

Non-Compete & Trade Secrets Report

Developments in Protecting Business Against Unfair Competition

Utah Supreme Court Adopts Presumption of Harm in Trade Secret Litigation

By [Conrad S. Kee](#) on September 9, 2015

In a 3-2 decision, the Utah Supreme Court has held that there is a presumption of harm for claims made under the Utah Uniform Trade Secrets Act, Utah Code § 13-24-1, *et seq.*, and for claims for breach of a non-disclosure agreement when a former employee takes confidential information or trade secrets from her recent employer.

InnoSys v. Mercer, 2015 UT 80 (Aug. 28, 2015).

Background

Amanda Mercer, an engineer formerly employed by InnoSys, allegedly forwarded InnoSys's confidential information to her Gmail account, copied a confidential business plan to a flash drive, and used some of that information as evidence in an unemployment hearing. The day after the hearing, Mercer claimed she deleted all of the emails and files.

InnoSys filed suit against Mercer asserting claims for misappropriation of trade secrets, breach of her non-disclosure agreement, and breach of fiduciary duty. Following rounds of discovery, Mercer prevailed on a summary judgment motion primarily on the grounds that InnoSys had not produced any evidence of actual or threatened harm in light of Mercer's purported destruction of the information. Further, the trial court found that Mercer had not engaged in spoliation by purportedly deleting the files because she neither knew nor should have known that there was anticipated litigation. Finally, the trial court awarded sanctions against InnoSys.

Supreme Court Decision

The Utah Supreme Court reversed the trial court.

First, the Court concluded that the undisputed evidence shows Mercer had misappropriated the trade secrets:

(a) by disclosing them through emailing them to her Gmail account and disclosing them in the unemployment proceeding, and

(b) by unlawfully acquiring the business plan when she downloaded it.

In light of the *prima facie* case of misappropriation, the Court concluded there was a presumption of irreparable harm to InnoSys and the failure to quantify the harm was not fatal to InnoSys's case. Mercer, theoretically, could rebut the presumption of harm, but the Court held there was no way she could meet her "formidable" burden in light of the evidence.

The Court further held that the same principles applied to establish damages under the breach of contract and breach of fiduciary duty claims. Accordingly, the Supreme Court also reversed the sanctions award.

Lessons

This case provides helpful lessons for employers to consider in protecting trade secrets and other confidential information and succeeding in litigation. First, InnoSys had Mercer sign a non-disclosure agreement at the time she was hired. Second, in addition to the range of forensic investigation available to InnoSys at the time Mercer misappropriated its trade secrets in 2010, advances in technology now may provide additional options. Counsel might recommend preventive forensic work that may identify the alleged

misappropriation even earlier, possibly permitting the employer to seek emergency injunctive relief before many issues over confidential information arise. Third, there may be alternative ways to quantify damages in trade secret litigation – even where a former employee claims to have destroyed the information after the alleged misappropriation came to light.

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