Bancorp Services, L.L.C. v. Hartford Life Ins. Co.
E.D.Mo.,2002.
Only the Westlaw citation is currently available.
United States District Court,E.D. Missouri, Eastern Division.
BANCORP SERVICES, L.L.C., Plaintiff,
v.
HARTFORD LIFE INSURANCE COMPANY and International Corporate Management Group, Inc., Defendants.
No. 4:00-CV-70CEJ.

Feb. 25, 2002.

MEMORANDUM AND ORDER

JACKSON, J.

***1** On March 9, 2000, Hartford Life Insurance Company ("Hartford") and International Corporate Marketing Group, Inc. ("ICMG") brought an action in the United States District Court for the Southern District of New York seeking injunctive relief against Bancorp Services, L.L.C. ("Bancorp") and Seth C. Koppes. The claims in that case concerned the parties' competing interests in a product known as bank-owned life insurance with a stable value protection feature ("BOLI/SVP"). The case was transferred to the Eastern District of Missouri where it was consolidated with a lawsuit filed by Bancorp against Hartford for patent infringement and related claims involving the BOLI/SVP product. Bancorp has now filed a motion for partial summary judgment on eight of the ten claims asserted by Hartford and ICMG in their complaint. Hartford and ICMG have filed a response to the motion, and the issues have been fully briefed.

I. *Legal Standard*

Rule 56(c) of the Federal Rules of Civil Procedure provides that summary judgment shall be entered "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law."In ruling on a motion for summary judgment the court is required to view the facts in the light most favorable to the non-moving party and must give that party the benefit of all reasonable inferences to be drawn from the underlying facts. *Agristor Leasing v. Farrow,* 826 F.2d 732, 734 (8th Cir.1987). The moving party bears the burden of showing both the absence of a genuine issue of material fact and its entitlement to judgment as a matter of law. *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242 (1986); *Matsushita Electric Industrial Co. v. Zenith Radio Corp.,* 475 U.S. 574, 586-587 (1986); Fed.R.Civ.P. 56(c). Once the moving party has met its burden, the non-moving party may not rest on the allegations of his pleadings but must set forth specific facts, by affidavit or other evidence, showing that a genuine issue of material fact exists. Fed.R.Civ.P. 56(e).Rule 56(c)"mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial."*Celotex Corporation v. Catrett,* 477 U.S. 317, 322 (1986).

II. *Discussion*

A. *Misappropriation of Trade Secrets*

In Count VI of the complaint, Hartford and ICMG allege that the BOLI/SVP product and related design and documentation constitute a trade secret that belonged to them and to Morgan Bank (hereinafter referred to as "JPM"). According to the complaint, the trade secret was disclosed to Koppes, who was at the time working as a consultant to JPM and had a duty to maintain the confidentiality of the information. It is alleged that Koppes later used the trade secret, without permission, to secure U.S. Patent No. 5,926,792 (the '792 patent) that is owned by Bancorp.

***2** Bancorp advances several grounds for the entry of summary judgment on this claim. First, Bancorp argues that there is no evidence that the BOLI/SVP information constitutes a trade secret owned by Hartford or ICMG. Second, Bancorp argues that there is no evidence that either Bancorp or Koppes had a confidential relationship with Hartford or ICMG or that these defendants were third-party beneficiaries of any such relationship.

The Missouri Uniform Trade Secrets

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Act,[FN1] Mo.Rev.Stat. §§ 417.450-417.467 contains the following definitions:

FN1. The parties appear to concede that the misappropriation claim is governed by Missouri law.

(2) "Misappropriation":
(a) Acquisition of a trade secret of a person by another person who knows or has reason to know that the trade secret was acquired by improper means; or
(b) Disclosure or use of a trade secret of a person without express or implied consent by another person who:
a. Used improper means to acquire knowledge of the trade secret; or
b. Before a material change of position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake; or
c. At the time of disclosure or use, knew or had reason to know that knowledge of the trade secret was:
i. Derived from or through a person who had utilized improper means to acquire it;
ii. Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
iii. Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use ...

(4) "Trade secret," information, including but not limited to technical or nontechnical data, a formula, pattern, compilation, program, device, method, technique, or process, that:
(a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and
(b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

While the parties dispute whether the BOLI/SVP information constitutes a trade secret within the meaning of the statute, they agree that the existence of a duty owed by Koppes to maintain the secrecy of the information is essential to the misappropriation claim. In this regard, the Court believes that the evidence fails to establish that any such duty existed.

The defendants claim that Koppes worked as a consultant to JPM in 1995, during which time confidential information regarding BOLI/SVP was disclosed to him. It is undisputed that Koppes never entered into any written confidentiality agreement with Hartford and/or ICMG. However, the defendants assert that a confidential relationship existed between Koppes and JPM and that defendants were third-party beneficiaries of that relationship. The defendants submit two documents in support of their third-party beneficiary theory. Both documents contain confidentiality provisions.

***3** The first document purports to be a 1993 Consulting and Administrative Services Agreement between JPM and Marsh & McClennan, the firm that Koppes worked for, pertaining to services to be provided in connection with the development of plans and specifications for insurance policies that JPM intended to obtain on the lives of its officers. This document is unsigned, however, and the defendants offer no evidence that it was ever executed or that the parties thereto ever reached agreement as to its terms.

The second document is a June 1993 agreement signed by JPM and Koppes on behalf of Seabury & Smith, a subsidiary of Marsh & McClennan, relating to the performance of analyses of the costs of various benefit and compensation plans and methods by which those costs may be reduced or offset. This agreement, however, specifically relates to services that were to be completed by December 31, 1994, months before Hartford disclosed any alleged confidential information to Koppes and six years before JPM's purchase of the BOLI/SVP product.

Thus, the evidence submitted by the defendants fails to support their claim that Koppes owed them a duty of confidentiality with respect to information that they disclosed to him. Beyond that, however, the defendants have also failed to establish that the information constituted a trade secret.

To qualify as a trade secret under Missouri law, the information at issue (1) must not be generally known to other persons and (2) must be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Mo.Rev.Stat. § 417.453(4). "The existence of a trade secret is a conclusion of law based on the applicable facts." *Lyn-Flex West v. Dieckhaus,* 24 S.W.3d 693 (Mo.Ct.App.1999) [citing *Trandes Corporation v. GuyF. Atkinson Company,* 996 F.2d 655, 661 (4th Cir.1993)].

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A party claiming misappropriation must identify the trade secret at issue. *See**Imax Corp. v. Cinema Technologies,* 152 F.3d 1161, 1164-65 (9th Cir.1998); *AMP, Incorporated v. Fleischhacker,* 823 F.2d 1199, 1203 (7th Cir.1987); *Utah Medical Products, Inc. v. Clinical Innovations Associates, Inc.,* 79 F.Supp.2d 1290, 1311-13 (D.Utah). In their responses to discovery and to the instant motion, the defendants have described the documents that they contend contain trade secret information. However, they have not identified the information itself. In support of their argument that merely identifying a document is sufficient, the defendants cite *Lyn-Flex West,supra.*In that case, the trade secret information consisted of "a detailed compilation of technical and non-technical data including customer contacts, specifications for each listed product, product numbers, material requirements and price information" that was contained in a price book. *Lyn-Flex West,* 24 S.W.3d at 698. Whether the plaintiff had sufficiently identified its trade secret was not an issue in *Lyn-Flex West.*Indeed, the contents of the price book were described with particularity. *Id.* at 696.

***4** In this case reference to a document alone offers no clue as to the contents that may be claimed as trade secret information. Moreover, it is evident that the documents the defendants describe do not all contain trade secret information. When questioned about one of the documents in deposition, defendants' corporate designee, Peter Vogt, testified at length to the commonly-known information that the document contained. Of course, this testimony does not address the other documents that the defendants have identified, but it does demonstrate the insufficiency of the defendants' identification of trade secret information.

Nevertheless, there remains the issue of whether the defendants took reasonable steps to maintain the confidentiality of their information. In this regard, the defendants point to the standard procedures they had in place to maintain confidentiality: (1) limiting the number of people who have access to the information; (2) limiting the scope of distribution; (3) requiring confidentiality agreements; (4) placing confidential or proprietary notices on documents circulated outside of the company. Additionally, the defendants point to various memoranda and correspondence that indicate the confidentiality of the information they contain. All of these documents, however, post-date the disclosure of information to Koppes.

One of the standard procedures that defendants recite was never employed there was no written confidentiality agreement between defendants and Koppes. The absence of such a document is not dispositive of the issue of reasonable efforts. *See**Lyn-Flex West,* 24 S.W.3d at 699. However, it is an important factor to consider in determining whether reasonable steps were taken. *See**Auto Channel, Inc. v. Speedvision Network, LLC,* 144 F.Supp.2d 784, 795 (W.D.Ky.2001). The test is not whether a party took every conceivable step to protect its trade secret information. Rather, all that is required is that a party take reasonable steps. *Surgidev Corporation v. Eye Technology, Inc.,* 828 F.2d 452, 455 (8th Cir.1987).

In the instant case, the defendants' efforts to protect their alleged trade secrets cannot be described as reasonable. Although the defendants state that they had standard procedures in place, they do not state that these procedures were followed in this case. Further, marking documents "confidential" long after disclosing their contents can hardly be considered a reasonable effort to protect the secrecy of the information.

After reviewing the evidence submitted by the parties, the Court is left with the conclusion that no genuine issue of material fact exists with respect to the defendants' claim of misappropriation of trade secrets. Therefore, the plaintiff is entitled to judgment as a matter of law on Count VI of the Hartford/ICMG complaint.

B. *Conversion, Breach of Confidential Relationship, and Unfair Competition*

The provisions of the Missouri UTSA "displace conflicting tort, restitutionary, and other [state] laws ... providing civil remedies for misappropriation of a trade secret."Mo.Rev.Stat. § 417.463(1). Thus, by virtue of the statute, civil claim that are derivative of a claim of misappropriation of trade secrets are preempted. A claim that is based on facts related to the misappropriation claim is deemed derivative and, thus, preempted. *See**Auto Channel,* 144 F.Supp.2d at 789-90;*Coulter Corporation v. Leinert,* 869 F.Supp. 732, 734 (E.D.Mo.1994).

***5** The conversion claim in Count VII is based on the

allegation that Koppes wrongfully used the defendants' BOLI/SVP product information to obtain the '792 patent. In Count VIII, the defendants claim that Koppes breached the confidential relationship he had with them by using the BOLI/SVP trade secret information to obtain the '792 patent. The unfair competition claim in Count IX is based on the allegation that Koppes appropriated the defendants' BOLI/SVP trade secret information in order to develop a competitive product. Based on the allegations of the complaint, the Court finds that these claims are all derivative of the trade secret misappropriation claim and are, therefore, preempted. The plaintiff is entitled to judgment as a matter of law on Counts VII, VIII and IX of the Hartford/ICMG complaint.

C. *Patent Claims*

The Court has previously determined that the '792 patent is invalid due to indefiniteness. In light of that ruling, the remaining claims asserted by Hartford and ICMG are moot and will be dismissed without prejudice.

Accordingly,

IT IS HEREBY ORDERED that the plaintiff's motion for summary judgment [Doc. # 201] is granted as to Counts VI, VII, VIII, and IX of the complaint filed by Hartford and ICMG.

IT IS FURTHER ORDERED that the claims asserted by Hartford and ICMG in Counts I, II, III, IV, V and X of their complaint are dismissed without prejudice.

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Not Reported in F.Supp.2d, 2002 WL 32727076 (E.D.Mo.)

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