the

plaintiff's customer database, which contained the identities of its customers and the hiring contacts. The non-disclosure agreement identifies all plaintiff's customer information as "trade secrets."

Regardless of the existence of a confidentiality agreement, an employer is entitled to protect its trade secrets from disclosure.<sup>64</sup> However, the protection of customer lists are at the very periphery of trade secret law.<sup>65</sup> Relying on *Bettinger*<sup>66</sup> and *Harsco*<sup>67</sup> the Commerce Court determined that because the identities of her potential clients are available through public means, including the Internet, the Association for Legal Secretaries membership directory and the phonebook, this information does not rise to the level of trade secret, but was rather just general information within the trade. Although the Commerce Court recognized that other information available to the defendant through the database may have qualified as trade secrets,<sup>68</sup> there was no evidence that she either took copies of such information or memorized detailed information from a database in which her interest could only be described as tangentially related to her position. As a result, there was no evidence that the defendant had violated her non-disclosure agreement.

---

<sup>64</sup>*Bell Fuel Co.*, 544 A.2d at 458.

<sup>65</sup>*Renee Beauty Salons*, 652 A.2d at 1347.

<sup>66</sup>*Bettinger v. Carl Berks Assoc.*, 455 Pa. 100, 314 A.2d 296 (1974) (The client list of a temporary employment agency were not entitled to trade secret protection because the names of companies who were in the market for temporary help were widely known throughout the industry).

<sup>67</sup>*Harsco Corp. v. Klein*, 395 Pa.Super. 212, 576 A.2d 1118 (1990) (The identities of the employer's customers were not confidential where those identities would be generally known to all firms in the same business as the employer).

<sup>68</sup>The Commerce Court particularly mentioned billing and pay rates, placement histories for each client and the placement histories of candidates.

**GEMINI BAKERY EQUIPMENT v. BAKTEK**, Feb. Term 2004, No. 3204, WL 957635 (C.C.P. Phila. April 11, 2005) (Abramson, J.) (The Court denied, as premature, defendant’s Preliminary Objections to allegations of misappropriation of trade secrets because it was not clear whether an agreement between the parties existed and therefore was unable to determine applicability of the “gist of the action” doctrine). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/040203204.pdf>

In Gemini v. Baktek, the plaintiff hired the defendant’s principals to perform work related to the finishing of several machinery pieces essential to a high speed line of bagel baking machines. After the project ended, the principals used the information obtained to design their own line in direct competition with Gemini. According to the plaintiff, the defendant’s breached their contract by converting Gemini’s Intellectual Property for their own use.

The defendant filed preliminary objections to the counts of the complaint alleging conversion/misappropriation of trade secrets based on application of the “gist of the action” doctrine. The gist of the action doctrine “precludes plaintiffs from re-casting ordinary breach of contract claims into tort claims.”<sup>69</sup> The doctrine seeks to uphold the conceptual difference between breach of contract claims and tort claims, in that “tort actions lie for breaches of duties imposed by law as a matter of social policy, while contract actions lie only for breaches of duties imposed by mutual consensus agreements between particular individuals.”<sup>70</sup>

The Court determined that application of the “gist of the action” doctrine, at this point in the litigation, was premature because it was not yet clear whether an agreement between the parties even existed. As a result, the Court refused to dismiss the tort claims due to the possibility of no actual agreement.

---

<sup>69</sup>Etoll, Inc. v. Elias/Savion Advertising, Inc., 811 A.2d 10, 14 (2002).

<sup>70</sup>Id. (citing Bash v. Bell Tel. Co., 411 Pa.Super. 347, 601 A.2d 825 (1992)).

**PHILADELPHIA PLAZA-PHASE II v. BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION**, May Term 2002, No. 332, 2002 WL 1472338 (C.C.P. Phila. May 30, 2002) (Herron, J.) (Court denied Plaintiff's request for a Preliminary Injunction against financier of construction project, because the Mortgage Agreement expressly allowed the dissemination of the Plaintiff's financial information to prospective, secondary Note purchasers). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/phil530.pdf>.

In Philadelphia Plaza v. Bank of America, the defendants financed the plaintiff's large commercial office construction project, through a series of promissory notes, secured by a Mortgage Agreement<sup>71</sup>. Plaza requested the Commerce Court enjoin Bank of America from disclosing confidential financial information in their effort to sell the Notes to a mezzanine fund managed by Deutsche Bank. The Court synthesized Pennsylvania's test for determining whether there has been a misappropriation of trade secrets, from the Restatement of Torts § 757 (1939), with the similar test found in § 759, and Pennsylvania's test in an employee context<sup>72</sup>. The Court found that under each of these tests, the focus is on whether the defendant's conduct is improper, inequitable or unjust. Based on that standard, the Commerce Court refused to enjoin the activity because the Mortgage Agreement specifically authorized the disclosure of information to prospective Note purchasers without the plaintiff's consent, rendering the Bank's conduct proper, if not privileged.

---

<sup>71</sup>The Agreement contained an "Assignment Provision" providing the following: "Bank shall have the right to transfer the Loan to any other person or entities without the consent of or notice to Borrower. Bank may disclose to any prospective purchaser of any securities issued by Bank, and to any prospective or actual purchase of any interest in the Loan or any other loans made by Bank to Borrower, any financial or other information relating to Borrower, the Loan or the Property."

<sup>72</sup>A.M. Skier Agency, Inc., 747 A.2d at 940 (citing Gruenwald, 730 A.2d at 1012-1013)).

**CARESCIENCE, INC. v. JAMES PANTO, September Term, 2003, No. 04583, 2003 WL 22266101 (C.C.P. Phila. Sept. 23, 2003) (Jones J.)** (Court sustained defendant's preliminary objection, dismissing count sounding in misappropriation of trade secrets due to the plaintiff's failure to plead damages).

This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/carescience-op.pdf>.

In Carescience v. Panto, an employer brought suit against a former employee alleging defamation and the misappropriation of trade secrets through the wrongful retention of confidential and proprietary materials. Although the court rejected the defendant's objection to the cause of action based on the lack of a confidentiality agreement,<sup>73</sup> the failure to allege any particular damage from the alleged retention of the materials proved fatal to the count.

**DREXEL UNIVERSITY V. NATIONAL UNION FIRE INS. CO. OF PITTSBURGH, Oct. Term 2004, No. 02442, WL1048116 (C.C.P. Phila. April 29, 2005) (Abramson, J.), affirmed, 903 A.2d 56 (Pa. Super. 2006), appeal denied, 591 Pa. 735, 921 A.2d 497 (2007)**. (The Commerce Court granted insurer's Motion dismissing Drexel's request for coverage, finding that after the tort claims were dismissed in the underlying action, under the gist of the action doctrine, the remaining claims were based in contract and therefore excluded from coverage, due to a "Contracts Exclusion" contained in the School Leaders Errors and Omissions Policy at issue). This Opinion is available at <http://courts.phila.gov/pdf/cpcvcomprg/041002442.pdf>.

In Drexel v. National Union, while denying the University's request for defense and indemnification for two related actions, the Commerce Court distinguished between trade secrets and "misappropriation of ideas under an implied contract." The Court noted that "misappropriation of ideas under an implied contract" usually involves advertising or entertainment ideas, or something less developed or concrete than the chemical formulae, manufacturing processes and other applied methodologies at issue in this case. After the trial court had dismissed the underlying tort claims, under the gist of the action doctrine, only actions sounding in contract remained, which, the Commerce Court found, were excluded from coverage

---

<sup>73</sup>Christopher M's Hand Poured Fudge, Inc., 699 A.2d at 1276 ("when an employee learns an employer's trade secrets in the course of a confidential employment relationship, a court may enjoin the employee's use or disclosure of those secrets, regardless of whether the employee entered into a covenant restricting his use of such information.").



by the policy's "Contracts Exclusion." As a result, even though the tort claims remained viable in the separate action in New Mexico, it was clear from the facts that all the tort claims arose out of the contractual relationship between Drexel and SFST and were therefore excluded from coverage.