AT&T Sues Consulting Firm for Trade Secret Theft and Breach of Contract

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AT&T Services, Inc. and its subsidiary, DirectTV, LLC (collectively, "AT&T") sued Max Retrans, LLC ("Max Retrans"), a consulting company that works with local broadcasting companies to sell their content to Pay-TV service providers for re-broadcast.

Background.

Local broadcasting companies—like the local affiliates of ABC, FOX, CBS, and NBC—are licensed by the FCC to broadcast their television signals over the air for free. In order for Pay-TV service providers—like AT&T, Cox, Comcast, etc.—to re-broadcast the signals of local broadcasting companies as part of their package, they need express consent in the form of a retransmission consent agreement ("RCA").

Recently, there has been an increase in the amount of Pay-TV service providers, which local broadcasting companies have used to leverage higher prices for their RCAs. The increased competition has also created a cottage industry for consultants to negotiate higher RCA fees for several local broadcasting companies at the same time. As a result, AT&T requires all third-party consultants involved in negotiations to enter into Non-Disclosure Agreements ("NDAs") that prohibit the consultants from sharing confidential rates and other RCA terms with their other clients.

The Lawsuit.

The heavily-redacted Complaint filed in Missouri federal court last week alleges that the Max Retrans executed an NDA with AT&T as a consultant for a local broadcasting company negotiating a new RCA. Under the NDA, AT&T alleges Max Retrans was given restricted access to AT&T's confidential pricing information and trade secrets. AT&T claims that Max Retrans misappropriated its trade secrets when consulting past clients and that Max Retrans has used and will continue to use these trade secrets when consulting other clients negotiating with AT&T.

What to Watch For.

AT&T Services, Inc. et al. v. Max Retrans LLC, No. 4:19-cv-01925, in the U.S. District Court for the

Eastern District of Missouri, presents some interesting trade secret issues that are worth monitoring. We will track the progress of this case and keep you informed.

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