

Improper Use of Voluntarily Communicated Trade Secrets Sufficient to Maintain Action for Misappropriation in Texas

“The US Court of Appeals for the Fifth Circuit held that, under Texas law, a plaintiff can sustain an action for trade secret misappropriation even if the plaintiff voluntarily communicated the alleged trade secrets to the defendant,” writes David Mlaver in McDermott Will & Emery’s *IP Update Trade Secrets*.

“HAT Contract hired Hoover Panel Systems to design and manufacture a power beam for desks in an open office environment. The parties engaged in oral negotiations that culminated in a written contract, which provided that ‘any . . . proprietary information shall be considered confidential and shall be retained in confidence by the other party.’ The contract also provided that the ‘parties agree to keep in confidence . . . all information disclosed by the other party, which the disclosing party indicates is confidential or proprietary or marked with words of similar import.’ Hoover developed a prototype and forwarded it to HAT, but never marked any information as confidential. HAT approved the prototype and placed several orders, although far fewer than Hoover expected. Hoover discovered that HAT had sent the prototype to at least one overseas manufacturer and was using it to manufacture products similar to those Hoover manufactured.”

“Hoover sued HAT in state court. HAT removed to federal court. Hoover then amended its complaint to recite causes of action for breach of contract, trade secret misappropriation, promissory estoppel, quantum meruit and unjust enrichment. HAT

asserted affirmative defenses of waiver and ratification and a counterclaim of bad faith, but the district court declined to consider the counterclaim as untimely filed. HAT moved for summary judgment on all of Hoover's claims and its waiver and ratification defenses, which the district court granted. Both parties appealed."

Read the article.