IN THE CIRCUIT COURT OF COUNTY, MISSISSIPPI

PLAINTIFF

VS. NO.

AND DEFENDANTS

MEMORANDUM OF AUTHORITIES IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, SUMMARY JUDGMENT AS TO DAMAGES

INTRODUCTION

This is an action by ( ) against ( ) and ( ) for alleged misappropriation of trade secrets. claims that and misappropriated 's customer lists and bid procedures when hired , a former employee of . As a result of the alleged misappropriation of trade secrets, seeks to recover $ in loss of future gross profits and punitive damages in an unstated amount.

Neither nor is liable to for misappropriation of trade secrets because the customer lists and bid procedures of do not fall within the definition of trade secrets as set forth in the Mississippi Uniform Trade Secrets Act Miss. Code Ann. Section 75-26-1 through 75-26-19 (1972). Without reaching the issue of whether the customer lists and bid procedures of constitute trade secrets, however, this matter should be decided summarily on two grounds.

First, the Mississippi Uniform Trade Secrets Act establishes that 's only remedy would have been to immediately seek an injunction to protect its alleged secrets and to mitigate it's alleged damages. asserts that it was entitled to "wait and see what happened" prior to instituting suit against for damages. Accordingly, neither nor had any reason to know that believed that there had been any misappropriation of confidential information. The Uniform Trade Secrets Act does not allow "wait and see" actions for damages. There is no genuine issue of fact relating to 's failure to seek injunctive relief or otherwise notify and of its contentions. Accordingly, and are entitled as a matter of law to summary judgment dismissing the complaint filed by against them by with prejudice.

Alternatively, bases its claim for damages on its alleged loss of gross profits – a damage measure not cognizable under Mississippi law. There is no genuine issue of fact relating to 's claim for damages based on gross profits. and are, therefore, entitled as a matter of law to summary judgment in their favor that is not entitled to recover loss of gross profits as damages in this action.

FACTS

is a corporation which sells . It operates branches in and , Mississippi and owns approximately branches located in the states of .

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ARGUMENT

Summary judgment is appropriate in matters where the movant has persuaded the court that there is no genuine issue of material fact and that the movant is entitled to judgment as a matter of law. Palmer v. Biloxi Regional Medical Center Inc 564 So.2d 1346 (Miss. 1990). Not all factual issues preclude summary judgment, only those regarding material facts. Sherrod v. U.S Fidelity and Guaranty Co., 518 So.2d 640, 642 (Miss. 1987) (citing Anderson v. Liberty Lobby, 477 U.S. 242 (1986)). The determination of which facts are material must made by the application of the substantive law. Sherrod, 518 So.2d at 642. The Mississippi Supreme Court, in Sherrod described material facts as follows:

> Not all disputed issues of fact may be sufficient to defeat a motion for summary judgment or to require a trial on the merits; only material issues of fact. Put another way, if, viewing the evidence in the light most favorable to the party against whom the motion has been made, that party's claim or defense still fails as a matter of law, summary judgment generally ought to be granted, even though there may be hot disputes regarding non-material facts.
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> Id. (emphasis in original)

In this case, although there are some hotly disputed factual issues, those issues are not relevant to the substantive law regarding the plaintiff's measure of damages and the remedies provided in the Mississippi Uniform Trade Secrets Act. Viewing the evidence of damages and the appropriateness of the remedy sought by the plaintiff in the light most favorable to the plaintiff, the plaintiff’s damage claims still fail as a matter of Law. Accordingly, summary judgment in favor of the defendants should be granted regardless of any disputed non-material facts.

THE MISSISSIPPI UNIFORM TRADE SECRETS ACT BARS SOUTHERN VALVE'S ACTION FOR DAMAGES

The Mississippi Uniform Trade Secrets Act, Miss. Code Ann. Sections 75-26-l through 75-26-19 (1972), provides the sole remedy for misappropriation of trade secrets. Miss. Code Ann. Section 75-26-15 (1972) provides:

(1) Except as provided in subsection (2), this chapter displaces conflicting tort restitutionary and other law of this state providing for civil remedies for misappropriation of a trade secret.

(2) This chapter does not affect:

(a) Contractual remedies, whether or not based upon misappropriation of a trade secret;

(b) Other civil remedies that are not based upon misappropriation of a trade secret; or

(c) Criminal remedies, whether or not based upon misappropriation of a trade secret.

The claims asserted by in this matter are for misappropriation of trade secrets. has not alleged that there was a contractual agreement between and the defendants which gives rise to a claim for misappropriation of trade secrets. The complaint of does not request any other civil or criminal remedy not addressed in subsection (1) of Miss. Code Ann. Section 75-26-15. Accordingly, 's claim for misappropriation of trade secrets must be in accord with the statutory remedies for misappropriation of trade secrets contained in the Uniform Trade Secrets Act.

Miss. Code Ann. Section 75-26-5(1) provides that actual or threatened misappropriation may be enjoined. , by its own admission, elected not to pursue an injunction, preferring instead to "wait and see what happened" (Dep. p.).

The only other remedy available to under the Uniform Trade Secrets Act is set forth in Miss. Code Ann. Section 75-26-7. Section 75-26-7 provides:

(1) Except to the extent that a material change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled to recover damages for misappropriation (Emphasis added). The comment to Section 3 of the Uniform Trade Secrets Act (identical to Miss. Code Ann. Section 75-26-7), citing Conmar Products Corp. v. Universal Slide Fastener Co., 172 F.2d 1950 (2d Cir. 1949), provides:

> If a person charged with misappropriation has materially and prejudicially changed position in reliance upon knowledge of a trade secret acquired in good faith and without reason to know of its misappropriation by another, however, the same considerations that can justify denial of all injunctive relief also can justify denial of all monetary relief. Unif. Trade Secrets Act, Section 3, 14 U.L.A. 455, cmt. (1990) (Emphasis in original)

In Conmar, an employee of a zipper manufacturer left his employer, Conmar, in the summer of 1939, and began working for a competitor, Universal. Id. at 154. Conmar waited more than a year, until , , to advise Universal that it considered that the employee had wrongfully misappropriated trade secrets of Conmar. Id. at 155. By the following year, Universal had committed $ to the development of a zipper machine designed by the employee. Id. at 156. The United States Court of Appeals for the Second Circuit held that because Universal had innocently changed its position prior to notice of the alleged misappropriation, no relief could be had against Universal. Id. at . See also Unif. Trade Secrets Act 3, 14 U.L.A. 455, cmt. (1990).

In this case, and entered into an employment relationship prior to acquiring any knowledge that believed and had misappropriated trade secrets. Instead of advising or that considered to be in violation of the Uniform Trade Secrets Act, told , "Might as well go give it a try" (Dep. p.). admits that he/she did not "press the issue" of taking his/her customer notebooks to (Dep. p.). At the time left to begin working for , did not tell or that he/she considered the customer information or bid procedures a trade secret, nor did he/she attempt to get an injunction to prohibit from going to work for (Dep. p.). said he/she did not pursue an injunction against because he/she wanted to "wait and see what happened – what kind of effect it was going to have" on (Dep. p.).

did not even contact a lawyer regarding his/her claim until , (Dep. p.). The first notice and received that objected to 's employment was the filing of this suit for damages, more than one year after went to work for .

and each materially changed their positions prior to acquiring knowledge of 's allegations that trade secrets had been misappropriated by leaving his/her employment at and accepting a job at and by accepting as an employee. 's deposition testimony establishes that had no reason to know that would assert an action for misappropriation of trade secrets against . First, , him/herself, had encouraged to bring 's knowledge regarding customer lists and bid procedures to from (Dep. p.). Second, admits that he/she told to "give it [ ] a try" (, Dep. p.). Third, states that even though he/she asked not to take his/her customer lists with him/her, he/she didn't "press it any further" because he/she didn't know who the customer lists belonged to (Dep. p.). In any event, it is clear that did not give reason to know that considered to be misappropriating trade secrets. had no communication at all with regarding the alleged misappropriation of trade secrets. Accordingly, there can be no question that neither nor had any reason to know that considered its customer lists and bid procedures to be trade secrets.

In accordance with Miss. Code Ann. Section 75-26-7, and materially changed their positions more than year(s) prior to acquiring knowledge of the allegations of misappropriation of trade secrets. Under such circumstances, Section 75-26-7, in accordance with Conmar, 172 F.2d at 157 and Unif. Trade Secrets Act Section 3, 14 U.L.A. 455, cmt. (1990) precludes an action for damages by . Accordingly, this Court should enter

summary judgment in favor of and dismissing the complaint filed herein by with prejudice.

IS NOT ENTITLED TO RECOVER FUTURE LOST GROSS PROFITS AS A MATTER OF LAW

Assuming arguendo that has a remedy in the form of damages, 's evidence as to the amount of the alleged damages fails as a matter of law. Damages must be proved with reasonable certainty and cannot be speculative or conjectural. Wall v Swilley, 562 So.2d 1252 (Miss. 1990). In Swilley, the Court stated:

> Whatever the measure of damages, they may be recovered only where and to the extent that the evidence removes their quantum from the realm of speculation and conjecture and transports it through the twilight zone into the daylight of reasonable certainty. 562 So.2d at 1256. See also Ross v. Deposit Guaranty Bank, 400 F. Supp. 45, 52 (S.D. Miss. 1974); Bank of Shaw v Posey, 573 So.2d 1355, [363 (Miss. 1990). Where the damages sought are lost profits, the Mississippi Supreme Court has held:
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> *Losses of profits in a business cannot be allowed, unless the data of estimation are so definite and certain that they can be ascertained reasonably by calculation. Yazoo & M.V.R. Co v Consumers Ice & Power Co., 109 Miss. 43, 67 So. 657 (1915).*

The Mississippi Supreme Court has consistently recognized past profits as the appropriate measure for the introduction of any future lost profits relative to damages. See Lovett v. Garner, 511 So.2d 1346 (Miss. 1987); City of New Albany v. Barkley, 510 So.2d 805 (Miss. 1987); Sanders v. Dantzler, 375 So.2d 774, 777 (Miss. 1979) (citing Mississippi Power & Light Company v. Pitts, 181 Miss. 344, 179 So. 363 (1938)).

Mississippi law is well-established that in calculating loss of future profits, such loss is that of net profits, not gross profits. Lovett, 511 So.2d at 1353 (Miss. 1987). See also City of New Albany, 510 So.2d at 807 (Miss. 1987). Accordingly, a plaintiff is not entitled to recover expected gross profits or gross income. Cook Industries v Carlson, 334 F. Supp. 809, 816 (N.D. Miss. 1971) (applying Mississippi law).

Net profits should be derived by deducting from gross profits such items as overhead, depreciation, taxes and inflation. Further, future profits should always be discounted at an appropriate rate to arrive at present value. Lovett, 511 So.2d at 1323.

In Puckett Machinery Company v. Edwards, Slip Op. No. 90-CA--1264 (Sept. 2, 1993), the defendant, Edwards, recovered lost profits as part of a jury verdict on his counterclaim against Puckett. At trial, Edwards only presented evidence of lost gross profits. On appeal, the Mississippi Supreme Court, citing Lovett, reversed the award of damages to Edwards.

In this case, as in Puckett, bases its claim for damages on gross profits. affirmatively argues that it is entitled to damages based on lost gross profits, in direct contradiction to Cook, Lovett and City of New Albany (Dep. pp. 169-70).

concedes that it has not deducted from its computation of gross profits, overhead, depreciation, and taxes as required by Lovett (Dep. p.). further concedes that it has incurred a total net loss of $ in the years since it was formed (Dep. p.). In accordance with , and City of , is not entitled, as a matter of law, to recover damages based on alleged lost gross profits. Accordingly, in the event that this Court does not elect to award summary judgment in full to the defendants, this Court should enter partial summary judgment in favor of and on 's claim for damages to its business.

CONCLUSION

For the reasons set forth hereinabove, this Court should enter summary judgment in favor of and dismissing the complaint filed by with prejudice, or alternatively, enter partial summary judgment in favor of the defendants finding that is not entitled to recover damages for alleged gross profits from and .

DATED: , .

Respectfully submitted,

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Attorney for

Of Counsel:

Telephone:
MSB #
Attorney for

CERTIFICATE OF SERVICE

I, , do hereby certify that I have this date delivered via United States Mail, postage prepaid, a true and correct copy of the above and foregoing document to the following listed counsel of record:

THIS, the day of , .

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