

# Unfashionably Late: Seventh Circuit Rejects Misappropriation Claim Premised On Prototype Created Eleven Years Prior

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The Seventh Circuit recently affirmed summary judgment in favor of a former employee and his new employer on claims for misappropriation of trade secrets relating to a prototype of an actuator created eleven years prior, holding that the inference that the defendant used his knowledge of the prototype more than a decade later was “barely conceivable” and “exceptionally unreasonable.” [\*REXA, Inc. v. Chester\*, — F.4th —, 2022 WL 2981167, at \\*6 \(7th Cir. 2022\)](#) (internal quotation marks omitted).

In 2002, Mark Chester, an engineer at Koso America, Inc. (“Koso”), participated in a project to create a new valve for a hydraulic actuator. An actuator is a component of a machine that produces motion. While the project was unsuccessful, it did produce an experimental prototype of another actuator. Koso shelved the experimental prototype due to the improbability of commercial success. The following year, Chester left Koso.

After more than a decade had passed since Chester worked on the 2002 project for Koso, Chester and his new employer, MEA Inc. (“MEA”), built a new actuator prototype, later known as the Hawk. Chester and MEA filed a related patent application, which was approved in part. REXA, Inc. (“REXA”), a company affiliated with Koso, brought suit against Chester and MEA for misappropriation of trade secrets under the Illinois Trade Secrets Act (“ITSA”), among other claims. REXA argued that Chester and MEA’s actuator incorporated and disclosed confidential designs contained within the prototype Koso developed in 2002. The district court granted summary judgment in favor of Chester and MEA. REXA appealed.

On appeal, the Seventh Circuit affirmed summary judgment in favor of defendants on the misappropriation claims. First, the Seventh Circuit agreed that REXA failed to identify a concrete trade secret, as the Court was unable to determine which aspects of the 2002 designs are known to the trade, and which are not. The Court explained that several aspects of the 2002 actuator prototype are widely known in the industry, which by definition, is not sufficiently secret to qualify for protection under the ITSA.

Second, the Seventh Circuit held that even if REXA had identified a trade secret, REXA had not established that defendants misappropriated trade secrets when MEA filed its patent application or

developed the Hawk actuator. With respect to MEA's patent application, the Court explained that REXA's allegations "rest on a series of untenable inferences." *Id.* Indeed, eleven years had passed since Chester worked on the actuator prototype, and it was undisputed that he never saw or took any documents with him when he left Koso. Additionally, REXA did not cite any case where a court "inferred" a misappropriation of trade secrets despite a lack of evidence that the defendant seized or possessed documents, nor could the Seventh Circuit find any such case. As such, the Court found the lack of evidence, coupled with the eleven-year gap, "renders the inferences that REXA asks us to draw exceptionally unreasonable." *Id.*

Regarding the design of MEA's Hawk actuator, the Seventh Circuit held that the 2002 prototype did not include features of the patent application that made the Hawk both a non-obvious improvement over prior art and commercially valuable. Thus, Chester and MEA could not have misappropriated trade secrets contained within the 2002 prototype.

[\*REXA\*](#) serves as an important reminder that trade secret claimants must identify with specificity the elements that distinguish the alleged trade secret from general knowledge in the field or public domain. Additionally, [\*REXA\*](#) confirms that, at least in the Seventh Circuit, courts are hesitant to draw inferences supporting misappropriation claims without any evidence the defendant seized or possessed documents from the plaintiff, particularly if a significant period of time passes before the alleged misappropriation occurs.

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