

Stamps.com provides its customers with Web-based shipping and postage services. In May 2000, Stamps.com and Kara began to explore a collaborative business relationship. The parties signed an NDA prohibiting Stamps.com from disclosing any confidential information learned during its discussions with Kara. The NDA expressly prohibited Stamps.com from making copies of any written confidential information without the prior consent of Kara.

In July 2000, Stamps.com expressed to Kara that it was no longer interested in pursuing the collaboration. Two years later, Stamps.com released a PC-based postage product that Kara later contended was based on Kara's proprietary technology. As a result, Kara brought suit against Stamps.com, alleging patent infringement and breach of the NDA.

On appeal, the Federal Circuit first considered the lower court's claim construction. The district court construed "security indicia" to mean that the indicia must "be created under control of a key" and found that the "information contained in" the preestablished data must be a "key."³⁵ The Federal Circuit, however, agreed with Kara's arguments that the preestablished data need not contain a key and that the security indicia need not be created or validated by a key contained in that data.³⁶ Because the district court erred in construing these claim terms, the Federal Circuit vacated the judgment of noninfringement and remanded for a new infringement determination based on the proper constructions of these terms.

Regarding the breach of contract claim, the Federal Circuit agreed that the statute of limitations barred Kara's claim for breach of the NDA based on note-taking by Stamps.com employees at a meeting held more than four years before Kara's complaint was filed.³⁷ Nonetheless, the court found disputes of material fact regarding a second alleged breach of the NDA that was not addressed in the district court's summary judgment order.³⁸ Accordingly, the Federal Circuit reversed and remanded for further determination, ruling that a jury should decide whether Kara's claim was barred by the statute of limitations and whether Stamps.com breached the NDA in copying Kara's confidential information or using such information in developing its own product.

MISAPPROPRIATION

Res Judicata Will Not Bar a Plaintiff from Exercising the Right to Refrain from Adding an After-Acquired Claim

In *Gillig v. Nike, Inc.*,³⁹ John P. Gillig, Triple Tee's principal, met with John Thomas Stites III to discuss Gillig's unique design for golf clubs. Stites agreed to maintain these conversations in the strictest confidence. Gillig and Triple Tee alleged that Stites, who subsequently joined Nike, disclosed these trade secrets to Nike and that they were then used to develop a new type of golf club. Consequently, Triple Tee filed suit against Nike in 2004 alleging that Gillig assigned his trade secrets to Triple Tee in 2000, which were then misappropriated by Nike.

35. *Id.* at 1346.

36. *Id.* at 1348.

37. *Id.* at 1350.

38. *Id.*

39. 602 F.3d 1354 (Fed. Cir. 2010).

On summary judgment, the district court dismissed Triple Tee's trade secrets claim because Triple Tee did not have standing to assert a trade secrets claim and failed to meet one of the essential elements of its claim—ownership of the alleged trade secret. The district court found no evidence to support the purported assignment from Gillig to Triple Tee in 2000 and also held that the alleged assignment from Gillig to Triple Tee in 2005—after the Complaint was filed—would not cure the defect in standing. The court further refused to allow Triple Tee to substitute Gillig as the plaintiff. The decision was appealed to the Fifth Circuit and affirmed.

Several years later, Triple Tee filed a second action with Gillig as its co-plaintiff. In addition to bringing a misappropriation of trade secrets claim, they also alleged correction of inventorship claims under 35 U.S.C. § 256. Nike moved to dismiss Plaintiffs' complaint under Federal Rule of Civil Procedure 12(b)(6) arguing that Plaintiffs' trade secrets claim was barred by the statute of limitations and Plaintiffs' inventorship claims were barred by *res judicata*.

The district court granted Nike's motion to dismiss and held that Gillig's trade secret claim was barred by the statute of limitations and Gillig and Triple Tee's inventorship claims were barred by the doctrine of *res judicata*. Plaintiffs appealed to the Federal Circuit.

The parties agreed that Texas law applied to the misappropriation of trade secrets claim, which requires that it be brought “not later than three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.”⁴⁰ The doctrine of *res judicata* precludes relitigation of claims that have already been adjudicated or that could have been adjudicated. In order for the doctrine to apply, four prerequisites must be satisfied: “(1) the parties [in both actions] are identical or in privity; (2) the judgment in the prior action was rendered by a court of competent jurisdiction; (3) the prior action was concluded by a final judgment on the merits; and (4) the same claim or cause of action was involved in both actions.”⁴¹

On appeal, the Federal Circuit, under *de novo* review, upheld the district court's holding that the trade secrets claim was barred by the statute of limitations but found error in the district court's dismissal of Gillig's inventorship claims based on *res judicata* to the extent Triple Tee is asserting an inventorship correction claim based on the 2005 assignment from Gillig.

In reaching this decision, the Federal Circuit noted that the misappropriation was first discovered in 2003 but the Complaint brought by Gillig and Triple Tee was not filed until 2008. The Federal Circuit found Plaintiffs' tolling arguments unconvincing.

With respect to the *res judicata* argument, the Federal Circuit found that Gillig was not in privity with Triple Tee solely because he was an officer and the principal owner. Absent a showing that the corporate form has been abused, stock ownership or being a corporate officer is insufficient to establish privity. Moreover, the Federal Circuit found that the “control of litigation” exception to privity does not apply because it is only applicable to issue preclusion or collateral estoppel, which was not at issue in this case.

The Federal Circuit also noted that the only issue decided by the previous litigation was that there was no assignment of any trade secret rights in 2000 from Gillig to Triple

40. *Id.* at 1358 (citing TEX. CIV. PRAC. & REM. CODE ANN. § 16.010(a)).

41. *Id.* at 1361 (citing *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559, 571 (5th Cir. 2005)).

Tee and that decision had no bearing on Gillig's inventorship claims or Triple Tee's inventorship claims if they are based on the later 2005 assignment. Furthermore, although the inventorship claims arose from the same nucleus of operative facts as the trade secrets claim, they were not barred by *res judicata* because the doctrine "does not apply to new rights acquired during the action which might have been, but which were not, litigated."⁴² Indeed, "*res judicata* does not punish a plaintiff for exercising the option not to supplement the pleading with an after-acquired claim."⁴³ The Federal Circuit also noted that most of the inventorship claims could not have been brought during the first litigation because seven of the eight patents listed in Gillig's 2008 complaint were not yet issued.

Disclosure or Acquisition Is Sufficient to Constitute Misappropriation under UTSA

In *Astro-Med, Inc. v. Nihon Kohden America, Inc.*,⁴⁴ the First Circuit affirmed the district court's post-trial judgment upholding a jury verdict in favor of plaintiff Astro-Med, Inc., a sleep and neurological research product manufacturer. Astro-Med had obtained a jury verdict against its former employee Kevin Plant and his new employer Nihon Kohden for trade secret misappropriation, among other things.

On appeal, defendants contended that there was no evidence that either Plant or Nihon Kohden ever "used" any of Astro-Med's confidential information. Absent evidence of misuse, defendants argued, there could be no valid claim for trade secret misappropriation. The court rejected defendants' contention, explaining that under the Rhode Island Uniform Trade Secrets Act, Astro-Med was not required to show "use" of a trade secret, but instead could show "acquisition" or "disclosure" of a trade secret that had been acquired by "improper means." The Act defines "improper means" as "breach or inducement of a breach of a duty to maintain secrecy"⁴⁵

The court found that Astro-Med had introduced evidence sufficient to show that Nihon Kohden's reason for hiring Plant was to get inside information from him about Astro-Med. The court further found that, viewing this evidence in the light most favorable to the jury verdict, the evidence provided a basis for the reasonable inference that Plant revealed and used the information, which Nihon Kohden then used to compete with Astro-Med.

According to the court, Astro-Med had made the requisite showing for trade secret misappropriation because "[m]isappropriation . . . includes disclosure of a trade secret by one who acquired it while under a duty to maintain its secrecy and the acquisition of a trade secret by one who knows that it was acquired by breach of a duty to maintain secrecy."⁴⁶ Accordingly, defendants properly had been subjected to liability for actual loss and unjust enrichment caused by the misappropriation.

42. *Id.* at 1363 (citing *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 126 F.3d 365, 370 (2d Cir. 1997)).

43. *Id.* (citing *Fla. Power & Light Co. v. United States*, 198 F.3d 1358, 1360 (Fed. Cir. 1999)).

44. 591 F.3d 1 (1st Cir. 2009).

45. R.I. GEN. LAWS § 6-41-1(1) (2001).

46. *Astro-Med*, 591 F.3d at 18.