



Presented to: Association of Corporate Counsel – Charlotte

Recipe for Success:

An Easy to Follow, Step-by-Step Process for Trade Secret Litigation

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Presented by: Bailey King, Bradley; and Tim Lendino, Compass Group USA



Bradley

Meet the Speakers



C. Bailey King Jr.
Bradley
bking@bradley.com
704.338.6027



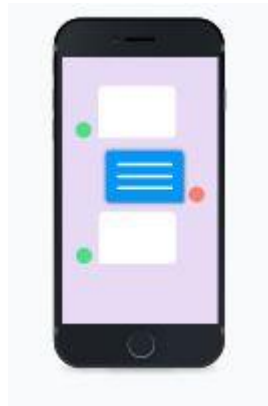
Tim P. Lendino
Compass Group USA
tim.lendino@compass-usa.com
704.328.7016

What Do You Think?

Participate in Our Upcoming Polls via Text or Web

Text:

1. Text **ACC** to **22333**
2. Submit your answer
 - (A, B, or open-ended response)



For Text Participants: You only have to join once. Continue to submit your answers as polls appear.

Web:

1. Go to **PollEv.com**
2. Enter **ACC**, click Join
3. Respond to activity



Introduction

- Coca Cola's Secret Formula: the “quintessential trade secret”



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Introduction

- Colonel Sanders' *secret* "eleven herbs and spices"



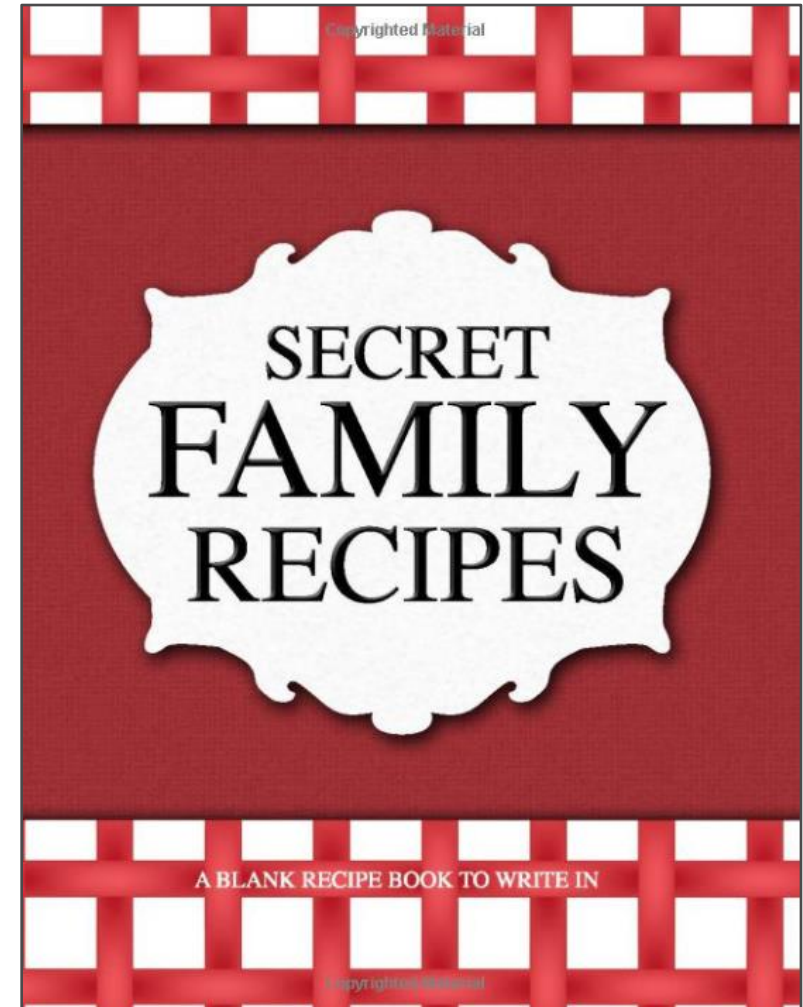
Introduction

- Bush's Baked Beans "Secret Family Recipe"



Introduction

- If recipes are the “quintessential” trade secrets, why are there not any successful trade secret cases?
 - Real secrets are kept secret
 - Coca-Cola’s formula is stored in an underground safe inside a SunTrust Bank.
 - Not all “secret” recipes are secret
 - Bush’s Baked Beans is a marketing strategy
 - The cooking process is trial and error
 - Countless recipes online for “copycat” KFC original-styled fried chicken.



Ingredients

What is a Trade Secret?

- Information, including a formula, pattern, compilation, program, device, method, technique, or process that:
 - 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
 - Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Uniform Trade Secrets Act § 1(4) (adopted by 47 states)

Ingredients

What is a Trade Secret?

- All forms and types of financial, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, techniques, processes, procedures, programs, or codes, if:
 - The owner has taken reasonable measures to keep such information secret; and
 - The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by another person who can obtain economic value from the disclosure or use of the information.

Federal Defend Trade Secrets Act, 18 USC § 1839(3)

Ingredients

What Constitutes Misappropriation?

- Acquisition of a trade secret by another person who knows or has reason to know that the trade secret was acquired by improper means; or
- Disclosure or use of a trade secret of another by a person who knew or had reason to know that knowledge of the trade secret was derived from or through a person who had used improper means to acquire the trade secret.

Uniform Trade Secrets Act § 1(2) (adopted by 47 states)

Ingredients

What Constitutes Misappropriation?

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Federal Defend Trade Secrets Act, 18 USC § 1839(5)

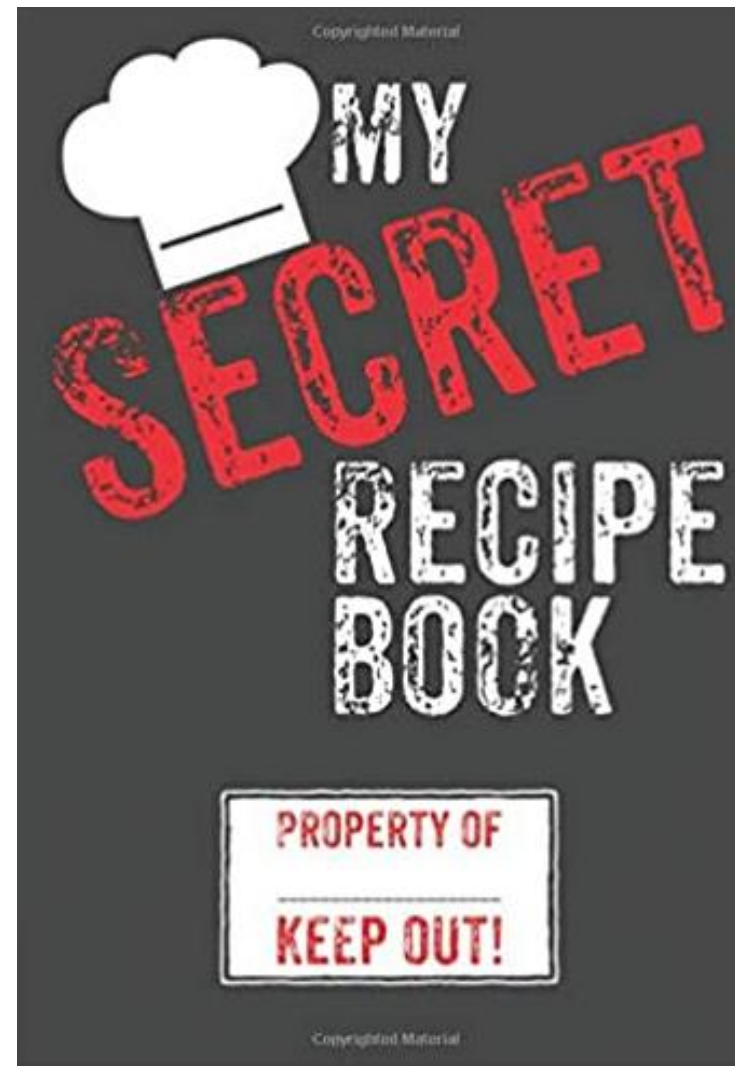
Ingredients

Trade Secret

- Information
- Valuable
- Not generally known
- Not readily ascertainable
 - Reverse engineering
 - Independent development
- Reasonable efforts to maintain secrecy

Misappropriation

- Acquired by third-party
- Through improper means
 - Not reverse engineering
 - Not independent development
- Use or Disclosure



Demonstration No. 1

Facts

- Amélie's Bakery & Café serves “French confections and pastries” in an “inviting atmosphere” with an interior décor referred to as “Paris shabby chic.”
- Two friends of the owner of Amélie's approached him about opening an Amélie's in Tampa, Florida.
- In February 2011, the parties entered into a term sheet to purchase the Amélie's name and its “know-how” for its interior design and recipes.
- Two months later, when the parties could not reach an agreement on price, the Tampa store changed its name to Sophie's French Bakery and Café.
- Amélie's filed suit, alleging that the Tampa store “continued to use its recipes and retained the Amélie's décor so that the defendants were essentially operating a copy of the plaintiff's establishment with a different name.”



Vraiment Hospitality, LLC v. Binkowski, No. 8:11-cv-1240, 2012 WL 1493737 (M.D. Fla. Mar. 19, 2012)

Demonstration No. 1

The Trade Dress Claim

- Amélie’s sought an injunction prohibiting the Tampa store from decorating “in a way that copies Amélie’s Paris-shabby style.”
 - Too Vague
- Alternatively, Amélie’s sought an injunction prohibiting the Tampa store from using “alternating light blue and dark blue vertical stripes on the interior walls, together with mis-matched furniture, custom chandeliers, and eclectic wall art.”
 - Décor is “functional”
 - Blue stripes are not “unique”

Vraiment Hospitality, LLC v. Binkowski, No. 8:11-cv-1240, 2012 WL 1493737 (M.D. Fla. Mar. 19, 2012)



Demonstration No. 1

The Trade Secret Claim

- Amélie's sought an injunction prohibiting the Tampa store from using Amélie's salted caramel brownie recipe.
 - Claimed the recipe was a unique combination of ingredients and included a "secret ingredient" that gave the brownie its "distinguishing taste."
 - Requires bakers to sign confidentiality agreements.
 - Required owner of Tampa store to sign confidentiality agreement.
- But, Amélie's allowed the recipe to be published in Charlotte Magazine, although it withheld the "key secret ingredient" from the publication.
- Sophie's pastry chef testified that he was not using Amélie's recipe but instead developed his own recipe through "independent research" and his "skills and experience as a pastry chef."
- **What did the Court do?**



Vraiment Hospitality, LLC v. Binkowski, No. 8:11-cv-1240, 2012 WL 1493737 (M.D. Fla. Mar. 19, 2012)

Is Amélie's salted caramel brownie recipe a trade secret?

Yes **A**

No **B**

Why not?

Was the recipe misappropriated?

Yes

No

Demonstration No. 2

Facts

- Magistro owns and operates Don Carmelo's Pizzeria, making "authentic New York style pizza" in Omaha, Nebraska for 8 years.
- Magistro enters into a contract for Nolan to operate a second location of Don Carmelo's Pizzeria.
 - In exchange for \$50,000 and 5% royalty payments, Magistro and Nolan agreed that Nolan could use Magistro's information, methods, trade name, and trade secrets."
- Magistro spent "months" teaching Nolan the recipes for Don Carmelo's pizza, Stromboli, calzones, and other dishes.
- Nolan agreed to "guard the recipes and methods as trade secrets" and to use them only in the operation of "Don Carmelo's Pizzeria."
- Two years after opening the second location, Nolan changed the name to Giavonni Santino's Pizzeria and stopped paying royalties.

Magistro v. J.Lou, Inc., 703 N.W.2d 887 (Neb. Sup. Ct. 2005)



Cooking Demonstration

The Trade Secret Claim

- Magistro claimed that the dough recipe Don Carmelo's used was a "secret family recipe" created in Sicily before his family moved to the U.S.
- Magistro kept the recipe secret by preparing the dough himself and refrigerating it until needed.
 - The only people (other than Nolan) who knew the recipe were members of his family.
 - The employees who made the pizza just added water to the pre-made dough.
- Nolan testified that he was given a recipe for pizza crust at a restaurant convention that was just as good as Magistro's.
 - Testified that there were "no secrets" because there were "recipes for anything you wanted," including pizza dough, shared at the convention.
- **What did the Court do?**

Magistro v. J.Lou, Inc., 703 N.W.2d 887 (Neb. Sup. Ct. 2005)



Is Don Carmelo's pizza dough recipe a trade secret?

Yes

No

Why?

Did Nolan misappropriate the recipe?

Yes

No

Why?

Demonstration No. 3

Facts

- Mother and son Hui Kun Li and Jian Lu operate Mimosa Asian Fusion Restaurant for takeout and delivery.
- John Shuman invested in the restaurant and became a 50% partner.
- Without warning, the Lu's shut down the restaurant and lock Shuman out.
- Shuman then opens Mimosa II
- The Lu's sue Shuman for trademark infringement and trade secret misappropriation.

Li v. Shuman, No. 5:14-cv-00030, 2016 WL 7217855 (W.D.Va. Dec. 9, 2016)



Cooking Demonstration

The Trade Secret Claim

- The Lu's claim that Shuman misappropriated an Excel spreadsheet marked "Confidential" with secret recipes for:
 - Fried rice
 - Moo-Goo Gai Pan
 - Pad Thai Noodles
 - Spring Rolls
 - Korean BBQ Beef
 - General Tso's Chicken
 - Sweet and Sour Chicken
 - Etc.
- The spreadsheet contains lists of ingredients and "terse" cooking instructions such as "vegetable oil sauteed with fine garlic."
- Lu claimed that the "processes" they used were "unique."
- What did the Court do?**



Li v. Shuman, No. 5:14-cv-00030, 2016 WL 7217855 (W.D.Va. Dec. 9, 2016)

Is the Lu's 16-page excel spreadsheet a trade secret?

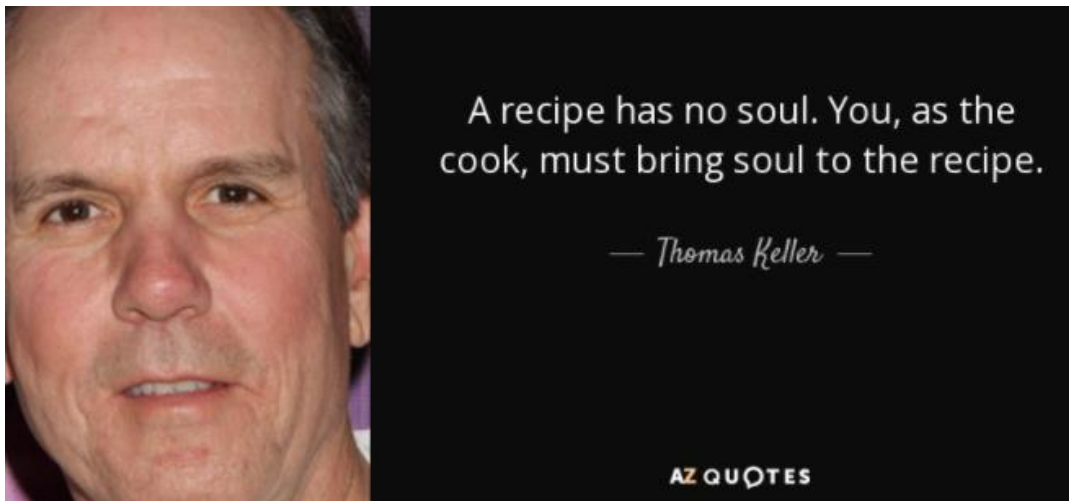
Yes

No

Why not?

The “Secret” Recipe

- Trade secret cases are difficult to prove even when dealing with recipes – the “quintessential” trade secret.
- How do you prepare (or attack) a trade secret claim?
- Simple, 6-Step Recipe



Step 1 –
A trade secret is secret.



Step 2 – A trade secret is unique.



Step 3 –
A trade secret is specific and precise.



Step 4 –
A trade secret is disclosed only on a “Knead to Know”
basis.



Step 5 – Avoid throwing the kitchen sink at the other side.



Step 6 –
Catch the thief with their hand in the cookie jar.



Questions?
Thank You!



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