

## State and Federal Trade Secrets Claims Upheld By Northern District of Illinois

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A May 11, 2017 decision by Judge Chang, in the Northern District of Illinois, found misappropriation alleged under the Defend Trade Secrets Act (DTSA) and the Illinois Trade Secrets Act (ITSA), in a case where the employee downloaded files while still employed. Denying the Defendant's Motion to Dismiss a Third Amended Complaint, the Court examined the key pleading elements of: (1) trade secret, (2) misappropriation, and (3) acquisition or use, as defined under both the Illinois Trade Secrets Act and the Defend Trade Secrets Act. To survive a motion to dismiss under the ITSA and DTSA, a plaintiff must get over all three of these hurdles.

The Plaintiff contended that its former Head of Quality Control, Manish Desai, copied confidential data onto a portable data drive before taking up a new job at Plaintiff's competitor, Nidec. Plaintiff further alleged that Nidec, a direct competitor, used and continues to make use of the secrets that Desai downloaded. Defendant moved to dismiss the trade secrets claims arguing that there was nothing unlawful about Desai copying the files while he was still Plaintiff's employee and that there is no plausible allegation that Nidec has used the trade secrets contained on the thumb drive. The Court found that Plaintiff easily cleared the first element by sufficiently alleging the existence of trade secrets.

The second hurdle – misappropriation – required closer examination. Desai argued that because Plaintiff alleged he downloaded Plaintiff's trade secrets while he was still employed, he did not "misappropriate" the trade secrets, because he had authorization at the time he downloaded the files. The Court rejected this argument and instead agreed with Plaintiff, who cited the definition of "improper means" from the trade secret statutes and argued that the employee's actions qualified as a "breach or inducement of a breach of a confidential relationship or other duty to maintain secrecy or limit use." This confidential relationship and duty to maintain secrecy was established via the nondisclosure clause contained in the employment agreement with Plaintiff.

Having established misappropriation, Plaintiff still faced the "acquisition or use" barrier. Without evidence of actual use, this can be difficult hurdle for a plaintiff. To ease the leap over this last hurdle, the Court pointed to the inevitable disclosure doctrine. "Inevitable disclosure" allows a plaintiff to "prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets." *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995). This, too has three elements courts must consider. "inevitable

disclosure is established by examining “(1) the level of competition between the former employer and the new employer; (2) whether the employee’s position with the new employer is comparable to the position he held with the former employer; and (3) the actions the new employer has taken to prevent the former employee from using or disclosing trade secrets of the former employer.” *Saban v. Caremark Rx, L.L.C.*, 780 F. Supp. 2d 700, 734-35 (N.D. Ill. 2011). The Court agreed that Plaintiff’s allegations were sufficient to meet the first two elements and then gave a pass to Plaintiff noting that the third element could not necessarily be known at the pleading stage and would have to wait for discovery.

The key lesson for employers here is that having the signed employment agreement with the nondisclosure clause created a duty – one which was alleged violated – and, which, provided the basis for meeting both the ITSA and DTSA’s misappropriation definition. The case is *Molon Motor v. Nidec Motor* (ND Ill.), Case No. 16-cv-03545, May 17, 2017.

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