



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MITCHELL LANE PUBLISHERS,)
INC.,)
)
Plaintiff/)
Counterclaim Defendant,)
)
v.)
)
JOSEPH RASEMAS, CYNTHIA)
RASEMAS A/K/A CYNTHIA)
COPE RASEMAS,)
)
Defendants,)
)
and)
)
PURPLE TOAD PUBLISHING,)
INC.,)
)
Defendant/)
Counterclaim Plaintiff,)
)
v.)
)
BARBARA MITCHELL,)
)
Counterclaim Defendant.)

C.A. No. 9144-VCN

MEMORANDUM OPINION

Date Submitted: September 15, 2014
Date Decided: September 30, 2014

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NOBLE, Vice Chancellor

Plaintiff Mitchell Lane Publishers, Inc. (“Mitchell Lane” or “Plaintiff”) seeks a preliminary injunction to prevent Defendants Joseph Rasemas (“Rasemas”), Cynthia Rasemas (“Cynthia”), and Purple Toad Publishing, Inc. (“Purple Toad,” and collectively with Rasemas and Cynthia, “Defendants”) from using Mitchell Lane’s confidential and proprietary information to print, distribute, or otherwise engage in the business of developing, marketing, or selling children’s series nonfiction books, or transferring or disclosing the confidential information to any third party. In addition, Mitchell Lane seeks the return of any and all of its confidential and proprietary information currently in the Defendants’ possession.

I. BACKGROUND

Since its formation in 1992, Mitchell Lane has published educational series nonfiction books for children and young adults. To appeal to their particular audience, the books center on topics that interest young readers and contain colorful images and easy to follow text. Mitchell Lane sells primarily to schools and libraries through sales representatives and distributors.

Mitchell Lane is a small company led by founder and Counterclaim Defendant Barbara Mitchell (“Mitchell”), who serves as President and Publisher. Mitchell Lane does not employ many full-time employees. As is common in the industry, Mitchell Lane contracts with freelance authors to write about specific topics. These contracts are non-exclusive, and the authors tend to write for several

different publishers. Mitchell Lane maintains an Author Contact List with the names and contact information of authors it has hired. Mitchell Lane also keeps a Vendor Contact List, including the names and contact information of the industry professionals the company engages to print, advertise, and distribute its books.

Mitchell Lane employees produce the books in a given series using Series Specifications, which describe the books' format, content, and organization, and Design Templates, which define the books' size, color, and layout. Mitchell Lane maintains its Design Templates on InDesign, a commonly used desktop publishing software application.

In September 2008, Mitchell Lane hired Rasemas as a fulltime employee with the title of Graphic Designer and Project Manager. Rasemas was chosen for his graphic design experience and skill. His responsibilities included redesigning the look and format of Mitchell Lane's books, developing certain Design Templates, and laying out certain books and readying them for transfer to the printer. Rasemas had access to the Series Specifications and Design Templates in order to perform his job responsibilities. He also attended Mitchell Lane's private publishing plan meetings where he received the company's confidential publishing plans. These plans were marked "confidential" and included the series and specific topics Mitchell Lane intended to publish during the upcoming year, as well as the projected publication dates.

Rasemas appeared to perform his job responsibilities without incident until the summer of 2013. Then, from June 27 to July 2, 2013, he called out of work sick each day. He returned to the office on July 3, 2013, with a note from a doctor seemingly confirming the excuse for his absence. Less than a week later, on July 8, Rasemas submitted a letter of resignation indicating that his last day of employment would be July 19, 2013.

Within a month of Rasemas's departure from Mitchell Lane, several individuals involved in the publishing industry called Mitchell to ask if she were aware of a new children's book publisher called Purple Toad. Due to apparent similarities between Purple Toad's books and those of Mitchell Lane, there was some confusion over whether Purple Toad was an "imprint," or trade name, of Mitchell Lane. Based on these phone calls, Mitchell investigated the origins of the new publishing company and discovered that Rasemas had formed it.

Rasemas, along with his wife Cynthia, had incorporated Purple Toad on March 22, 2012, over a year before Rasemas left Mitchell Lane. Rasemas and Cynthia had the idea for establishing their own publishing company at least as early as December 2011, when they met with Thomas Cope and Patricia Cope to discuss the formation of such a company.¹ Rasemas had not signed a non-competition agreement with Mitchell Lane, and his employment was at-will. After

¹ Thomas Cope is Cynthia's brother. Patricia Cope is Thomas's wife.

deciding to break away from Mitchell Lane eventually, Rasemas began to design books for the future Purple Toad, both at home, as well as on his work computer. When creating Purple Toad books while at work, Rasemas would utilize the Design Templates to format his books.

While at work, Rasemas became aware of which books purchasers ordered from Mitchell Lane, as well as the size of their orders. On some occasions, Rasemas forwarded this information to Cynthia and advised her to call those purchasers, since they might have further demand for books. Mitchell Lane claims that this information, as well as other information such as vendor and customer contacts, allowed Purple Toad to develop a business modeled very closely on that of Mitchell Lane.

Cynthia used information obtained from Mitchell Lane's Author Contact List to contact freelance authors, and used the Vendor Contact List to retain the services of printers, advertisers, and distributors. When making calls on behalf of Purple Toad, Cynthia used her maiden name to hide her connection to Rasemas and Mitchell Lane. Purple Toad has hired some employees away from Mitchell Lane.

According to Mitchell Lane, the emergence of Purple Toad has created a great deal of confusion in the educational publishing industry. Professionals in that industry who are familiar with Mitchell Lane's books have mistaken Purple Toad's

books for those offered by its competitor. This alleged confusion is the result of similarities between the books' styles, dimensions, and lengths. Mitchell Lane believes that since professionals have a hard time telling the two brands of books apart, then customers, such as schools and libraries, will also be confused.

Mitchell Lane has asserted claims against Rasemas for breach of fiduciary duty, breach of fiduciary duty of disclosure, breach of fiduciary duty of confidentiality, conversion, and unjust enrichment. Mitchell Lane has asserted a claim for aiding and abetting a breach of fiduciary duty against Cynthia and Purple Toad. There are claims against all Defendants for misappropriation of trade secrets, intentional interference with existing contractual relationships and prospective business advantage, violation of the Misuse of Computer System Information Act, violation of the Deceptive Trade Practices Act, and unjust enrichment.

Mitchell Lane also seeks interim injunctive relief, alleging that it will be irreparably harmed by suffering a great loss of customers and business if Purple Toad is allowed to operate its business, which is based on Mitchell Lane's confidential, proprietary, and trade secret information. Mitchell Lane points to the alleged ongoing confusion in the children's nonfiction publishing industry and the impending publication of Purple Toad's 2015 books.

Mitchell Lane seeks provisional relief that would result in the return of its confidential and proprietary information currently in the Defendants' possession, and also would, in effect, cause Purple Toad to cease its operations.²

II. ANALYSIS

To succeed on its motion, Mitchell Lane must show (i) a reasonable probability of success on the merits after a full hearing, (ii) imminent and irreparable injury in the absence of immediate injunctive relief, and (iii) that the balance of equities tilts in its favor, *i.e.*, the harm it would suffer in the absence of relief outweighs the harm the Defendants would suffer if the injunction is granted.³

Because of the extraordinary nature of the relief sought, Mitchell Lane bears a considerable burden in demonstrating each of the relevant factors.⁴ Although Plaintiff must establish all three necessary elements, “[a] strong showing on one element may overcome a weak showing on another element.”⁵ While the Court analyzes each element separately, it exercises discretion in assigning the relative weight that each element deserves.⁶

Because Mitchell Lane fails to establish all of the necessary prongs, its application for a preliminary injunction is denied. Further, the short period of time

² Defendants have asserted counterclaims against Plaintiff. Discussion of those claims is unnecessary in the context of the pending motion for a preliminary injunction.

³ See, e.g., *SI Mgmt. L.P. v. Winingar*, 707 A.2d 37, 40 (Del. 1998).

⁴ *La. Mun. Police Emps.’ Ret. Sys. v. Crawford*, 918 A.2d 1172, 1185 (Del. Ch. 2007).

⁵ *Cantor Fitzgerald, L.P. v. Cantor*, 724 A.2d 571, 579 (Del. Ch. 1998).

⁶ *N.K.S. Distribrs., Inc. v. Tigani*, 2010 WL 2367669, at *3 (Del. Ch. June 7, 2010).

between this decision and the final hearing on the merits, as well as the Court’s inability to tailor a form of preliminary injunction that would minimize any adverse consequences to the parties, counsels against granting extraordinary relief.⁷

A. *Reasonable Probability of Success on the Merits*

The “probability-of-success standard is unique to applications for interlocutory relief.”⁸ The movant need only show a reasonable probability of success on the merits, not that it will undoubtedly succeed.

Mitchell Lane relies on three separate theories in seeking to enjoin Defendants’ operations: (i) Rasemas breached fiduciary duties to his employer; (ii) the Defendants misappropriated Mitchell Lane’s trade secrets; and (iii) the Defendants are violating Delaware’s Deceptive Trade Practices Act.

Ultimately, to succeed on its claims, Mitchell Lane will need to prove its case by a preponderance of the evidence. “Proof by a preponderance of the evidence means proof that something is more likely than not. It means that certain evidence, when compared to the evidence opposed to it, has the more convincing force and makes you believe that something is more likely true than not.”⁹ Therefore, to demonstrate its reasonable probability of success, Mitchell Lane must

⁷ See *Cantor*, 724 A.2d at 579.

⁸ Donald J. Wolfe, Jr. & Michael A. Pittenger, *Corporate and Commercial Practice in the Delaware Court of Chancery* (“Wolfe & Pittenger”) § 10.02[b][2], at 10-13 (2013).

⁹ *Triton Constr. Co. v. E. Shore Elec. Servs., Inc.*, 2009 WL 1387115, at *6 (Del. Ch. May 18, 2009), aff’d, 988 A.2d 938 (Del. 2010).

demonstrate a reasonable probability that it will prove that it is more likely than not entitled to relief.¹⁰

1. Breach of Fiduciary Duties

Mitchell Lane alleges that Rasemas breached his fiduciary duties, including a duty of confidentiality, duty to disclose to Mitchell Lane the information relevant to the fiduciary relationship, and duty of loyalty. Rasemas clearly cannot have breached fiduciary duties to Mitchell Lane unless he owed such duties to his employer. Plaintiff asserts that Rasemas's fiduciary duties arose from his role as a key managerial employee at Mitchell Lane. In the alternative, Rasemas owed fiduciary duties as an agent of the company. Defendants deny that Rasemas was either a key managerial employee or an agent of Mitchell Lane.

(a) Was Rasemas a Key Managerial Employee?

As with corporate fiduciaries, such as officers and directors, key managerial personnel owe fiduciary duties of good faith, loyalty, and fair dealing to their company.¹¹ The Court limits such duties to key managerial employees, rather than all employees, to strike a balance between the policies "of demanding undivided and unselfish loyalty to the corporation from its crucial employees and of fostering and protecting free competition in the marketplace."¹²

¹⁰ Wolfe & Pittenger, § 10.02[b][2], at 10-11.

¹¹ *Triton Constr. Co.*, 2009 WL 1387115, at *9.

¹² *Id.*

Whether or not an individual qualifies as a key managerial employee depends on whether he “exhibit[s] any of the hallmarks” of such a crucial employee.¹³ Such hallmarks include running a division of a company or supervising tiers of employees.¹⁴ However, one may possess important responsibilities in an organization, and even hold the title of “Project Manager,” without being considered a key managerial employee.¹⁵

In *Triton Construction Co. v. Eastern Shore Electrical Services*, the Court found that the defendant was not a key managerial employee. That defendant performed project management functions for a small company. However, he neither ran a division of the company, nor did he supervise tiers of employees. The defendant “did not participate in any accounting or other financial decisions of [plaintiff company], had no input into or knowledge of the financial welfare of the [c]ompany beyond the basic communication of overall company health during the weekly meetings, did not shape the policy of the [c]ompany, or advise its CEO.”¹⁶

The Court in *Triton Construction* acknowledged that the defendant participated in weekly meetings; however, since the company was so small, it was unsurprising that the defendant would have frequent contact with the company’s

¹³ See *id.* at *10.

¹⁴ *Id.* (discussing the facts the Court relied on in *Science Accessories Corp. v. Summagraphics Corp.*, 425 A.2d 957 (Del. 1980)).

¹⁵ *Id.*

¹⁶ *Id.*

principals. Although the defendant was a project manager who had the ability to bind the company to contracts, he was not a key managerial employee.

Parallels can be drawn between Rasemas's role at Mitchell Lane and the defendant's responsibilities in *Triton Construction*. Rasemas's official position included the title of "Project Manager." Mitchell Lane argues that Rasemas participated in Mitchell Lane's publishing plan meetings, redesigned the books' format, and prepared books for printing.¹⁷ These duties provided Rasemas with insight into the company's operations. According to Mitchell, "Joe Rasemas was hired to be a project manager who would coordinate with our authors and our editors to get a book ready for the printer. It is the most important position that I hire for in my company."¹⁸

Defendants characterize Rasemas as merely an at-will employee, who did not possess any of the attributes associated with key managerial personnel.¹⁹ While acknowledging that Rasemas was officially designated a "Project Manager," Defendants argue that the record shows Rasemas to have been a book designer.

Although everyone who laid out books was called a "project manager," none of them had the authority to manage contractors, other employees, budgets, deadlines, or anything else usually connected with the title "manager." Instead, project managers were given instructions and deadlines to follow without discretion.

¹⁷ App. to Pl.'s Opening Br. at A299 (Mitchell Aff.).

¹⁸ Defs.' Ans. Br., Ex. 5 at 120-21 (Mitchell Dep.).

¹⁹ Transmittal Aff. in Supp. of Defs.' Answering Br., Ex. 67 ¶ 2 (Rasemas Aff.).

Contracts, budgets, printer deadlines and all other decisions were handled solely by Mitchell.²⁰

The Court is “reluctant to resolve critical factual disputes on interlocutory injunctive motions and more likely to decline to find satisfaction of the probability of success prerequisite when the resolution of such disputes is necessary to the applicant’s success.”²¹ Because of the conflict in the record over Rasemas’s actual role at Mitchell Lane, the Court concludes that Plaintiff has failed to demonstrate a likelihood of showing that Rasemas was a key managerial employee. The facts that Plaintiff relies on, such as Rasemas’s official title and attendance at publishing plan meetings, do not compel the Court to find Rasemas to have been a key managerial employee. Further, there is support in the record for Defendants’ assertion that Rasemas was not such an employee. The Court is hesitant to provide interlocutory injunctive relief “[w]here the facts are in dispute,”²² and Plaintiff has not met the burden of establishing a reasonable likelihood that it will be able to prove by a preponderance of the evidence that Rasemas was a key managerial employee.

²⁰ *Id.* at Ex. 70 ¶ 9 (Wilkins Aff.).

²¹ Wolfe & Pittenger, § 10.02[b][2], at 10-12.

²² *Vanaman v. Georgetown Town Office*, 2001 WL 112050, at *2 (Del. Ch. Jan. 10, 2001).

(b) *Was Rasemas an Agent of Mitchell Lane?*

Even though Rasemas is not likely a key managerial employee, he may still have owed fiduciary duties to Mitchell Lane as its agent. “Under Delaware law, the distinguishing feature of an agent is that he represents his principal contractually to the extent that the agent normally binds, not himself, but his principal by the contracts he makes.”²³ An agent can bind his principal from “having been authorized, or appearing to an unsuspecting third party to have been authorized, to do so.”²⁴ The Court has “been hesitant to expand the definition of fiduciary relationship, requiring that a ‘special trust in another’ or a ‘special duty’ exists between parties rising to the level that ‘[t]he relationship connotes a dependence.’”²⁵

Unlike in *Triton Construction*, the current record does not support a finding that Rasemas was an agent of his employer by virtue of possessing the ability to bind Mitchell Lane on contracts to third parties. The defendant in *Triton Construction* routinely prepared and submitted bids to contractors on his employer’s behalf.²⁶ If those bids were accepted, then his employer would have

²³ *Triton Constr. Co.*, 2009 WL 1387115, at *10.

²⁴ *Id.*

²⁵ *Heller v. Kiernan*, 2002 WL 385545, at *3 (Del. Ch. Feb. 27, 2002), *aff’d*, 806 A.2d 164 (Del. 2002).

²⁶ *Triton Constr. Co.*, 2009 WL 1387115, at *10.

been contractually bound.²⁷ On the other hand, Rasemas does not appear to have possessed this type of authority, and Mitchell was responsible for dealing with all third parties.²⁸ Rasemas was therefore an employee, but not an agent, of Mitchell Lane.

*(c) As an Employee, Rasemas Had a Duty to Safeguard
Mitchell Lane's Confidential Information*

“A mere employee, not an agent with respect to the matter under consideration, does not ordinarily occupy a position of trust and confidence toward his employer.”²⁹ However, if during the course of his employment, such an employee obtains “secret information relating to his employer’s business, he occupies a position of trust and confidence toward it, and must govern his actions accordingly.”³⁰ The resulting relationship is analogous in most respects to that of a fiduciary. For fiduciary duties to arise, the employee must have obtained secret information in the course of his employment, although it is not necessary for the information to rise to the level of a trade secret.³¹ The “employee has a fiduciary duty to safeguard that information, or at least, not disclose it to a competitor.”³²

²⁷ *Id.*

²⁸ Wilkins Aff. ¶ 9.

²⁹ *Brophy v. Cities Serv. Co.*, 70 A.2d 5, 7 (1949).

³⁰ *Triton Constr. Co.*, 2009 WL 1387115, at *11.

³¹ *Id.*

³² *Id.*

In *Triton Construction*, the defendant was given access to confidential business information during weekly meetings. Such information included “labor rates, volume, profit margins, equipment costs, material costs, leasing costs, existing contracts, and customer information.”³³ The information was considered confidential by his employer and was not publicly available. While this information was not a trade secret, it was valuable and confidential information that the employee received while occupying a position of trust.

Like the defendant in *Triton Construction*, Rasemas’s position at Mitchell Lane afforded him access to confidential information regarding business operations. He attended private publishing plan meetings, where he learned the topics and release dates of Mitchell Lane’s upcoming publications. Rasemas only had access to this information because of his employment at the company and the trust placed in him by his employer. The strategic business information was considered secret and Rasemas’s possession of it gave rise to a fiduciary duties. Relaying this information to third parties in an effort to exploit its commercial value would be a breach of such duties. Therefore, Plaintiff has established a reasonable probability of success on the claim that Rasemas breached fiduciary duties owed to his employer.

³³ *Id.*

2. Misappropriation of Trade Secrets

A trade secret is “information, including a formula, pattern, compilation, program, device, method, technique or process, that: (a) [d]erives 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 (b) [i]s the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”³⁴

(a) *Mitchell Lane’s Author and Vendor Contact Lists*

Mitchell Lane asserts that its Author and Vendor Contact Lists are both protectable trade secrets. These lists include information such as names, points of contact, phone numbers, and addresses. Although the individual pieces of information on this list are publicly available, Plaintiff asserts that the lists are valuable compilations.

The mere fact that information is potentially available through legitimate means does not automatically bar trade secret protection when uncovering the information through public sources “would have taken significant effort and expense to create.”³⁵ Furthermore, in the appropriate case, lists of information may

³⁴ 6 Del. C. § 2001(4)(a)-(b).

³⁵ *Great Am. Opportunities, Inc. v. Cherrydale Fundraising, LLC*, 2010 WL 338219, at *21 (Del. Ch. Jan. 29, 2010).

be trade secrets.³⁶ In *Great American Opportunities*, the Court found certain customer information lists to constitute trade secrets. These lists “included names, contact numbers, and other information relevant to [the plaintiff’s] customers.”³⁷ The lists were protected because they contained information not available through public sources.³⁸

In determining that the lists were economically valuable, the Court focused on whether the customers on the list were easily identifiable. The Court found great economic value in the lists because they contained important, nonpublic information such as names and contact information for individuals at various organizations, as well as the types and amount of product purchased by different customers. The information contained in the plaintiff’s lists could take months or years, and significant expense, to accumulate. Creating “lists of similar value would have taken a significant amount of time, money, and effort.”³⁹

However, when all of the information contained in a compilation is discoverable through public means, the Court is less likely to find the compilation to constitute a trade secret.⁴⁰ *Great American Opportunities* held that a consultant schedule, which was “an assemblage of largely public information about [the

³⁶ *Id.* at *18.

³⁷ *Id.* at *19.

³⁸ *Id.*

³⁹ *Id.* at *20.

⁴⁰ *Id.* at *18.

plaintiff's] sales force . . . contain[ing] the sales reps' home phone numbers, cell phone numbers, street addresses, hire dates, and the names of their spouses and regional managers," was not a trade secret.⁴¹ The plaintiff could not show that the schedule had independent economic value by virtue of its secrecy. The Court acknowledged that the defendant had obtained the schedule through improper means and the list had allowed the defendant "to 'accelerate' his efforts to recruit [the plaintiff's] employees."⁴² However, the fact that the schedule contained almost no information that the defendant could not have found through public sources prevented the schedule from being considered a trade secret.

Mitchell Lane describes its Author Contact List as containing the names and contact information of authors whom the company has hired. Its Vendor Contact List includes the names and contact information of industry professionals the company hires to print, advertise, and distribute its books. There is little doubt that these lists are of some value. In addition, Mitchell Lane has alleged facts from which the Court could reasonably find that the lists were obtained through improper means and that Rasemas used the lists to jumpstart his company. However, Mitchell Lane's lists are analogous to the consultant schedule in *Great American Opportunities*. Even if Rasemas used the lists to "accelerate" his efforts

⁴¹ *Id.* at *17.

⁴² *Id.* at *18.

in contacting authors and industry professionals, the lists, which contained public information ascertainable through modest effort, were not trade secrets.

(b) *Design Templates, Series Specifications, and Catalog Templates*

Each book produced by Mitchell Lane is prepared based on text and cover templates, which together constitute the Design Templates. The templates define the size, color, and layout of the books. According to Mitchell Lane, a competitor could not create a similar book without using the Design Templates. Mitchell Lane also uses Series Specifications to maintain the uniformity of its book series. These specifications detail the format, content, and organization of each book.

As with the Customer and Vendor Lists, Mitchell Lane has not shown that the templates derive “independent economic value from being secret and not ‘readily ascertainable by proper means.’”⁴³ The size, color, and layout of Mitchell Lane’s books can be readily discerned by examining a book obtained through public channels. The same is true for the format, content, and organization of each book. A Mitchell Lane book could easily be reverse engineered, and “[r]everse engineering time is a factor in determining whether a process is readily ascertainable, as is the complexity and detail of the data involved.”⁴⁴ There is obvious overlap between the complexity and detail involved in creating a product and the ease of reproducing that product. In this case, the complexity and detail of

⁴³ *Triton Constr. Co.*, 2009 WL 1387115, at *21.

⁴⁴ *Id.* at *21 n.130.

the layout and format of Mitchell Lane’s books is low. In fact, “[w]hile novelty is not a requirement for trade secrets to the same extent as for patentability, some novelty may be required.”⁴⁵

The parties debate just how confidential Mitchell Lane’s alleged trade secrets were. On a motion for preliminary injunction, where there are factual disputes between the parties, the Court will find that “Plaintiff has a reasonable probability of success on the merits if, after considering all evidence currently in the record, the court believes it to be reasonably likely that, at the final hearing, Plaintiff will establish the necessary facts by a preponderance of the evidence.”⁴⁶ Even if the Court finds that Plaintiff took adequate measures to protect its confidential information, information can be confidential without rising to the level of a trade secret.⁴⁷ Mitchell Lane could have taken reasonable measures to protect its information as confidential, but these measures could not have transformed the information into trade secrets. Thus, on the record currently before the Court, Plaintiff has not established a reasonable probability of success on its trade secrets claim.

⁴⁵ *Id.* at *21 n.131. Plaintiff’s Catalog Templates are not trade secrets for the same reasons discussed in reference to the other alleged confidential information.

⁴⁶ *Cantor*, 724 A.2d at 579.

⁴⁷ See *Triton Constr. Co.*, 2009 WL 1387115, at *21 n.128.

3. Violation of Delaware's Deceptive Trade Practices Act

The Delaware Deceptive Trade Practices Act (the “Act”)⁴⁸ “codifies [the 1964] Uniform Deceptive Trade Practices Act [(the “Uniform Act”)], which in turn, codifies the common law of unfair competition.”⁴⁹ As such, “the Act was not intended to create a new cause of action distinct from the common law protections designed to secure businesses against the deceptive trade practices of others.”⁵⁰

Mitchell Lane argues that Defendants are violating Section 2532(a)(2) of the Act, which provides that “[a] person engages in a deceptive trade practice when, in the course of a business, vocation, or occupation, that person . . . [c]auses likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services.”⁵¹ Plaintiff must demonstrate a likelihood of impermissible confusion, but need not prove “actual confusion or misunderstanding.”

The record can currently support an inference that Mitchell Lane’s customers will be confused as to the differences between Mitchell Lane’s and Purple Toad’s books. Apparently, some knowledgeable participants in the

⁴⁸ 6 Del. C. ch 25, subch. III.

⁴⁹ *Del. Solid Waste Auth. v. E. Shore Env'tl., Inc.*, 2002 WL 537691, at *4 (Del. Ch. Mar. 28, 2002) (quoting *Young v. Joyce*, 351 A.2d 857, 859 (Del. 1975)).

⁵⁰ *Grand Ventures, Inc. v. Whaley*, 632 A.2d 63, 68 (Del. 1993).

⁵¹ 6 Del. C. § 2532(a)(2).

children's book industry have expressed a belief that consumers might be confused by the similarities between the two publishers' books.

However, the fact that there may be confusion in the market does not necessarily imply the existence of deceptive practices. When a market has a number of products of a similar design or appearance, it may be reasonable to assume that there will be some confusion.⁵² However, an important distinction exists between confusion resulting from product copying and confusion resulting from trademark or trade dress copying.⁵³ A defendant cannot be liable for unfair competition solely because of a likelihood of confusion resulting from nearly identical products in the market.⁵⁴ This remains the case even when the defendant directly and intentionally copied the plaintiff's design.⁵⁵ In other words, the Act does not prohibit all copying of work available in the public domain.

To maintain a successful deceptive practices claim, Mitchell Lane must prove not just that Purple Toad's books create confusion, but that the confusion is of a type contemplated by the Act. The comments to the Uniform Act teach that claims brought pursuant to Section 2532(a)(2) "are to be based on the 'approval, endorsement, or certification of goods or services caused by *trademarks, service marks, certification marks, or collective marks* likely to be associated with

⁵² *Funnelcap, Inc. v. Orion Indus., Inc.*, 421 F. Supp. 700, 711 (D. Del. 1976).

⁵³ *Id.*

⁵⁴ *Id.* at 712.

⁵⁵ *Id.*

preexisting trade symbols,’ or by ‘misleading *trade names*.’”⁵⁶ Further, the Uniform Act “encompasses two broad areas: (i) false or misleading use of trademarks or other trade identification and (ii) deceptive advertising.”⁵⁷

To reiterate, Mitchell Lane cannot support its claim solely by showing the likelihood of confusion in the market place—Mitchell Lane must show that the confusion was created through deceptive trade practices. The comments to the Uniform Act and case law addressing Section 2532(a)(2) illustrate the section’s focus on trademarks and trade names. Trademarks and trade names derive value from the goodwill they develop with consumers. A trademark is only as strong as the association consumers make between the mark and the source of the good. For example, Nike’s logo may be the company’s most valuable asset. There is nothing inherently valuable about the “Nike swoosh”—rather, the mark is valuable for what it represents. If someone attempted to sell goods with a mark similar to Nike’s, then Nike could properly turn to the Act to address the confusion created. In determining the likelihood of confusion in such a case, the Court considers “(i) the degree of similarity between the marks, (ii) the similarity of products for which the name is used, (iii) the area and manner of concurrent use, (iv) the degree of care likely to be exercised by consumers, (v) the strength of the plaintiffs’ mark,

⁵⁶ *Del. Solid Waste Auth.*, 2002 WL 537691, at *5 (emphasis in original) (quoting comments to the Uniform Act).

⁵⁷ *Id.* at *4.

(vi) whether there has been actual confusion, and (vii) the intent of the alleged infringer to palm off his products as those of another.”⁵⁸

The factors set out in the *Draper Communications* “likelihood of confusion” test illustrate that Section 2532(a)(2) is most relevant in the context of trademarks, trade names, and other trade identifications. The test is not well designed for cases where a plaintiff cannot point to a particular trade identification being confused with its own. Returning to the Nike example, the sole motivation for someone to copy the Nike logo is to deceive others into mistaking a non-Nike product for one of Nike’s. Mimicking the Nike logo is a deceptive act, analogous to forging another’s signature. However, there are many reasons why Purple Toad may want its books to look like Mitchell Lane’s offerings. The design and colors of the books may have value in appealing to children. The value of the books’ designs is intrinsic to the product, unlike the case of the Nike logo. Further, the books may simply look similar because they were designed by the same individual. Mitchell Lane has made no showing that customers care about the brand name of the publisher in its particular industry. In fact, it is reasonable to believe that many customers never consider who the publisher of a given book is.⁵⁹ If Purple Toad

⁵⁸ *Draper Commc’ns, Inc. v. Del. Valley Broadcasters Ltd. P’ship*, 505 A.2d 1283, 1290 (Del. Ch. 1985).

⁵⁹ The record contains deposition testimony stating that “[customers] oftentimes don’t know the publisher’s name. They are looking at the design and the layout more than the name of the publishers.” App. to Pl.’s Opening Br. at A87 (Judy Sommer Dep.).

has copied Mitchell Lane's layouts because those layouts sell successfully to customers, instead of for the purpose of deceiving others into mistaking Purple Toad books for Mitchell Lane's books, then the Act does not apply. Also, Purple Toad does not utilize a deceptively similar mark or name.

Finding that the Defendants violate the Act would require the Court to extend the Act's protections beyond their intended purpose. Mitchell Lane has not asserted any theory under the Act beyond pointing to similarities between Purple Toad's books and Mitchell Lane's books while alleging confusion in the market. That argument is not enough to succeed on a deceptive practices claim. Plaintiff has thus failed to establish a reasonable probability of success on that cause of action.

B. *Imminent, Irreparable Injury*

The second part of the preliminary injunction analysis requires Plaintiff to show (i) that there will be irreparable harm absent the injunction, *i.e.*, an injury for which money damages cannot adequately compensate, and (ii) that the threatened harm is “imminent, unspeculative, and genuine.”⁶⁰ Since a preliminary injunction “is an extraordinary form of equitable relief, it ‘should not be granted if the injury

⁶⁰ *Solar Cells, Inc. v. True N. P'rs, LLC*, 2002 WL 749163, at *7 (Del. Ch. Apr. 25, 2002) (quoting *H.F. Ahmanson & Co. v. Great W. Fin. Corp.*, 1997 WL 305824, at *11 (Del. Ch. June 3, 1997)).

to Plaintiff is merely speculative' or if the act complained of has already occurred.”⁶¹

Mitchell Lane argues that it will suffer irreparable harm in the absence of injunctive relief due to the fact that Purple Toad has contacted many of the industry professionals who work with Mitchell Lane. Purple Toad is allegedly in the process of poaching these professionals from Mitchell Lane and replacing Mitchell Lane in the industry. Mitchell Lane’s continuing loss of customers and industry relationships may be hard to quantify due to uncertainty over how much business Mitchell Lane is losing because of Purple Toad’s efforts. Further, the confusion in the market between Purple Toad’s and Mitchell Lane’s books is decreasing the goodwill that Mitchell Lane has built over time.

The potential injury that Mitchell Lane identifies is speculative. Absent an injunction, Purple Toad’s recruitment of Mitchell Lane’s authors, printers, distributors, and clients may occur. However, none of these individuals or entities has an exclusive contract with Mitchell Lane. Further, the record suggests that Purple Toad’s new books will differ from the company’s prior publications.⁶² The notion that the market will be confused by Purple Toad’s future offerings is purely

⁶¹ *ZRii, LLC v. Wellness Acq. Gp. Inc.*, 2009 WL 2998169, at *13 (Del. Ch. Sept. 21, 2009).

⁶² Rasemas Aff. ¶ 29.

speculative. Mitchell Lane has failed to bear its “considerable burden in establishing”⁶³ that extraordinary relief is “urgently necessary.”⁶⁴

Although Plaintiff established a reasonable probability of success on its claim that Rasemas breached his fiduciary duties, that breach was predicated on Rasemas’s exploitation of Mitchell Lane’s confidential annual publication plans. By now, the confidential information in those plans is stale and possession of it is of no future value nor poses any threat of irreparable injury. Rasemas resigned from Mitchell Lane in July 2013. He therefore never received Mitchell Lane’s publication plans for its upcoming 2015 offerings. Assuming that Defendants are ultimately liable to Plaintiff, damages may be the appropriate form of relief. Any information that Rasemas obtained from Mitchell Lane “could have been ascertained by legitimate means by now or, at least, would be materially less valuable due to the passage of time.”⁶⁵ Given these circumstances, an injunction is unwarranted since such relief does not serve to punish past bad acts. Even if Plaintiff could convince the Court of the imminence of irreparable harm resulting from its trade secrets or deceptive practices claims, when “there is irreparable harm to the losing side on [a] preliminary injunction application in the event the loser

⁶³ *La. Mun. Police Empls. Ret. Sys.*, 918 A.2d at 1185 (“The moving party bears a considerable burden in establishing each of these necessary elements.”).

⁶⁴ See *E.I. du Pont de Nemours & Co. v. Bayer CropScience L.P.*, 958 A.2d 245, 251 (Del. Ch. 2008).

⁶⁵ *Triton Constr. Co.*, 2009 WL 1387115, at *25.

should ultimately prevail on the merits . . . the Court feels that the emphasis in analysis . . . should focus on whether the plaintiff has a reasonable probability of success in [the] lawsuit.”⁶⁶ As the Court discusses *infra*, the Defendants will suffer irreparable harm if the Court enjoins them and they are ultimately vindicated.

C. Balance of the Equities

Under the final prong of the preliminary injunction analysis, Plaintiff must prove that the Court’s refusal to grant an injunction would cause more harm to Plaintiff than granting of the injunction would cause Defendants.⁶⁷ The Court may consider the impact an injunction will have on third parties and the public generally.⁶⁸ When “[n]either party has made an especially strong showing that issuance or non-issuance of a preliminary injunction will cause them substantially more or less harm than will be suffered by the other,” then a motion for a preliminary injunction will be denied.⁶⁹ Plaintiff must show that the harm it will suffer “discounted by its likelihood, is greater than harm to any other person that the granting of the relief would occasion, discounted by its probability of its occurring.”⁷⁰

⁶⁶ *Gimbel v. Signal Cos.*, 316 A.2d 599, 604 (Del. Ch. 1974), *aff’d*, 316 A.2d 619 (Del. 1974).

⁶⁷ *Cantor*, 724 A.2d at 587.

⁶⁸ *Id.*

⁶⁹ *Gradient OC Master, Ltd. v. NBC Universal, Inc.*, 930 A.2d 104, 134 (Del. Ch. 2007).

⁷⁰ *Crown Books Corp. v. Bookstop, Inc.*, 1990 WL 26166, at *7 (Del. Ch. Feb. 28, 1990).

Defendants have established that an injunction would cause them significant harm; Plaintiff's proposed order would essentially end Purple Toad's business. The probability that Purple Toad's business will be significantly harmed is very high—such an outcome is likely certain.

Mitchell Lane argues that absent an injunction, Defendants will continue to exploit Mitchell Lane's confidential information and interfere with Mitchell Lane's relationships with its industry contacts and customers. Mitchell Lane will therefore suffer a loss in revenue and business relationships based on continuing confusion in the market. The probability of Mitchell Lane's harm is less than the obvious harm faced by Defendants. As the Court discussed in its analysis of the likelihood of success, it is not clear that Defendants are unfairly competing with Mitchell Lane.

Since (i) the impact that Defendants' operations have on Mitchell Lane's business is far more speculative than the harm Defendants would suffer from ceasing operations, and (ii) the magnitude of harm that Defendants would face is at least as great, and likely greater, than what Plaintiff faces, the balance of the equities tilts towards Defendants.⁷¹

⁷¹ Evidence that Purple Toad's financial instability might force Purple Toad to cease operation in the absence of this Court's order does not affect this analysis. *See, e.g.*, Powers Transmittal Aff. Ex. G (Letter from Patricia Cope to Thomas Cope regarding the poor management of Purple Toad.). If Purple Toad will be forced to shut down regardless, then the hardship Plaintiff will suffer in the absence of a preliminary

III. CONCLUSION

Plaintiff has failed to meet the burden required for interlocutory injunctive relief, and its Motion for a Preliminary Injunction is denied.⁷²

An implementing order will be entered.

injunction is minimal. For Plaintiff to suffer significant hardship in the absence of an injunction, it will be because Defendants continue to run their business during a time period that an injunction would prohibit. If this is the case, then it is clear that Defendants will suffer significant hardship if subject to an injunction that would close their business.

⁷² Because Plaintiff's motion is denied, the Court need not consider the unclean hands argument raised by Defendants in their answering brief.