



IN THE SUPREME COURT OF THE STATE OF DELAWARE

HEWLETT-PACKARD COMPANY,	:	
	:	
Defendant Below,	:	No. 243, 2015
Appellant/Cross-Appellee,	:	
	:	
v.	:	On Appeal from the Superior
	:	Court of the State of
PROFESSIONAL INVESTIGATION	:	Delaware
& CONSULTING AGENCY, INC.,	:	
dba PICA	:	C.A. No. 12C-06-196 MMJ
	:	[CCLD]
Plaintiff Below,	:	
Appellee/Cross-Appellant.	:	

**OPENING BRIEF FOR APPELLANT HEWLETT-PACKARD COMPANY**

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## **NATURE OF THE PROCEEDINGS**

This is a case that should not have survived summary judgment. The Trial Court performed no gatekeeper function and abdicated its role before, during and after trial with regard to the causes of action central to this appeal: misappropriation of trade secrets and defamation. With regard to the trade secret claim, the Trial Court ignored Delaware law as to plaintiff's burden of proof, and as a result the alleged trade secret was never specified, kept changing, and there was a complete absence of proof as to most of the elements of the cause of action. With regard to the defamation claim, the Trial Court allowed the jury to consider the claim in the absence of any evidence of a false statement of fact or any injury to plaintiff. And the Court completely disregarded its obligation to not allow expert testimony that lacks any reasonable methodology. As a result of these and several other demonstrable errors, the jury (i) awarded \$1 million in trade secret damages without any evidence that HP appropriated, let alone misappropriated, any trade secret belonging to plaintiff, and (ii) awarded plaintiff the highest reported defamation award in the history of Delaware jurisprudence, even though the plaintiff admitted that it suffered no economic harm as a result of the alleged defamatory statements. The denial of defendant Hewlett Packard's motion for summary judgment or motion for judgment as a matter of law should be reversed. At a minimum, a new trial is warranted.

## **SUMMARY OF ARGUMENT**

1. The Trial Court erred in denying HP's motion for summary judgment. Plaintiff Professional Investigating and Consulting Agency, Inc. ("PICA") failed to adduce any evidence on key elements of each of its claims, and the Trial Court erred in allowing the claims to proceed to trial.

2. The Trial Court erred in denying HP's motions in limine and overruling HP's objections to certain evidence offered at trial. The Trial Court further erred in not requiring PICA to define its alleged trade secret with particularity and in permitting PICA to present an undefined and ever-changing trade secret at trial. In addition, the jury was permitted to consider a "partial use" argument without any direction as to which element(s) of the alleged trade secret PICA had to prove HP used.

3. The Trial Court erred in denying HP's motions for judgment as a matter of law and for a new trial on PICA's defamation claim. First, the Trial Court erred by refusing to rule on a pure question of law; *i.e.*, whether two of the three alleged defamatory statements—namely, that HP's Latin America Region, in which PICA worked, was "poorly performing" and "poorly managed"—were constitutionally protected statements of opinion (which they plainly were). Second, the Trial Court incorrectly allowed the third alleged defamatory statement—namely, that the Latin America Region had the lowest return on

investment (“ROI”) among HP’s regions—to go to the jury despite the fact that *all* of the evidence at trial was that the statement was true.

4. Even if HP could be liable for defamation, the Trial Court erred in denying HP’s motion for a new trial on the jury’s \$5.5 million award to PICA in “humiliation damages.” PICA presented no evidence (1) that its reputation was diminished or (2) that any such diminishment (had it occurred) was proximately caused by the defamation, which consisted of 1-2 minute statements by HP personnel in a private training session for PICA’s personnel. There was no evidence to support *any* damages award. The damages awarded, an amount that was approximately 35 times PICA’s net income over a five-year period, clearly does not constitute the “fair and reasonable compensation” required by Delaware law. In permitting this award to stand, the Trial Court engaged in no substantive analysis and did not include a single citation to the evidentiary record. No such evidence exists.

5. The Trial Court erred in denying HP’s motions for judgment as a matter of law and for a new trial on PICA’s trade secret claim. First, PICA presented no evidence that the alleged “secret,” a two-page “Managed Channel Audits” Proposal (“MCA Proposal”)—a sales pitch to HP—was a protectable trade secret. Second, PICA presented no evidence that HP ever implemented the proposal. In fact, there was no evidence that any of the personnel at HP who

would have had to approve the proposal ever even saw it. Third, PICA presented no evidence of any damages proximately caused by any HP use of this “secret.” The Trial Court engaged in no substantive analysis and identified no evidence supporting the verdict.

6. The Trial Court erred in denying HP’s motion for a new trial on the jury’s \$1 million award to PICA in trade secret damages (\$300,000 in “lost profits” and \$700,000 in “unjust enrichment”). First, the Trial Court erred in denying HP’s *Daubert* motion to exclude the testimony of PICA’s damages expert, who admittedly employed no methodology whatsoever to link the alleged damages to any use of PICA’s trade secret. Second, the “lost profits” element of the damages awarded is not a proper measure of trade secret damages as a matter of law. Third, the “unjust enrichment” element of the damages was not in any way tied to HP’s alleged use of PICA’s alleged trade secret. Fourth, the Trial Court erred in allowing the jury to award PICA two mutually exclusive types of damages: one that assumed HP hired PICA to implement the MCA Proposal (“lost profits”) and another that assumed the exact opposite—*i.e.*, that HP implemented the MCA Proposal on its own (unjust enrichment). Fifth, the Trial Court erred in allowing PICA’s counsel to argue in closing that there were “some unknown damages” that the jury was “going to have to come up with” and that the “amount [was] up to you [the jury].” A9510.

7. The Trial Court erred in awarding PICA over \$1 million in attorneys' fees based on the jury's erroneous finding that HP misappropriated the MCA Proposal "willfully and maliciously." There was no evidence of misappropriation, let alone "willful and malicious" misappropriation.

8. The Trial Court erred in awarding PICA \$18,000 based on the jury finding HP liable for breaching the implied covenant of good faith and fair dealing by requiring PICA to attend the Costa Rica training.<sup>1</sup>

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<sup>1</sup> The HP-PICA contract in effect at the time of the training required PICA to attend the training, so whether in fact HP planned to offer PICA a new contract or not (PICA claimed HP did not) is irrelevant as a matter of law. A10040. Under Delaware law, the "implied covenant . . . cannot be invoked where the contract itself expressly covers the subject at issue." *Fisk Ventures, LLC v. Segal*, 2008 WL 1961156, at \*10 (Del. Ch. May 7, 2008), *aff'd*, 984 A.2d 124 (Del. 2009). As this Court recently held, "[t]he 'implied covenant of good faith and fair dealing involves . . . inferring contractual terms to handle developments or contractual gaps that . . . neither party anticipated.' It does not apply when the contract addresses the conduct at issue." *Nationwide Emerging Managers v. Northpoint Holdings, LLC*, 112 A.3d 878, 896 (Del. 2015) (internal quotation marks omitted).

## **STATEMENT OF FACTS**

### **A. Relationship Between HP and PICA**

For many years, HP has operated an anti-counterfeiting (“ACF”) program aimed at reducing the availability of counterfeit HP products (primarily ink and toner cartridges and, to a lesser degree, hardware) in the marketplace. A1625; A1676. In support of this effort, HP uses numerous vendors across the globe to investigate the sale of counterfeit HP goods in three regions: The Americas (including Latin America); Europe, Middle East & Africa (“EMEA”); and Asia Pacific Japan (“APJ”). From 2004 to 2010, PICA was the primary ACF vendor for HP in the Latin America Region (“LAR”). A9984-A10014; A10015-A10074. In 2010, there was a paradigm shift at HP whereby HP moved its ACF program away from a single-vendor-per-region model. A9107; A9109. HP had already completed the move to multiple vendors in EMEA and APJ regions, and it made the same change in LAR. A9930. Specifically, in 2010, HP began to contract with additional vendors to perform work in LAR. A8995; A9289. It is undisputed that HP had every right to do so, but PICA was unhappy with the change. A9107.

In 2010, HP also changed the way it valued seizures of counterfeit goods to better measure the performance of its ACF investigators. A9287. Under the previous system, HP valued counterfeit component parts (*e.g.*, security labels, packaging) the same as finished goods (*e.g.*, a fully packaged ink or toner



cartridge). *Id.* Under the new system, HP assigned a higher value to finished goods. *Id.* The rationale behind the change was that seizing finished goods more directly impacts the number of counterfeits that reach the market and hurts counterfeiters more than seizing mere labels and boxes, which are relatively inexpensive and easy for the counterfeiter to produce. *Id.* While PICA had met the more easily obtainable seizure goals set by HP under the old valuation system, its seizures were comprised largely of component parts, not finished goods.<sup>2</sup>

At the end of 2010, the HP-PICA LAR contract expired. A10016; A8990. HP offered PICA a new contract, but PICA rejected it because it did not like the terms offered. A9102. PICA then ceased work as an HP ACF vendor in the LAR. A8990. In June 2012, PICA filed this action. A100-A119.

## **B. PICA’s Defamation Claim And Request For “Humiliation Damages”**

The alleged defamation occurred at a September 2010 training session for PICA’s personnel in Costa Rica. Other than HP and PICA personnel, the only attendees were personnel from two other HP ACF vendors; no customers of PICA (other than HP) were present. A8982. One of the HP speakers was Bob Moore, HP’s Vice President of Global Security Services. Moore had recently learned from

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<sup>2</sup> In July 2010, HP employee Bob Cozzolina, who had recently become HP’s ACF interim manager for the LAR, traveled to Bogota, Colombia, to meet with PICA regarding HP’s expectations. A9289. Mr. Cozzolina explained that to meet its seizure goals going forward PICA would have to seize more finished goods. A9291. Mr. Cozzolina also informed PICA that HP was going to begin using multiple ACF vendors in LAR. A9291.

David Cooper, HP's Global ACF Program Director, that, with respect to Return on Investment ("ROI")—that is, the amount of money HP was spending on ACF in a given region relative to the amount of counterfeit product that was being seized—the LAR “was lagging [behind] the other regions.” A9260. In fact, at the time of the Costa Rica training, the ROI for the LAR was only approximately 2-to-1, while in EMEA it was roughly 10-to-1 and in APJ it was 7-to-1. A9261.

PICA alleged at trial that Moore said that “the LAR region was one of the poorest performing regions in the world and that they were there to make these dramatic changes that would help to recover our standing and performance in the LAR.” A8984. Cooper spoke next and, according to PICA, stated that the LAR was “the worst performing region in the world” and “we have a lot of issues, there’s been bad management, we need to change and introduce new processes and procedures.” *Id.* PICA’s witnesses further testified that Cooper also said the “return on investment” in LAR “was very poor” (A9022) or “the lowest” of all the regions (A9138). Volpi *admitted* that the statements made by Moore and Cooper were “opinions.” A9045; A9044.

Neither Moore nor Cooper said anything about PICA failing to meet its goals or metrics—either the new metrics or the old ones—and indeed there was no evidence that either of them even knew PICA’s goals/metrics. *See* A9917.

The statements were brief. Volpi interrupted both speakers within “a minute or two” to “challenge” their comments. A9021; A8984; *see also* A9095. Both Moore and Cooper then moved onto different topics. A9021.

PICA offered no evidence that anyone not in attendance at the training session ever learned of these brief remarks. Indeed, Volpi admitted that he had no evidence that, “other than these one or two-minute presentations in Costa Rica,” anyone from HP had “ever [told] anyone outside of PICA that PICA’s performance had not been good.” A9023. PICA freely admitted both before and during trial that it had sustained *no* economic damages as a result of the alleged slander and was seeking only “humiliation damages.” A4925.

### **C. PICA’s Trade Secret Claim**

#### **1. PICA’s Alleged Trade Secret**

The MCA Proposal was the only alleged trade secret that formed the basis for the jury’s damages award. The MCA Proposal was a two-page sales pitch that Diaz e-mailed to Jeff Kwasny, an HP marketing manager, in March 2010. A10075-10078. It was undisputed at trial that Kwasny had no authority to implement the MCA proposal. *See* A9368-A9369.

The MCA Proposal suggested setting up a “test purchase company” (aka “front company”) to covertly purchase goods from HP’s “channel partners” (distributors and resellers that HP has agreed may sell its products) to audit for

“illicit and/or counterfeit product.” A10075-10078. It also proposed that the front company resell all genuine products it purchased into the stream of commerce. *Id.* At trial, PICA admitted repeatedly that there was nothing novel or unique about setting up a front company to make test purchases. A9068-A9069; A9070; A9185. PICA claimed that its proposal was unique because the proposed reselling of the authentic goods would have allowed the company to be “self-sustaining”—that is, to finance itself after an initial capital investment. A9173. According to PICA, the proposed front company also would have been made to appear as real as possible, *i.e.*, to be “bulletproof.” A9068. Moreover, according to Diaz, the proposed company would be made to appear as a legitimate HP “Tier 2 distributor”; *i.e.*, act just like one of HP’s authorized resellers in all respects. A9061; A9128. For example, Diaz asserted that the front company would buy and sell other—*i.e.*, *non-HP*—products. *Id.* Diaz also testified his proposed front company would “make test buys from channel partners *regardless of whether they were suspected of doing anything wrong.*” *Id.* (emphasis added). Diaz contended that all of these attributes would “interject[] [the company] in the stream of commerce,” and that made the idea a trade secret. A9068.

When asked point-blank at trial what features of his proposal were unique, however, Diaz abandoned PICA’s reliance throughout the entire case on the “self-sustaining” aspect of the proposal, and testified the front company would have had

(1) “anonymity” and (2) the “ability to combat or defeat the bad-guy technique of salting their loads” (mixing in counterfeit product with genuine HP product). A7687; A9069. PICA presented no evidence that these features were novel. And in over two years of discovery before the October 2014 trial, PICA never once mentioned “salting.” A641-A676; A2415-A2465. Diaz mentioned “salting” for the first time during his direct examination. A9067-A9069.

Diaz, a former HP employee, who worked in HP’s ACF program, testified that his proposed front company, “if [PICA] eventually went to set it up,” “certainly” would have involved a “lot of logistics and details” that he *never* disclosed to HP. A9127.<sup>3</sup> Diaz admitted that he never further defined his idea or “put pen to paper on any of those types of details or logistics” because “We can’t invest in something that may or may not happen.” *Id.* PICA acknowledged that it has *never* implemented the idea itself or on behalf of another company. A9100.

## **2. HP’s Alleged Misappropriation**

The MCA proposal went nowhere within HP. In fact, not only did plaintiff produce *no* evidence HP ever implemented the proposal, the evidence at trial was

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<sup>3</sup> Incredibly, when asked by his own counsel how he came up with the MCA proposal, Diaz admitted that “it was based on [his] intimate knowledge of Hewlett-Packard.” A9069. “Quite frankly,” he acknowledged, “I couldn’t have done it had I not spent the better part of four years in the company [HP] as the employee and gotten that terrific understanding of how HP makes money and how much they depend on the channel to make money.” *Id.*

uncontroverted that the HP personnel who would have had to approve any such proposal never knew it existed before this lawsuit. *See* A9255; A9343; A9412.

Incredibly, at trial PICA effectively admitted it could not show HP had benefited *at all* by using the MCA proposal in its ACF program as it offered no evidence on damages of any kind tied to use of the proposal in the ACF program. Instead, PICA claimed that HP had implemented the proposal in a different program, HP's Sales and Discount Fraud ("SDF") program.<sup>4</sup> The *only* evidence PICA offered to show use of the proposal in the SDF program was a presentation given by HP personnel to a trade group (ISMA/OSAC) about HP global brand security in March 2013—*almost one year after PICA filed its lawsuit*. This presentation—given to a public audience that HP knew included Volpi—contained nothing even hinting that HP had implemented the MCA proposal. A10079-A10096. But according to PICA, a series of generic terms commonly used in the brand security world appearing on the PowerPoint slides—"test buys," "brand attacks," "brand security," "kickbacks," "collusion," and "channel management," among others—showed that HP had implemented some unspecified part of the

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<sup>4</sup> For some sales transactions, HP sells its products at a discounted price to an end user based on certain representations made by the end user (or by the partner through which the sale is being made to the end user) with the expectation that the discounted products will not be resold. A4974. Fraud occurs when those representations turn out to be false and the entity receiving the HP products resells or attempts to resell them. *Id.* HP's SDF program works to prevent and uncover instances of such discounted products being improperly resold. *Id.*

MCA Proposal. A8977-A8978; A9082-A9083. The Trial Court rejected all of HP's repeated objections to PICA's elaborate use of this irrelevant document based entirely on one of the slides' reference to "test buys," which is undisputedly not a trade secret.

In closing argument, PICA's counsel conceded PICA had no proof of misappropriation when it filed its lawsuit and mischaracterized the evidence: "The fact is when the ISMA/OSAC presentation occurred in March of 2013, that's when PICA had at least some proof that it had actually been implemented. And there's other evidence too." A9531. In fact, there was no "other evidence"—Diaz admitted that other than this generic presentation, he had no "other information that HP changed the way it made sales and discount fraud test buys after [he] made [his] proposal." A9131.

## **ARGUMENT**

### **I. THE TRIAL COURT ERRED IN DENYING HP'S MOTIONS FOR SUMMARY JUDGMENT, JUDGMENT AS A MATTER OF LAW AND A NEW TRIAL ON PICA'S DEFAMATION CLAIM**

#### **A. Question Presented.**

Whether the Trial Court erred in denying HP's summary judgment motion as to PICA's defamation claim and denying HP's motions for judgment as a matter of law and for a new trial on that claim. *See* Order on HP's Motion for Summary Judgment (attached hereto as Ex. B); Jury Verdict and Award (Exs. D and E) and Trial Court's post-trial orders (Exs. F-J).

#### **B. Scope Of Review.**

"On appeal, [the Court] review[s] the Superior Court's grant or denial of a summary judgment motion *de novo*." *Lorenzetti v. Enterline*, 44 A.3d 922, at \*1 (Del. 2012) (table). Additionally, "legal concept[s]" are not "question[s] of fact to be submitted to the jury." *Chrysler Corp. v. Chaplake Holdings, Ltd.*, 822 A.2d 1024, 1034 (Del. 2003). "[Q]uestions of law" are reviewed "*de novo*." *Sheehan v. Oblates of St. Francis de Sales*, 15 A.3d 1247, 1256 (Del. 2011).

Regarding HP's Motion under Rule 50, "[t]his Court's standard of review of a Superior Court ruling on a motion for judgment as a matter of law is whether the evidence and all reasonable inferences that can be drawn therefrom, taken in a light most favorable to the non-moving party, raise an issue of material fact for



consideration by the jury.” *Mazda Motor Corp. v. Lindahl*, 706 A.2d 526, 530 (Del. 1998) (internal quotation marks omitted). Refusal to order a new trial is reviewed for abuse of discretion. *Green v. Alfred A. I. Dupont Inst.*, 759 A.2d 1060, 1063 (Del. 2000).

A damage award should be set aside when the award is “so grossly out of proportion as to shock the Court’s conscience and sense of justice.” *Re v. Gannett Co., Inc.*, 480 A.2d 662, 669 (1984) (internal quotation marks omitted), *aff’d*, 496 A.2d 553 (Del. 1985). When the verdict is so clearly excessive “as to indicate that it was the result of passion, prejudice, partiality, or corruption,” it should be set aside. *Riegel v. Aastad*, 272 A.2d 715, 717–18 (Del. 1970).

### **C. Merits Of Argument.**

#### **1. The Trial Court Erred In Permitting The Jury To Decide A Question of Law And Then Allowing The Jury’s Determination To Stand Where There Was No False Statement Of Fact.**

A plaintiff alleging slander must establish a defamatory statement of fact. *See Riley v. Moyed*, 529 A.2d 248, 251 (Del. 1987). Here, PICA alleged three defamatory statements: (1) that the LAR region was “poorly performing,” (2) that the LAR region was “poorly managed,” and (3) that the return on investment in the LAR region was the lowest in the world. The Trial Court erred in permitting these statements to serve as the basis for a defamation verdict in PICA’s favor because (i) the first two statements were nonactionable, constitutionally protected

statements of opinion, and (ii) all of the evidence at trial was that the third statement was true.

“Pure expressions of opinion are protected under the First Amendment.” *Riley*, 529 A.2d at 251. “A pure opinion is one that is based on stated facts or facts that are known to the parties or assumed by them to exist. In contrast, a ‘mixed’ opinion is one that is not based on facts that are stated or assumed by the parties to exist. Thus, a defamatory communication may consist of a statement in the form of an opinion, but a statement of this nature is actionable only if it implies the allegation of undisclosed defamatory facts as the basis for the opinion.” *Id.* “It is also well settled that the determination of whether a statement is opinion as opposed to a factual representation is a question of law.” *Id.*

The *Riley* court applied a four-part test “to determine whether the average reader would view a statement as one of fact or one of opinion”:

***First***, the Court should analyze the common usage or meaning of the challenged language.

***Second***, the Court should determine whether the statement can be objectively verified as true or false.

***Third***, the Court should consider the full context of the statement.

***Fourth***, the Court should consider the broader social context into which the statement fits.

*Id.* at 251–52 (emphasis added; citations omitted).

In the present case, HP repeatedly asked the Trial Court to determine—as a matter of law—whether the “poorly performing” and “poorly managed” statements were protected statements of opinion under the four-part test used by this Court in *Riley*. A8738-A8740; A9237; A9551-A9558; A9629-A9632. But the Trial Court declined to do so. A8784; A9245; Ex. F. Instead, the Trial Court impermissibly left this legal question up to the jury and then—with no substantive analysis—merely deferred to the jury’s defamation verdict. Ex. F at 9.

Application of the *Riley* test to the present case demonstrates that the “poorly performing” and “poorly managed” statements were “constitutionally protected expressions of pure opinion.” *See Riley*, 529 A.2d at 252.

- First, the common meaning of the adverb “poorly” is “in a way that is not good or satisfactory.” *See* MERRIAM-WEBSTER, <http://www.merriam-webster.com/dictionary/poorly>. HP’s *opinion* was that the performance of LAR was not satisfactory.
- Second, the “full context” of these statements, and the “broader social context” into which they fit, was a private training session at which a customer—HP—was talking with a service provider—PICA—about how HP’s own ACF program could be improved with PICA’s help. Good companies assess their own programs and acknowledge where there is a need to improve. This inevitably involves the use of discretion and reaching opinions on the strength of the program in question.
- Finally, and most significantly, the statements are incapable of objective verification. *See Riley*, 529 A.2d at 252 (affirming grant of summary judgment for defendant in part because “[i]t is . . . apparent that the challenged statements . . . cannot be objectively verified”).

Indeed, courts across the country have held that statements describing performance in subjective terms such as “poor” or “worst” are not capable of being proven false and thus are not defamatory. *See, e.g., Yates v. Iowa West Racing Ass’n*, 721 N.W.2d 762, 772–73 (Iowa 2006) (overturning defamation jury verdict based on statements about plaintiff being “substandard” and a “poor” performer[]); *Miller v. Richman*, 592 N.Y.S.2d 201, 202–03 (N.Y. App. Div. 1992) (statements that plaintiff was “one of the worst secretaries at the firm,” and that her “work habits” and “performance” were “bad,” were “as a matter of law, nonactionable expressions of opinion”); *Lapkoff v. Wilks*, 969 F.2d 78, 82–83 (4th Cir. 1992) (statement indicating that the plaintiff was a poor manager held to be nonactionable opinion); *Sullivan v. Conway*, 959 F. Supp. 877, 880–81 (N.D. Ill. 1997) (statement that plaintiff was “a very poor lawyer” held to be a non-actionable opinion); *Barna Log Homes of Ga., Inc. v. Wischmann*, 714 S.E.2d 402, 404–05 (Ga. Ct. App. 2011) (statement that plaintiff “did a poor job” held to be nonactionable opinion).

PICA’s only argument that these statements were not opinions was that it had historically met its seizure goal by seizing a lot of component parts, and thus it was “objectively impossible to characterize PICA’s performance as poor.” A7712. In its post-trial opinion, the Trial Court appeared to agree. But this is a complete *non sequitur*. The argument is comparable to saying that because an associate at a

law firm satisfies the firm's annual billable hours' requirement, his performance could never be characterized by the firm as "poor," regardless of the quality of his work. A company or a person can achieve one metric and still be considered, in the opinion of others, to have performed poorly.

Moreover, no one from HP said *anything* about PICA not meeting its seizure goals in the past. Rather, the speakers explained that the remarks they made were based on the LAR's ROI relative to the other regions and the fact that PICA had seized few finished goods. A9260-A9261; A9978-A9980. These were statements of opinion regarding the quality of the work being done in the LAR. Delaware law does not preclude a client from telling a vendor it believes the vendor's performance is poor even if the vendor has satisfied one performance metric.

The only statement made in Costa Rica that arguably was capable of objective verification (and thus a statement of fact) was Cooper's statement that HP's ROI in the LAR was the lowest in the world, and *all* of the evidence at trial was that the statement was true. The statement was not any kind of attack on PICA; it was again HP simply acknowledging a fact about its ACF program with the goal of improving the program.

"[T]ruth is an absolute defense to a defamation action." *DeBonaventura v. Nationwide Mut. Ins. Co.*, 428 A.2d 1151, 1155 (Del. 1981). Moreover, "[i]t is not

necessary to establish the literal truth of the precise statement made. Slight inaccuracies of expression are immaterial provided that the defamatory charge is true in substance. There is no liability for defamation when a statement is determined to be substantially true.” *Martin v. Widener Univ. Sch. of Law*, 1992 WL 153540, at \*11 (Del. Super. June 4, 1992) (citation omitted); *see also Gannett Co. v. Re*, 496 A.2d 553, 557 (Del. 1985). Delaware courts have found substantial truth is a defense to defamation as a matter of law. *See Martin*, 1992 WL 153540, at \*11; *Davis v. W. Ctr. City Neighborhood Planning Advisory Comm., Inc.*, 2003 WL 908885, at \*4 (Del. Super. Mar. 7, 2003).

Here, *all* of the evidence in the record was that Cooper’s ROI comment was true. Moore testified that the ROI for the LAR at the time of the Costa Rica training was approximately 2:1, while “[i]n Europe Middle East Africa [EMEA] it was roughly 10-to-1 and in Asia Pacific Japan [APJ] 7-to-1.” A9237. *See also* A9973-A9974 (Cooper testified that “[w]e looked at ROI” and that “Latin America, which is 50% more in sales than Asia Pacific is,” only had “seizures that aren’t even one-tenth”); *see also* A9978.

This testimony was unrebutted at trial. Diaz admitted that he did not know the ROI for LAR in September 2010, much less the ROI in EMEA and APJ during that time period. *See* A9137 (“I’d be taking a wild guess.”). Similarly, Volpi testified that while he purportedly had a “general sense” of the amount of money

HP was spending in the other regions, Cooper had better information on those figures. A9022.

In short, PICA presented no evidence—because there was none—from which the Trial Court or a reasonable jury could conclude that Cooper’s statement that the LAR had the worst ROI in the world was untrue. The Trial Court did not even address this issue in its post-trial Opinion. *See* Ex. F.

**2. The Trial Court Erred In Not Ordering A New Trial On The Jury’s Award Of \$5.5 Million In “Humiliation Damages.”**

There was no evidence to support the jury’s staggering \$5.5 million award to PICA in supposed “humiliation damages.” The Trial Court erred in refusing to set aside the award and order a new trial.

“[T]he general rule is that oral defamation is not actionable without special damages.” *Spence v. Funk*, 396 A.2d 967, 970 (Del. 1978). However, “there are four categories of defamation, commonly called slander [p]er se, which are actionable without proof of special damages.” *Id.* One of those categories is where the statement “malign[s] one in a business, trade or profession.” *Id.* PICA admitted it had no evidence of economic harm caused by the fleeting Costa Rica statements, so it relied on this “per se” exception at trial to seek compensatory “humiliation damages.” A4922-A4926.

But PICA presented no evidence that it had suffered *any* injury to its reputation that was *proximately caused* by the brief Costa Rica comments. Nor

did the Trial Court identify *any* evidence supporting the award in its two-sentence “analysis” of the issue in its post-trial Opinion. *See* Ex. F at 9-10.

Although PICA was not required to prove a specific dollar amount of its harm, to recover damages (including “humiliation damages”) it was required to present evidence that its reputation was diminished as a result of the alleged slander. *See* DEL. P.J.I. CIV. § 11.6 (“Elements of Defamation” instruction requiring “that the defamation caused injury to” plaintiff) & § 11.11 (“Injury to Reputation” instruction requiring the jury to consider “whether the plaintiff’s reputation has actually been diminished since the publication”) (emphasis added); *see also Rhone v. Dickerson*, 2003 WL 22931336, at \*3 (Del. Com. Pleas 2003) (requiring testimony regarding harm to reputation in order to award compensatory, rather than nominal, damages for slander per se). But it presented none. Its damages expert (Dr. Markham) offered no opinion at all on the topic of defamation damages, and PICA presented no other evidence (from any witness) showing that the brief Costa Rica statements resulted in any diminished reputation or humiliation for PICA.

Nor would any such evidence of diminished reputation have been plausible. The statements here were made in the span of 1-2 of minutes in a private training session at which only HP, PICA, and two other vendors were present. PICA did



not introduce any evidence that anyone who was not present at the training heard about these statements.

Moreover, even if PICA had presented evidence that its reputation was somehow diminished, there was no evidence that any such injury was *proximately caused* by the fleeting comments in Costa Rica. *See Gannett Co. v. Kanaga*, 750 A.2d 1174, 1188 (Del. 2000) (“The nature and extent of future consequences must be established with reasonable probability or there can be no recovery for that item of damages.”); *see also Ramada Inns, Inc. v. Dow Jones & Co.*, 543 A.2d 313, 329 (Del. Super. 1987) (recognizing, in the context of a libel action, that Delaware defamation law follows “legal cause” principles of “general tort law”); DEL. P.J.I. CIV. § 22.13 (2000) (requiring damages to be “proximately caused” by the defamatory statement). Here, there simply was no evidence *linking* any injury to PICA with the brief oral comments made in Costa Rica.

In fact, all of the evidence was to the contrary. Volpi testified unequivocally that the purported “harm” to PICA’s reputation was the result of two events completely unrelated to any statements made in Costa Rica: (1) his decision in 2012 to sue a customer (HP), and (2) PICA’s loss of HP as a customer in 2011. *See* A8993; A8994. To the extent PICA offered any evidence of diminished reputation, it had nothing to do with brief statements made in Costa Rica.

Finally, even if there had been some evidence of harm to PICA from the brief HP statements in Costa Rica, the Trial Court erred in not setting aside the record \$5.5 million damages award. Of all the Trial Court's errors, this is perhaps the most egregious.

It is black letter Delaware law that “[d]amages cannot be speculative or uncertain, but must be at least based on a ‘reasonable estimate.’” *Cincinnati Bell Cellular Sys. Co. v. Ameritech Mobile Phone Serv.*, 1996 WL 506906, at \*20 (Del. Ch. 1996 (citation omitted)); *see also Gannett*, 750 A.2d at 1188. Here, there was no basis or evidence whatsoever for the \$5.5 million figure. To illustrate the arbitrariness (and outrageousness) of the number, the Court need only look to PICA's profits and losses during the final few years of the HP/PICA relationship and the two years following the end of the relationship (2008-2012). In three of those five years, PICA lost money, and its total net income during the five-year period was at most \$154,660. A10097-A10603; *see also* A9040. The notion that PICA suffered “humiliation” loss in an amount 35 times its net income over a five-year period ( $\$154,660 \times 35 = \$5.4$  million) defies comprehension.

Delaware law mandates that this unsubstantiated award cannot stand. *See Re*, 480 A.2d at 669. In fact, no Delaware court of which HP is aware has *ever* awarded comparable damages for a slander claim. For example, in *Q-Tone Broad. Co. v. MusicRadio of Maryland*, which involved defamatory statements accusing

the plaintiff of making inappropriate sexual advances, the court let stand a jury verdict of \$3,000 in compensatory damages, in addition to \$52,000 in punitive damages combined for the multiple defendants. 1996 WL 494177, at \*1-2 & n.3 (Del. Super. Apr. 22, 1996). Here, PICA did not seek punitive damages. Similarly, in *Rhone v. Dickerson*, which involved defamatory statements accusing the plaintiffs of being child abusers, the court awarded only \$250 dollars to each plaintiff. 2003 WL 22931336, at \*3 (Del. Com. Pl. Oct. 16, 2003).<sup>5</sup> And because PICA was the only plaintiff here, there must have been proof that the corporation itself was “humiliated” in a way that caused actual injury. HP is unaware of a single published Delaware decision awarding “humiliation damages” to a corporation.<sup>6</sup>

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<sup>5</sup> Like Delaware courts (*see, e.g., Re*, 480 A.2d at 669), courts nationwide routinely throw out defamation damages awards even when they are considerably smaller than the jury’s \$5.5 million verdict in this case. *See, e.g., Weldy v. Piedmont Airlines*, 1995 WL 350358, at \*3, 6 (W.D.N.Y. May 30, 1995) (ordering new trial or remittitur of \$30,000 on compensatory damages award of \$150,000); *Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 494 F. Supp. 505, 509 (S.D.N.Y. 1980) (award of \$7.5 million was “so grossly excessive as not to be susceptible to correction by remittitur” and, instead, ordering a new trial); *United Ins. Co. of Am. v. Murphy*, 961 S.W.2d 752, 756–57 (Ark. 1998) (award of \$3 million “[could] not be sustained by the evidence”); *Cunningham v. Simpson*, 1 Cal. 3d 301, 308 (Cal. 1969) (affirming trial court’s order of new trial where jury awarded \$25,000 verdict on slander claim, which court found to be excessive).

<sup>6</sup> Courts in other states have held that a corporation cannot recover “humiliation damages.” *CigarCafe, L.C. v. Am. Online, Inc.*, 1999 WL 33721814, at \*15 (Va. Cir. Ct. June 30, 1999); *see also Victory Ins. Co. v. Mont St. Fund*, 344 P.3d 977, 983 (Mont. 2015); *Dexter’s Hearthside Rest., Inc. v. Whitehall Co.*, 508 N.E.2d 113, 116 (Mass. App. Ct. 1987); *Med.*  
(*Cont’d on next page*)

In its opinion denying HP’s post-trial motions, the Trial Court stated in a two-sentence paragraph that it had “considered extensive and detailed evidence of” a number of factors and concluded that the award “shocks neither the Court’s conscience nor sense of justice.” Ex. F at 9. The Trial Court did not include a single citation to the evidentiary record in support of this conclusion. Moreover, none of the “evidence” the Trial Court generically identified supports the \$5.5 million award:

- “the amounts paid by HP to PICA over the course of their relationship” (Ex. F at 9) – This has nothing to do with any “humiliation damages” PICA purportedly incurred.
- “the relatively insular nature of the brand protection industry in Latin America” (*id.*) – PICA introduced no evidence that anyone outside of the meeting (such as other PICA clients) learned of these brief oral statements.
- “PICA’s reputation in the area before and after HP’s defamatory statements” (*id.*) – There was no evidence that PICA’s reputation declined after the statements, and certainly no evidence that any diminished reputation was caused by these brief comments.
- “the persons who heard HP’s statements” and “the likely effect such statements would have on those listening the context of the totality of the circumstances surrounding the business relationships and competitive climate” (*id.*) – Apart from HP and PICA personnel, only a handful of people heard these comments, and there is no evidence they acted on them or disclosed them to a wider audience.

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*Mut. Liab. Ins. Soc’y v. B. Dixon Evander & Assocs.*, 628 A.2d 170, 176 (Md. Ct. App. 1993); *Wolf St. Supermarkets, Inc. v. McPartland*, 108 A.D.2d 25, 32 (N.Y. App. Div. 1985).

- “PICA’s income figures during the relevant time period; as well as PICA’s evidence of profit projections.” (*id.* at 9-10) – This has nothing to do with any “humiliation damages” PICA purportedly suffered. Moreover, as discussed above, the award was 35 times PICA’s net income over the five-year period from 2008-12.

In the end, the Trial Court accepted PICA’s argument that Delaware law allows an award of “humiliation damages” in an amount untethered to any proof of actual harm caused by the alleged defamation. In so doing, the Trial Court ignored basic elements of tort law—actual injury, proximate causation, and fair and reasonable compensation—that are enshrined in Delaware defamation law. If such an award were allowed to stand, it would run afoul of federal constitutional protections, including the First<sup>7</sup> and Fourteenth<sup>8</sup> Amendments. This requires reversal.

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<sup>7</sup> In *Gertz v. Robert Welch, Inc.*, the Supreme Court held that defamation damages that are not tied to actual injury are inconsistent with the First Amendment and, thus, are unconstitutional. 418 U.S. 323, 349 (1974). Courts nationwide have followed suit. *See, e.g., Jacron Sales Co. v. Sindorf*, 350 A.2d 688, 691–94 (Md. 1976); *Rogozinski v. Airstream by Angell*, 377 A.2d 807, 813–14 (N.J. Super. 1977), *as modified*, 397 A.2d 334 (N.J. Super. 1979); *Ryder Truck Rentals v. Latham*, 593 S.W.2d 334, 338–39 (Tex. Civ. App. 1979).

<sup>8</sup> Federal due process requires that States not allow standardless jury discretion without procedural safeguards. *See Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 22 (1991) (requiring a “sufficiently definite and meaningful constraint on the discretion” of the factfinder in awarding punitive damages); *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 426 (2003) (extending *Haslip*’s rationale to compensatory damages awards that have excessive punitive elements); *Philip Morris USA v. Williams*, 549 U.S. 346, 353 (2007).

## **II. THE TRIAL COURT ERRED IN NOT GRANTING HP SUMMARY JUDGMENT, JUDGMENT AS A MATTER OF LAW, OR A NEW TRIAL ON THE TRADE SECRET CLAIM**

### **A. Question Presented.**

Whether the Trial Court erred in denying HP's motions for summary judgment; in denying HP's motions in limine; in its evidentiary rulings at trial; and in denying HP's motions for judgment as a matter of law and for a new trial on PICA's trade secret claim. *See* Exs. A, B, C, F.<sup>9</sup>

### **B. Scope Of Review.**

*See* pp. 14-15, *supra*.

### **C. Merits Of Argument.**

The Trial Court erred in not granting HP's motions on PICA's trade secret claim as there simply was no evidence showing (1) an actual trade secret, (2) misappropriation, or (3) damages.

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<sup>9</sup> The Court's erroneous rulings on motions in limine and on evidence are attached as Exhibits A and C. The errors are too numerous to be fully discussed herein. By way of example, HP was not allowed to cross-examine PICA's trade secret expert on an affidavit from PICA's CEO that was directly inconsistent with the expert's opinion because the Court believed "it's not appropriate to ask the witness something that's in a document not [previously] provided to the witness." A9178. And the Court did not allow HP to introduce the affidavit into evidence when the CEO testified. *Id.* At another point in the trial, the Court overruled an HP hearsay objection to a document, stating, "Well, hearsay has to be a statement. I'm not seeing a statement in here." A8954. The Court apparently did not recognize that both oral and written statements can be hearsay.

## 1. Trade Secret Misappropriation Legal Standard

Under Delaware law, a “trade secret” is defined in pertinent part as “information . . . that [*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 . . . .”. 6 *Del. C.* § 2001(4) (emphases added). “A party alleging misappropriation of a trade secret has the burden of proving the existence of the trade secret.” *Savor, Inc. v. FMR Corp.*, 2004 WL 1965869, at \*6 (Del. Super. July 15, 2004). As part of this burden, “the plaintiff must do more than allege it has a trade secret, it must describe its trade secret with a reasonable degree of precision and specificity . . . such that a reasonable jury could find that plaintiff established each statutory element of a trade secret.” *Id.* (quotations omitted). The plaintiff also must prove that it “took reasonable steps to protect the secrecy of its” alleged trade secret. *Id.* at \*7.

A plaintiff also must show that the defendant misappropriated the alleged trade secret by acquiring, disclosing, or using the trade secret through improper means. *Beard Research, Inc. v. Kates*, 8 A.3d 573, 597 (Del. Ch. 2010) (quoting 6 *Del. C.* § 2001), *aff’d sub nom. ASDI, Inc. v. Beard Research, Inc.*, 11 A.3d 749 (Del. 2010). Finally, the plaintiff must prove damages. 6 *Del. C.* § 2003(a).

## **2. The Trial Court Erred In Permitting PICA To Present To The Jury An Undefined And Ever-Changing Trade Secret**

The law requires a clear assertion of what constitutes a trade secret; indeed, a case should not even reach discovery where the plaintiff fails to precisely define the alleged trade secret.<sup>10</sup> Nevertheless, the Trial Court permitted PICA to play a shell game as to what its alleged trade secrets were. HP repeatedly pleaded with the Trial Court before trial to require PICA to provide a final, binding definition of the alleged trade secret, but the Trial Court refused to do so. *See* A2481-2490; A4550-A4556; A4875-A4881. At trial, Diaz testified to aspects of his MCA proposal that are not in the written proposal and were *never* disclosed during discovery (such as the supposed importance of preventing “salting”). A9067-A9069. He also pointed to portions of the ISMA/OSAC presentation (such as generic references to “brand attacks,” “brand security,” “kickbacks,” “collusion,” and “channel management”) that supposedly reflected his proposal that were never part of PICA’s trade secret claim before trial. A9082-A9083. Attached as Exhibit K is a chart showing the history of PICA’s shifting trade secret.

Compounding the errors, the Trial Court permitted PICA to tell the jury that HP should be found liable even if it only used pieces of the MCA proposal without

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<sup>10</sup> *Savor, Inc. v. FMR Corp.*, 2004 WL 1965869, at \*6 (Del. Super. July 15, 2004); *Callaway Golf Co. v. Dunlop Slazenger Grp. Am., Inc.*, 318 F. Supp. 2d 205, 210–11 (D. Del. 2004); *SmithKline Beecham Pharma. Corp. v. Merck & Co., Inc.*, 766 A.2d 442, 447 (Del. 2000); *Magnox v. Turner*, 1991 WL 182450, at \*2 (Del. Ch. 1991).



(i) identifying which pieces or (ii) proving they independently were trade secrets. A9535-A9536. This “partial use” argument by PICA allowed PICA to use an undefined, shotgun approach to defining its trade secrets. PICA’s own expert opined that the very methods HP supposedly misappropriated, such as test purchases, use of front companies, covert purchases from business partners, and the reselling of legitimate product, are *not* trade secrets at all. *See* A9184-A9185; A9190. Nevertheless, the Trial Court permitted PICA to argue to the jury its theory of “partial” misappropriation without requiring PICA to specify which features were both (i) secret and (ii) used by HP. This was error.

The use of one component of an alleged process, which is a trade secret only when all parts are put together as “the whole package,” is not enough to prove misappropriation. *See Mitchell Lane Publishers, Inc. v. Rasemas*, 2014 WL 4925150, at \*7 (Del. Ch. Sept. 30, 2014) (stating that “when all of the information contained in a compilation is discoverable through public means, the [c]ourt is less likely to find the compilation to constitute a trade secret”). “Simply to assert a trade secret resides in some combination of other known data is not sufficient, as the combination itself must be delineated with some particularity in establishing its trade secret status.” *Jostens, Inc. v. Nat. Computer Sys., Inc.*, 318 N.W.2d 691, 699 (Minn. 1982). That simply did not happen here. PICA’s “whole package” theory does not satisfy the definition of a trade secret under Delaware law.

### 3. There Was No Evidence The MCA Proposal Was A Trade Secret

Before and during trial, PICA did not even make a *prima facie* case for its trade secret claim, not even attempting to offer evidence as to all elements of the claim. It did not introduce a shred of evidence that its MCA proposal had *any economic value whatsoever, actual or potential*. See, e.g., A9180; A9181 (PICA’s trade secret expert (Faulconer) admitting he performed no analysis to determine if PICA’s purported trade secrets had economic value). On this basis alone, the claim fails. PICA readily acknowledged that it has *never* implemented the idea itself or on behalf of another company. A9100. The proposal was a sales pitch—nothing more. It is a strange trade secret case indeed where the plaintiff admits it has never used the alleged trade secret and admits it has been unable to interest any customer in using it.<sup>11</sup>

Moreover, even assuming for the sake of argument that the proposal had some independent economic value, PICA introduced no evidence that such value “derive[d] . . . from not being generally known.” 6 *Del. C.* § 2001(4). In fact, all of the evidence was that *every aspect of PICA’s proposal was generally known*:

*Front companies, test buys, and more test buys.* PICA repeatedly conceded that “front companies” and “test buys” are common techniques that are *not* trade

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<sup>11</sup> The Trial Court also erred in not allowing HP’s trade secret expert, Richard LaMagna, to testify on the commercial value of the MCA proposal. LaMagna sought to testify the MCA proposal had no such value because it would not have been cost effective to implement it. The Court erroneously precluded him from giving that testimony. See A9437.

secrets. A9498. It was undisputed that HP’s SDF program has been making test buys since long before PICA did any work for HP. A4977. And, PICA’s trade secret expert admitted that making *more* test buys than one historically has made also is not a trade secret. A9190.

**“Durable” Front Companies.** PICA argued at trial that a “durable” front company—*i.e.*, one that generates leads while remaining hidden—was supposedly unique. But PICA’s expert admitted that the government has long used undercover operations without disclosing that information generated came from the operations. HP employee Julio Velez, who worked in federal law enforcement for over 30 years, testified he has used such “durable” operations since 1987, and they are commonly used in federal law enforcement. *See* A9345.

**“Self-Sustaining” Front Companies.** The idea of a front company reselling authentic goods it purchases is not unique. PICA’s expert testified that the federal government has long used such “self-sustaining” entities. A9173. Cozzolina confirmed that this was a common technique used by the federal government, and in fact is *explicitly authorized by federal law*. A9299. HP’s expert LaMagna also testified that federal law allows for such “self-sustaining” operations. A9437. That statute is 8 U.S.C. § 1363a(a)(4).

Delaware law is clear that a trade secret plaintiff has the burden to show the alleged secret was both truly unknown to others and valuable. *See, e.g., Total Care*

*Physicians, P.A. v. O'Hara*, 798 A.2d 1043, 1055 (Del. Super. 2001); *First Fed. Sav. Bank v. CPM Energy Sys. Corp.*, 1993 WL 138986, at \*8 (Del. Super. Apr. 22, 1993). Here, the Trial Court did not remotely impose that burden. Instead, it allowed PICA to present a grab bag of elements of running a front company, none of which was shown to individually be secret or valuable, and allowed PICA to argue that somehow the compilation of those elements was a trade secret. In doing so, the Court ignored its gatekeeper duty, which is both specific and demanding in a trade secret case.

#### **4. There Was No Evidence HP Implemented The MCA Proposal**

PICA presented no evidence whatsoever that HP ever implemented the MCA proposal. The proposal went nowhere within HP, and the people who would have had to approve any such proposal before its implementation universally testified that they had never seen it and never knew it existed before this lawsuit. *See* A9255; A9343; A9412. Moreover, there was *no evidence* that HP made any changes to its ACF or SDF programs as a result of the MCA proposal. *See* A9255; A9258; A9343-9346; A9411-9412; A9735-9736.

Well aware of this, PICA did not contend that HP had implemented the MCA proposal “word-for-word.” A8929. But PICA’s counsel insisted repeatedly to the jury that “the evidence will show you that it was a starting point for improvement in their program, that it was [a] guide[] by which pitfalls could have

been avoided.” A8929-A8930. But argument is no substitute for actual evidence, and PICA never specified what “starting point” the proposal purportedly gave HP or what “pitfalls” the proposal purportedly helped HP avoid. And no such evidence was presented to the jury. Nor did the Trial Court identify any such evidence in its post-trial Opinion. Ex. F.

With regard to the alleged misappropriation, it is important to understand that PICA’s damages expert testified that the *only* benefit to HP that could support trade secret damages was use of the MCA proposal in HP’s SDF program. A9220. And yet the sole “proof” of use of the proposal in the SDF program was HP’s presentation at the ISMA/OSAC meeting in March 2013—almost one year after PICA filed its lawsuit. A10079-A10096. But that presentation contained nothing even hinting that HP had implemented the MCA proposal. *Id.*

This document—and PICA’s use of it—perhaps best illustrates the prejudice to HP from the Trial Court’s failure to perform its gatekeeper function. After the presentation, PICA began asserting for the first time that HP had used the MCA proposal in its SDF program. *See* A633-A634; A677; A726-A727; A779; A1283; A1412-A1413; A1419; A1514; A2466; A2615; A2623-A2625; A2648. Based solely on the words “test buys” on one slide, the Court allowed expansive discovery into HP’s SDF program. A8844; A10079-A10096. Then, at trial, the Court allowed PICA to argue the document showed HP had adopted the MCA

proposal as part of its SDF program. *See* A8977-A8978; A9082-A9083. Not before, during or after the trial was the Trial Court troubled by the facts (i) that PICA admitted to having no evidence of misappropriation when it filed its Complaint or (ii) that the “smoking gun” document referred only to “test buys,” an investigative technique that both parties agree has been used for decades. *See* A10079-A10096.

The “evidence” of misappropriation presented by PICA in this case was reminiscent of the evidence offered by the plaintiff in *Savor*, where Judge Slights granted summary judgment in favor of the defendants because “even the deference to which [plaintiff] is entitled as the non-moving party cannot save its ill-conceived and unsupported theory of misappropriation. The undisputed evidence of record simply does not provide a reasonable basis upon which a jury could find for Savor on this fundamental element of its *prima facie* case.” *Savor*, 2004 WL 1965869, at \*9.

The *Savor* Court reached this conclusion because, to establish misappropriation, a trade secret plaintiff is not only required to show that the defendants had the opportunity to misappropriate, “[i]t must couple this showing with a showing that the [defendant’s] program ‘*bears a substantial identity*’ with its own program.” *Id.* (emphasis added). Comparing the plaintiff’s alleged trade secret with the program implemented by defendants, the *Savor* court held that “no

reasonable jury could conclude that either [of the defendants] misappropriated the Savor program.” *Id.* at 11.

The exact same thing is true in the present case. The only similarity between the MCA proposal and HP’s SDF program is the use of “test buys,” which is undisputedly not a trade secret. There was no evidence that the SDF program (i) ever established a “durable” front company, (ii) ever made test buys from channel partners, (iii) ever made test buys without suspicion of wrongdoing, (iv) ever made test buys to “audit the channel” or to give HP “a window into that stream of commerce,” or (v) ever used a front company to re-sell genuine goods. A9411-A9412. In other words, there was no evidence that HP’s SDF program included any of these features.

The Trial Court wrote in its March 2015 Opinion that “PICA produced extensive evidence . . . that while certain aspects of the Channel Management Proposal, viewed separately, were not trade secrets, the Proposal, as a whole program, was the trade secret.” Ex. F at 14. But the evidence was that *all* aspects of the proposal were publicly known, and further the Trial Court did not require *any* specificity as to which elements were supposedly “secret.” Compounding this failure, the Trial Court did not require PICA to prove that the supposedly unique parts of the “whole program”—rather than the “aspects” that “viewed separately, were not trade secrets”—were *actually* implemented by HP. The Trial Court

refused to require PICA to offer evidence that any feature that could be a trade secret was used by HP. Respectfully, this was error.

**5. PICA Did Not Take Reasonable Steps To Protect Its Claimed Trade Secret**

Delaware law requires a trade secret plaintiff to prove it took reasonable steps to protect the confidentiality of the MCA Proposal. 6 *Del. C.* § 2001(4); *Savor*, 2004 WL 1965869, at \*7. There was a complete failure of proof on this point here. First, PICA sent the proposal unsolicited as a sales pitch, and never asked HP to sign any kind of nondisclosure agreement. Second, PICA's trade secret expert admitted he did not analyze the question at all. A9181. Third, and perhaps most importantly, Diaz testified that after Kwasny told him HP planned to do something akin to the proposal without PICA, PICA made no objection nor did it inform HP it should not do so. A9123-A9124. While there was no evidence to corroborate Diaz's testimony on this purported conversation, PICA's inaction at the time shows it did not attempt to protect the confidentiality of the proposal. Finally, PICA did not ask that the courtroom be closed while the MCA Proposal was displayed and discussed at trial. At no time did PICA attempt to safeguard the proposal as a trade secret.



### **III. THE TRIAL COURT ERRED IN NOT ORDERING A NEW TRIAL ON THE TRADE SECRET DAMAGES AWARD**

#### **A. Question Presented.**

Whether the Trial Court erred in denying HP's motion for a new trial on the jury's \$1 million award to PICA in trade secret damages. *See* Ex. F.

#### **B. Scope Of Review.**

Refusal to order a new trial is reviewed for abuse of discretion. *Green v. Alfred A. I. Dupont Inst. of the Nemours Found.*, 759 A.2d 1060, 1063 (Del. 2000).

A court's decision to admit expert testimony is likewise reviewed for abuse of discretion. *Spencer v. Wal-Mart Stores East, LP*, 930 A.2d 881, 886 (Del. 2007).

#### **C. Merits Of Argument.**

Delaware law permits two measures of damages for misappropriation of trade secrets: “[1] the actual loss caused by misappropriation and [2] the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss.” 6 *Del. C.* § 2003. Here, PICA introduced no evidence of “actual loss,” and the purported evidence of HP's “unjust enrichment” was completely untethered to the alleged use of the claimed trade secret. Additionally, the jury gave PICA an impermissible double recovery.

##### **1. PICA Introduced No Evidence Of “Actual Loss”**

It is axiomatic that any measure of harm to a plaintiff for trade secret misappropriation must be based on the *actual loss* the plaintiff realized *due to*

*defendant's use of the trade secret.* See *Total Care Physicians, P.A. v. O'Hara*, 2002 WL 31667901, at \*10 & n.50 (Del. Super. Oct. 29, 2002). But PICA introduced no evidence of any money it lost as the result of HP's purported misappropriation. Instead, PICA argued to the jury that, *if HP would have* hired PICA to implement its MCA proposal, PICA *would have* earned \$654,000 in profit. A9210.

As a matter of law, this is not a permissible measure of damages. The Trial Court allowed PICA to seek "expectation damages," which are not a proper measure of damages for the tort of trade secret misappropriation. See 6 *Del. C.* § 2003; *E.I. DuPont de Nemours & Co. v. Pressman*, 679 A.2d 436, 445 (Del. 1996) ("[E]xpectation damages are the standard remedy for breach of contract."); *Solarchick v. Metro. Life Ins. Co.*, 430 F. Supp. 2d 511, 513–14 (W.D. Pa. 2006) ("[E]xpectation damages" are "not appropriate in a tort action."); *Harley & Lund Corp. v. Murray Rubber Co.*, 31 F.2d 932, 933 (2d Cir. 1929).

While there are cases where a trade secret plaintiff has recovered damages based on lost profits (for example, because the defendant took away business by using the secret that the plaintiff otherwise would have received), that was not PICA's argument here. Rather, despite admitting that HP had no obligation to hire PICA to implement the MCA proposal, PICA simply argued that HP *should* have done so, and invented numbers as to what its profits would have been in this

imaginary world. A9210; A9216. As a matter of law, this is not an allowable measure of “actual loss.” There must be a direct link between the defendant’s use of the trade secret and the plaintiff’s actual lost profits. That does not exist here. The Trial Court erred in permitting PICA to argue for such impermissible damages and in allowing the \$300,000 award to stand.

## **2. PICA Introduced No Evidence Of Unjust Enrichment**

Similarly, PICA introduced no evidence of “unjust enrichment” to HP resulting from HP’s actual use of the MCA proposal. The unjust enrichment damages PICA sought were actually the *total* amount of savings to HP from FY 2010-2014 from *all* SDF cases that involved a test buy. A9213; A9221. PICA admitted repeatedly, however, that making “test buys” was not a trade secret, and its fact witnesses and expert witnesses alike acknowledged that making “more test buys” similarly was not a trade secret. *See, e.g.*, A9133; A9174; A9190. Yet that was precisely the basis for the unjust enrichment damages that PICA argued to the jury—to wit, the benefit to HP from *making more test buys in its SDF program*.

As PICA’s counsel argued in closing:

*They tripled the test buys that they’re making and these are the results. So PICA is at least responsible for two-thirds of those numbers, based on the number of test buys that went up directly in line, directly in line with getting that channel management program.*

A9504 (emphasis added). Out of the right side of its mouth, PICA admitted that “test buys” and “more test buys” were not a trade secret, and then out of the left

side of its mouth, it argued to the jury that HP had been “unjustly enriched” by making more test buys.

Moreover, PICA’s damages expert, Dr. Markham, admitted that in “calculating” the unjust enrichment damages, he made *no* attempt to determine what benefit HP received as a result of actually implementing the MCA proposal. *See* A9221, *supra* (admitting he included alleged benefits to HP “regardless of whether any PICA information was used”); *see also* A9223 (admitting he “took a hundred percent of the benefit to Hewlett-Packard from every single SDF case if it involved a test buy”).

If the damages a plaintiff seeks “are not linked specifically to the alleged acts” of the defendant, the jury should not hear evidence or argument relating to those damages. *Cincinnati Bell*, 1996 WL 506906, at \*20. Numerous Delaware cases support this limitation. *See id.*; *Henne v. Balick*, 146 A.2d 394, 396, 398 (Del. 1958); *Bradshaw v. Trover*, 1999 WL 463847, at \*3 (Del. Super. Apr. 30, 1999); *see also Agilent Techs., Inc. v. Kirkland*, 2010 WL 610725, at \*31 (Del. Ch. Feb. 18, 2010); *Nucar Consulting, Inc. v. Doyle*, 2005 WL 820706, at \*11 (Del. Ch. Apr. 5, 2005). Here, PICA was allowed to seek unjust enrichment damages that were not tied in any way to the actual use of the claimed trade secret, and the Trial Court did not even address this issue in its post-trial Opinion. Ex. F.

### 3. The Jury Awarded Mutually Exclusive Measures Of Damages

Although Delaware law allows a plaintiff whose trade secrets have been misappropriated to collect both its actual loss and the defendant's unjust enrichment, double recovery is not allowed, nor are two awards that are mutually exclusive. 6. *Del. C. § 2003*; *see also Beard Research*, 8 A.3d at 618–19 (disallowing “an additional amount of damages” that results in “double counting”); *Brevet Capital Special Opportunities Fund, LP v. Fourth Third, LLC*, 2011 WL 3452821, at \*6 (Del. Super. Aug. 5, 2011) (recognizing that a plaintiff may not be awarded “two . . . inconsistent and mutually exclusive” remedies); *Great Am. Opportunities, Inc. v. Cherrydale Fund., LLC*, 2010 WL 338219, at \*27 n.303 (Del. Ch. Jan. 29, 2010).

Here, the Trial Court permitted the jury to hear argument that it could award PICA damages stemming from two mutually exclusive scenarios: the first in which HP paid PICA to implement the MCA proposal, and the second in which HP implemented the proposal on its own. *See* A9216; A9218; A9494-A9495. And the jury awarded both measures of damages. This is impermissible. If HP had hired PICA to implement the proposal, it could not have “unjustly” benefitted from PICA’s work. Conversely, if HP implemented the proposal without PICA, it would not have paid PICA to do the work. The Trial Court erred in holding—

without any explanation or analysis—that “the jury was free to find . . . both.”

Ex. F at 15.

**4. With The Trial Court’s Imprimatur, PICA Invited The Jury To Speculate On “Unknown” ACF Damages**

PICA also argued—in fits and starts—that HP had implemented the MCA proposal as part of its ACF program. It acknowledged, however, that it had no evidence of damages related to HP’s alleged use of the MCA proposal in its ACF program. A9502, A9510. It offered no expert (or other) testimony on the point. *See id.*; A9216. But PICA’s counsel stated in closing arguments with regard to trade secret damages based on HP’s alleged use of the MCA proposal in its ACF program:

There’s some unknown damages as well. . . . But there’s a number that you’re going to have to come up with for the misappropriation and use in the anticounterfeiting program.

A9510; *see also* A9504 (“*Ultimately we don’t know how much [HP] has saved on the counterfeit side from implementing this program. We know they’ve done it, but that amount is up to you. That’s for you to determine.*”) (emphasis added).

Prior to closing, HP’s counsel’s asked the Court to preclude this improper argument:

MR. THOMAS: Your Honor, there’s a very basic concept here, and that is you are not allowed to go to the jury with a damages claim for which there is no support. You can’t do what Mr. Lee is suggesting. You can’t go to the jury and say we have not given you a damage calculation. We have not given you a way to calculate damages. We

have not presented any evidence for an item of damages, but you, the jury, you can figure it out on your own.

A9494. But the Court rejected HP's position and responded that it would not "prevent plaintiffs from making a damages argument." A9495.

By permitting PICA to make this argument, the Trial Court allowed PICA to urge the jury to assign a number without "a basis to make . . . a responsible estimate." *Beard Research*, 8 A.3d at 613. This was clearly error. *See, e.g., Kendrick v. Manda*, 174 P.3d 432, 439 (Kan. App. Ct. 2008) (ordering new trial where plaintiff's "closing argument essentially invited the jury to pick a number out of thin air"); *Exodus Partners, LLC v. Cooke*, 2007 WL 120053, at \*16-17 (S.D.N.Y. Jan. 17, 2007).

Because it is impossible to know whether the jury accepted these invitations to speculate when it awarded PICA \$1 million for misappropriation, the award must be vacated. This Court took precisely this approach in *Gannett Co. v. Kanaga* (a defamation case), where it vacated a composite \$2.6 million award intended to compensate the plaintiff for both humiliation and lost earnings. 750 A.2d at 1188, 1190. *See also IPPV Enters., LLC v. Echostar Commc'ns, Corp.*, 191 F. Supp. 2d 530, 572–73 (D. Del. 2002) (jury improperly "bundled the damages" for two claims of infringement, one of which was invalid). On this basis alone, a new trial would be necessary to ensure that PICA was not awarded any

damages on the basis of speculation and conjecture. Once again, the Trial Court did not address this issue in its post-trial Opinion.

### **5. The Trial Court Erred In Denying HP's *Daubert* Motion**

Shortly before trial, Dr. Markham prepared three two-page letters purporting to supplement his previous expert report. A5108-A5109; A5111-A5112. In his second letter, he doubled the claimed damages without explanation, and none of the letters contains *any* methodology. HP moved to exclude Dr. Markham's new opinions under DRE 702 and *Daubert v. Merrell Dow Pharmaceuticals*, 509 U.S. 579 (1993), but the Court denied the motion. A8924-A8925. In fact, the Court made it clear it had no interest in trying to allow only proper expert testimony, but instead would allow the jury to hear anything PICA wanted to present. A9245. This was error.

As discussed above, Dr. Markham acknowledged he did nothing to determine whether there was any link between his damages numbers and any use by HP of any alleged trade secret. He admitted he had no methodology at all, but instead just took numbers and assumptions that he did nothing to verify and merely "d[id] the math." A9229. The Trial Court abused its discretion in permitting this unreliable testimony into evidence. *See Tumlinson v. Advanced Micro Devices, Inc.*, 81 A.3d 1264, 1269 (Del. 2013) ("for proffered expert testimony to be admissible, the trial court must act as a gatekeeper to determine whether the expert



opinion testimony is both (i) relevant and (ii) reliable.”); *see also VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1328–29 (Fed. Cir. 2014) (holding that expert’s testimony should have been excluded where expert “failed to apportion value between the patented features and the vast number of non-patented features contained in the accused products”).

#### **IV. THE TRIAL COURT ERRED IN AWARDING PICA OVER \$1 MILLION IN ATTORNEYS' FEES**

##### **A. Question Presented.**

Whether the Trial Court erred in awarding PICA over \$1 million in attorneys' fees based on the jury's erroneous finding that HP misappropriated the MCA Proposal willfully and maliciously. *See* Ex. F.

##### **B. Scope Of Review.**

A court's grant of attorneys' fees is reviewed for abuse of discretion. *Sugarland Indus., Inc. v. Thomas*, 420 A.2d 142, 149 (Del. 1980).

##### **C. Merits Of Argument.**

Under Delaware law, if trade secret misappropriation is "wilful and malicious," "the court may"—but is not required to—"award reasonable attorney's fees to the prevailing party." 6 *Del. C.* § 2004. The law requires specific evidence of a direct connection between the actual use of the alleged trade secret and malice. *Beard Research*, 8 A.3d at 600–01. Here, the jury inexplicably found that HP's (nonexistent) misappropriation was "willful and malicious," and the Trial Court subsequently exercised its discretion to award PICA 75% of all attorneys' fees it incurred herein. Ex. F at 21. This was error.

First, as discussed above, PICA introduced no evidence of (1) a trade secret, (2) misappropriation, or (3) damages, and the Trial Court identified no such evidence in its post-trial Opinion. Moreover, even if there were evidence of these

necessary elements of a trade secret claim, there was not a scintilla of evidence to support the jury's determination that any misappropriation was "willful and malicious," and again, the Trial Court identified no such evidence.

The uncontroverted evidence was that no one who worked in the SDF program even knew about the proposal. A9411-A9412. Without knowledge of the proposal, it is impossible that anyone in HP's SDF program was aware it was misappropriating PICA's trade secret, and so any use of any feature of the proposal could not have been "willful and malicious." *See, e.g., Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 1120–21 (Fed. Cir. 1996).

Second, even if an award of attorneys' fees could be supported here, the Trial Court erred in awarding PICA 75% of its attorneys' fees. Under DUTSA, only "reasonable" attorneys' fees may be awarded, and awarding PICA 75% of its fees for a single claim was not reasonable given the substantial scope of this litigation, which originally involved 11 causes of action. A100-A119. In fact, only approximately 34% of PICA's discovery in this case related to the MCA proposal claim. Ex. L.<sup>12</sup> Respectfully, the Trial Court again erred in awarding these attorneys' fees.

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<sup>12</sup> Ex. L details all of PICA's 206 discovery requests and 33 requests related to its motions to compel. Only 81 out of the total 239 requests relate to the MCA Proposal.

## **CONCLUSION**

For the reasons set forth above, this Court should reverse the Trial Court's Orders and enter judgment as a matter of law in favor of HP. Alternatively, this Court should remand the case for a new trial on both liability and damages on PICA's claims for defamation, trade secret misappropriation, and breach of the implied covenant of good faith and fair dealing. This Court also should reverse the Trial Court's Order awarding PICA attorneys' fees.

Respectfully submitted.

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**CERTIFICATE OF SERVICE**

I hereby certify that on this 30<sup>th</sup> day of June, 2015, a copy of the foregoing Opening Brief for Appellant Hewlett-Packard Company was electronically served via *File & ServeXPress* on the following counsel of record:

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