



IN THE SUPREME COURT OF THE STATE OF DELAWARE

HEWLETT-PACKARD COMPANY,

Defendant-
Appellant,

v.

PROFESSIONAL INVESTIGATING
& CONSULTING AGENCY, INC.,
dba PICA,

Plaintiff-Appellee.

No. 243, 2015

On Appeal from the Superior Court of
the State of Delaware in and for New
Castle County
(C.A. No. N12C-06-196 MMJ CCLD)

**APPELLANT HEWLETT-PACKARD COMPANY'S
REPLY BRIEF IN SUPPORT OF ITS APPEAL AND ANSWERING
BRIEF IN OPPOSITION TO APPELLEE'S CROSS-APPEAL**

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HP'S REPLY ARGUMENTS ON APPEAL

PICA's brief slings a lot of mud and accuses HP of intentionally trying to mislead the Court. But that could not be further from the truth. PICA's unfortunate accusations can only be meant to mask PICA's weak legal arguments and missing evidence. Contrary to PICA's lofty and inaccurate proclamations about what the jury heard and PICA's laundry list of irrelevant evidence, a review of the actual record shows that no reasonable jury could have reached this verdict. And, yes, PICA presented *no* evidence on key elements of its claims.

As to the defamation verdict, PICA's brief makes arguments it never made before or during trial. As has been the case throughout this action with regard to its trade secret claim, PICA is again engaging in bait-and-switch tactics. The evidence that the jury actually heard simply did not support its defamation verdict. And PICA's legal arguments on defamation mischaracterize Delaware law.

PICA also fails to cite *any* evidence with respect to required elements of its trade secret claim. There was zero evidence that (1) the alleged trade secret was not based on publicly known information, (2) the "secret" had economic value, or (3) PICA took reasonable steps to protect the "secret." While PICA's alleged trade secret was amorphous and ever-changing, the verdict ended up being based on PICA's so-called "Managed Channel Audit" proposal. With regard to that proposal, the evidence at trial showed: (1) It was nothing more than a general

description of several well-known investigative techniques; (2) HP never implemented the proposal; and (3) PICA did nothing to try to keep its alleged trade secret confidential. The trade secret claim should never have gone to the jury.

As for the most shocking aspect of the verdict here—the \$5.5 million in defamation damages—PICA makes no effort to point to evidence showing that amount is even remotely related to any harm it suffered as a result of the alleged defamation. And it then fallaciously tells the Court that Delaware law allows for such an award without any supporting evidence.

The trade secret damages award was also erroneous. In essence, PICA was awarded damages based on a nonexistent contract, which is not permissible under Delaware law. PICA's brief yet again fails to point to any evidence that HP was unjustly enriched by using PICA's "trade secret." And PICA cites no law to support the Trial Court's error in allowing the jury to award two inconsistent trade secret damages awards. The only "evidence" PICA cites in support of the trade secret damages is testimony from its "expert," who did not even attempt to link any damages to HP's use of any alleged trade secret. Instead, that expert admitted he just "did the math" using numbers provided by PICA's counsel.

HP respectfully requests that this Court reverse the Trial Court's denial of HP's motion for summary judgment or motion for judgment as a matter of law. At a minimum, a new trial should be ordered.

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

1. HP's Brief Does Not Ignore The "Majority Of The Defamation Evidence"—On The Contrary, PICA Is Attempting To Revise The Basis For Its Defamation Claim Post-Trial.

Well aware that a defamation jury verdict cannot be upheld based on the constitutionally-protected statements of opinion that HP's Latin America Region (in which PICA worked) was "poorly performing" and "poorly managed," PICA asserts that "HP ignores the majority of the defamation evidence," citing testimony from Messrs. Volpi and Diaz that Cooper supposedly said the region "was not meeting its results." PICA Br. at 20-21 (emphasis in PICA's brief). Putting aside that any such statement is both vague and nonsensical (it's far from clear how one can "meet" a "result"), PICA did not allege any such defamatory statement until *well after trial*—specifically in an unauthorized letter sent to the Trial Court less than one week before the January 29, 2015 hearing on HP's post-trial motions. A8185-8188.

PICA's argument here is a perfect illustration of its approach to this lawsuit: it simply makes things up as it goes and changes its position (as it repeatedly did with its trade secret claim) whenever the evidence undermines its claims. The alleged defamatory statements PICA repeatedly identified—in its interrogatory responses, on summary judgment, and at trial—were the LAR was "poorly

performing” and “poorly managed”-type statements of opinion discussed in HP’s opening brief, not any of the other vague statements to which PICA now points.¹

PICA’s attempt to justify the staggering \$5.5 million defamation verdict by reference to an alleged defamatory statement that it never relied on before should be rejected. *See Reis v. Hazelett Strip-Casting Corp.*, 28 A.3d 442, 473 (Del. Ch. 2011) (parties “are bound by their [interrogatory] response and cannot change positions after the close of discovery and the completion of trial”).² The supposed

¹ PICA’s Interrogatory Responses: In response to an interrogatory asking PICA to “[i]dentify each statement in which YOU allege that HP defamed PICA,” PICA stated, “At the September 2010 training session in Costa Rica, HP’s Bob Moore and David Cooper disparaged and maligned PICA’s reputation. In front of PICA’s employees and competitors, HP’s agents maliciously asserted that, under PICA’s management, *the Latin American region had the worst record of any region in the world and was the most poorly managed.*” A2459-2460 (emphasis added).

PICA’s Summary Judgment Opposition: “Moore told the group that the LAR had the *worst record of any region in the world, was the most poorly managed*, needed to be completely overhauled and remade, and generally that PICA’s ACF work was the worst globally. Cooper spoke ‘passionately and with invective,’ telling the audience that PICA’s work was inadequate, *the LAR had been poorly run for years, and that LAR was the worst performing region.*” A2644 (emphasis added).

PICA’s Opening Statement: “At this training session, Mr. Cooper said that the Latin American region is the worst managed and worse-performing region in the world.” A8933.

PICA’s Closing Argument: “Dave Cooper went as far to say that PICA’s performance had been poor. What did Mr. Cooper say? The Latin America region was the poorest performing region in the world and that PICA was a very poorly performing vendor.” A9508.

² *See also IQ Holdings, Inc. v. Am. Commercial Lines Inc.*, 2012 WL 3877790, at *1 (Del. Ch. Aug. 30, 2012) (“The Delaware Supreme Court has long recognized that the purpose[s] of discovery [are] to advance issue formulation, to assist in fact revelation, and to reduce the element of surprise at trial. These purposes serve the well established policy of pretrial disclosure which is based on a rationale that a trial decision should result from a disinterested search for truth from all the available evidence rather than tactical maneuvers based on the
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“[PICA] not meeting its results” statement was not even quoted in PICA’s brief in opposition to HP’s Rule 50 motion, A7680-7717. At a minimum, if PICA is permitted to alter the basis for its defamation claim now, a new trial should be held on this claim. *See Hoey v. Hawkins*, 332 A.2d 403, 406–07 (Del. 1975) (granting new trial for failure to disclose basis for damages claim in interrogatory responses).

2. PICA’s Characterization Of The Evidence It Contends Supports Its Defamation Claim Is Not Accurate.

PICA also contends that Cooper admitted his “poorly performing” comments were “baseless” and asserts that both Moore and Cozzolina testified that Cooper’s comments were “false.” PICA Br. at 24-25. This is not accurate. Cooper testified—on the very pages PICA cites—that “[t]he seizures in Latin America were too low” because “[t]he dollar value of seizures in Latin America was atrocious” compared to “the rest of the world.” A9927. Moore acknowledged that to characterize PICA’s performance *vis-à-vis their pre-2010 metrics* as “poor” would be inaccurate. But neither Moore nor Cooper said that PICA had failed to achieve its historical metrics, and Moore testified that his comments were based on the ROI data Cooper had shared with him. A9261; A9265.

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calculated manipulation of evidence and its production.”) (internal quotation marks and citations omitted).

Likewise, Cozzolina testified that it would be inaccurate to say PICA had historically not met its assigned metrics, but he confirmed that PICA “need[ed] improvement” when it came to ROI. A9321. In fact, when PICA’s counsel specifically asked Cozzolina, “[s]o when David Cooper said that PICA’s performance was poor, that was false, right?” Cozzolina stated: “No. I think, and if we bring it back to return on investment and if you take the amount of money that was spent in the program and you divide it by the seizures, it wasn’t what was expected.” *Id.*

3. Cooper’s And Moore’s Statements Were Opinions As A Matter Of Law.

Regardless of which of the vague statements PICA relies on (“bad management,” “worst performing,” “a lot of issues,” or poor “results” of some unspecified nature), it remains true that the statements were opinions. Cooper and Moore were focused on the lack of finished goods seizures in the LAR and the fact that the ROI in that region was lower than in other regions. In their opinion, these facts (which were undisputed at trial) reflected poor performance and necessitated some changes. PICA disagreed. Each side is entitled to its opinion, but HP cannot be held liable for “defaming” PICA by sharing its opinion. This is precisely why courts routinely hold *as a matter of law* that such statements are constitutionally protected statements of opinion. HP Br. at 16-18.

The cases PICA cites are not to the contrary. *Ramunno v. Cawley*, 705 A.2d 1029 (Del. 1998), and *Kanaga v. Gannet Co.*, 687 A.2d 173, 178 (Del. 1996), examined whether alleged statements of opinion could be defamatory because they implied the existence of undisclosed facts—the same standard applied by *Riley v. Moyed*, 529 A.2d 248, 251 (Del. 1987), which HP relied on in its opening brief. Here, no undisclosed facts were implied because the HP speakers were *explicit* that the basis for their statements was the very low ROI in the LAR. A9021; A9254; A9260-9261; A9271; A9938-9939; A9973-9974; A9978. “When an opinion is accompanied by its underlying nondefamatory factual basis, a defamation action premised upon that opinion will fail no matter how unjustified, unreasonable or derogatory the opinion might be. . . . This is so because readers can interpret the factual statements and decide for themselves whether the writer’s opinion was justified.” *Kanaga*, 687 A.2d at 178 (internal quotation marks omitted).

Moreover, PICA does not even purport to identify *what* undisclosed “fact” was implied by the HP speakers’ statements. PICA Br. at 22-23. It merely asserts the “audience would have believed [Moore and Cooper] had facts to support their statements” (PICA Br. at 24), but that can be said of *any* statement of opinion. As discussed in HP’s opening brief, many cases hold that statements about someone being a “poor performer” or doing a “bad job” are statements of opinion. Yet under PICA’s approach, we would assume in every case the speaker had some

unspecified facts in mind, and so the statements become actionable defamation. But that is not the law.

PICA offers a long-string citation to out-of-jurisdiction defamation cases that it contends are comparable to this case. But those cases are not on point. For example, in *Haugh v. Schroder Inv. Mgmt. N. Am. Inc.*, No. 02 CIV. 7955 (DLC), 2003 WL 21136096, at *2 (S.D.N.Y. May 15, 2003), a court determined that a statement that the plaintiff had been fired and that an office managed by the plaintiff had performed poorly might not be a statement of opinion because it could imply that the plaintiff caused the office's decline. But in this case, there is no such undisclosed implication. The HP speakers said simply that some of the performance of the LAR was poor compared with other regions and HP would like to see improvement. As HP explained in its opening brief (HP Br. at 18-19), to say that someone is performing "poorly" or is "worse" than somebody else are simply unprovable statements.

Similarly, in *Kahn v. Bower*, 232 Cal. App. 3d 1599, 1609 (Ct. App. 1991), the court ruled that a written statement that the child care worker plaintiff was incompetent might not be an opinion when, "in the context of the letter as a whole it might be reasonably understood to convey the meaning that in the situations in which defendants observed plaintiff, she showed so little ability to perform the duties of her position that her occupancy of it was deleterious to the children in her

care.” Here, neither Cooper’s nor Moore’s statements implied anything about PICA’s actions being deleterious to others.

PICA does not even attempt to respond to the numerous cases cited in HP’s opening brief that align with the facts of this case much more closely. *See* HP Br. at 18. In all of those cases, the speakers stated that the plaintiffs’ performances were poor and it could be reasonably understood that the statements were opinions, just like what occurred in this case. Moore and Cooper simply made very brief statements about HP’s evaluation of the LAR performance and did not imply any other facts about PICA’s actual conduct.

If HP’s statements are actionable, then we will have a defamation case every time a purchaser of services expresses a desire for better service and the vendor asserts it has done a good job. A purchaser has the right to express its views about a service provider’s performance, especially where, as here, no other purchaser or potential purchaser is present. Regardless of whether the service provider can show it has done a good job, such a statement by a purchaser is simply not defamation.

4. The Evidence Established That The ROI Statement Was True.

As explained in HP’s opening brief, the only statement made in Costa Rica that arguably was capable of objective verification (and thus arguably a statement of fact) was Cooper’s statement that the return on investment in the LAR was the

lowest in the world, and *all* of the evidence at trial was that the statement was true. *See* HP Br. at 19-21 (citing evidence of truth, as well as the law that truth is a complete defense). PICA cannot seriously contend that this statement was false. Indeed, it points to no evidence—and there is none—that the LAR had a ROI on par with the Europe Middle East Africa (“EMEA”) and Asia Pacific Japan (“APJ”) regions in September 2010 (or at any other time).

Moore testified that the ROI for the LAR at the time of the Costa Rica training was approximately 2:1, while “[i]n [EMEA] it was roughly 10-to-1 and in [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”); A9978.

Nevertheless, in its trademark incendiary and baseless fashion, PICA claims that HP “misrepresented key facts and induced its witnesses to provide false testimony” and is attempting to “defraud” this Court. PICA Br. at 26-27. This is nonsense. PICA’s argument is that the “new” metrics did not go into effect until “fiscal year 2011 – *after the Costa Rica training session.*” PICA Br. at 27 (emphasis in original). This is incorrect because vendors were being evaluated under both metrics in 2010,³ but ultimately beside the point. The metrics were

³ In fact, in early August 2010, well before the Costa Rica training, Volpi informed his employees at PICA that one of the things “that will get [PICA] fired” is “a lack of results
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used to compare the number of seizures to the seizure goal that had been set. They show nothing about ROI, which compares the amount of money spent and the value of the seizures, and they are worthless in any comparison of ROIs in different regions.

The issue is not when the new metrics became effective, but rather whether the ROI for LAR—under the old metrics or the new ones—was the lowest of three regions, *and all the evidence established that it was*. In its answering brief, PICA cites Diaz testimony that ROI in LAR was 23-1. That testimony is, however, Diaz’s assertion of the LAR ROI over a six-year period, not in 2010. Diaz said he would be “taking a wild guess” if he speculated about what the ROI was for LAR in September 2010. A9317. And in response to his own attorney’s questions, Diaz admitted that he did not know “what the [ROI] was for Asia” or “for EMEA.” A9137. PICA offers no evidence—and there is none—showing this simple assertion about the ROI in LAR was false.

5. There Is No Support For The Jury’s Staggering \$5.5 Million “Humiliation Damages” Award.

Despite the rhetoric in its brief, PICA points to no evidence that these brief statements in Costa Rica in a private training session damaged PICA in the amount

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under the new seizure metrics, which value finished goods . . . more heavily than components. *The old formula is out the window.*” AR20-21; (emphasis added).

of \$5.5 million. That amount was simply made up by the jury without a shred of evidentiary support and should be set aside. Contrary to PICA's suggestion, a jury cannot simply pick any damages amount it wants because the plaintiff is seeking "humiliation" damages.

a. PICA Introduced No Evidence of Injury Or Causation.

First, PICA offered no evidence that it was actually injured by the Costa Rica statements. PICA Br. at 32. It offered no evidence of any decline in revenue (other than that attributable to losing HP as a client as a result of its decision to reject HP's offer to renew the contract); of any lost client (other than HP); or of any potential client choosing not to hire it. In fact, there was no evidence that any PICA client or potential client was even made aware of the Costa Rica statements. PICA's brief blatantly mischaracterizes the record on this crucial point. At page 12, the brief states HP was guilty of "repeatedly disparaging PICA in front of its competitors and clients." In truth, there was no evidence whatsoever of anyone from HP ever saying anything about PICA to any PICA client or potential client.⁴

⁴ PICA did not introduce a shred of evidence that anyone who was not present at the training (such as other PICA clients) heard about these statements. PICA cites testimony from Diaz that "PICA's competitors like to talk about PICA's relationship with HP" and claims that this testimony can support the damages award. But the Diaz testimony that PICA quotes was not tied at all to the Costa Rica statements. *See* A9102 (discussing HP's alleged "behavior" and "conduct" during a line of questioning regarding PICA's contract negotiations with HP, not the Costa Rica statements).

Second, PICA's own CEO established that PICA was *not* injured. Volpi testified that *even today* PICA has a reputation for being the "predominant anti-counterfeiting agency in Latin America." A9040-41. Certainly there was no evidence of diminished reputation due to the alleged defamation.

Third, PICA did not present any evidence that any injury was *proximately caused by* the fleeting comments in Costa Rica. In fact, Volpi testified unequivocally that the purported "harm" to PICA's reputation was the result of two events unrelated to any statements made in Costa Rica: (1) his decision to sue a customer (HP), and (2) PICA's loss of HP as a customer. *See* A8993-8994. PICA offers no response to these admissions.

And *fourth*, PICA's arguments about the evidence that (1) Volpi owned a "ranch" in Costa Rica, and (2) PICA was paid \$16 million over the course of six years for the ACF work it did for HP are non sequiturs and just highlight the lack of any relevant evidence supporting the \$5.5 million award. PICA Br. at 35-38. There is no connection between Mr. Volpi's ranch (or what it's worth) and the alleged harm to PICA from HP's comments in Costa Rica. And how does what HP paid PICA in the past show what business PICA lost as a result of the Costa Rica comments? PICA's suggestion that "the jury could have reasonably concluded" that those comments "set PICA back over ten years" (PICA Br. at 39)

is pure conjecture. Nor does PICA dispute that its net profit from 2008-2012 was a *mere \$154,660*. A6405; A10097-10603.

b. PICA Misinterprets Delaware Defamation Law.

The gist of PICA's argument is that the jury was legally permitted to speculate and thereby pull a number out of thin air. PICA Br. at 30-32. But Delaware defamation law clearly does not permit that. As the jury was instructed (properly), and as HP articulated in its opening brief (HP Br. at 22-23), PICA was required to present evidence that its reputation was diminished as a result of the alleged slander, and the jury's award must have been based on that evidence. *See, e.g., Gannett Co. v. Kanaga*, 750 A.2d 1174, 1188 (Del. 2000). The very authority that PICA cites in its brief reinforces this point. *See Stidham v. Wachtel*, 21 A.2d 282, 283 (Del. Super. 1941) (requiring that the jury only award "such general *compensatory damages* as would *reasonably* compensate the plaintiff for the harm which *normally* would result from such defamation and wrong done to his reputation, good name and fame, and for any mental suffering caused thereby") (emphasis added). Clearly the jury is not free to pick a number out of thin air based on sympathy for one party or dollar amounts that the jury heard that have nothing to do with the alleged defamatory injury.

HP does not contend that PICA was required to prove a specific dollar amount of its harm. But PICA most certainly *was* required to *prove* (not speculate

about) some causal link between the allegedly defamatory statements and harm to PICA that would reasonably justify the \$5.5 million compensatory award. The Delaware jury instructions used here are derived from cases like *Gannett* and *Ramunno* and explicitly require such evidence of proximately caused harm. See Del P.J.I Civ. § 11.6; *id.* § 11.11; *id.* § 22.13.

PICA cherry picks statements from Supreme Court cases to argue that the jury could speculate as to damages. PICA offers the following quote from *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 349 (1974): “[the] common law of defamation is an oddity of tort law, for it allows recovery of purportedly compensatory damages without evidence of actual loss.” PICA fails to say, however, that the *Gertz* Court went on to hold this “oddity” is unconstitutional if it results in a defamation award that is not “supported by competent evidence concerning the injury” 418 U.S. at 349. The Court went on to say “the States have no substantial interest in securing for plaintiffs . . . gratuitous awards of money damages far in excess of any actual injury.” *Id.*⁵

⁵ *Gertz* did not hold that First Amendment principles are irrelevant in private defamation cases. Indeed, courts from around the country have extended such protections to private defamation cases. 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 (Tex. Civ. App. 1979). Even the seminal treatise on defamation law emphasizes that *Gertz* held “that appropriate limiting instructions were necessary and that all awards must be supported by competent evidence concerning the injury.” See Sack on Defamation: Libel, Slander & Related Problems § 10.3.4 (4th ed.).

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

PICA’s “trade secret” was a sales pitch prepared by Diaz that PICA readily admits has never been used by PICA or any client. There was *zero* evidence that any specific element of this sales pitch was a method not known to people who work in the anticounterfeiting field. Nor was there any evidence of HP misappropriating this sales pitch. Indeed, PICA does not and cannot dispute that the HP personnel who would have had to approve such a proposal—Moore, Velez, and/or Hendrix—never even saw it before PICA sued HP. Contrary to PICA’s argument, *Savor* is thus on all fours with this case. *Savor v. FMR Corp.*, 2004 WL 1965869 (Del. Ch. July 15, 2004).

Using the same technique it used to confuse the Trial Court (which should have granted summary judgment on this claim), PICA amalgamates “evidence” from two entirely distinct HP programs, its anticounterfeiting (ACF) and sales and discount fraud (SDF) programs, to manufacture support for a misappropriation claim. In doing so, PICA ignores the fact that PICA’s damages expert purported to assign damages based solely on HP’s SDF program making “more test buys,” which was indisputably not a trade secret. Moreover, the evidence shows that neither program implemented PICA’s proposal (or any alleged trade secret aspect of the proposal).

1. There Was No Evidence The MCA Proposal Was A Trade Secret.

PICA cites no evidence that its MCA proposal had any economic value (actual or potential), a requirement for trade secret protection. First, its expert admitted he did not even consider the issue. A9180. Second, PICA admitted at trial that it has *never* implemented the idea itself or on behalf of another company. A9100. Moreover, even if PICA had introduced evidence that the MCA proposal had some independent economic value, that value must derive from “not being generally known.” 6 *Del. C.* § 2001(4). As explained in HP’s opening brief, every aspect of PICA’s proposal *was* generally known. HP Br. at 32-34 (detailing the evidence from PICA’s own witnesses that “front companies” (both “durable” and “self-sustaining”), “test buys,” and making “more test buys” were well known).

HP urges the Court to review the two-page MCA proposal itself (A10075-10078). As the document shows, it was nothing more than a pitch suggesting that HP set up a front company to buy from certain resellers of HP products to determine if they were selling counterfeits, which is a tactic used in virtually every anticounterfeiting program. It should also be noted the proposal says nothing about combatting sales and discount fraud, and was submitted to Kwasny, who never worked in HP’s SDF program. A9130; A9358.

Nothing in PICA’s answering brief meets its burden to show the proposal was a trade secret. On the contrary, PICA’s trade secret expert (Faulconer)

admitted that the techniques proposed in the proposal had been used for a very long time, well before Diaz penned the proposal. *See* A9174 (Faulconer testimony that the government has long operated front companies that are both “self-sustaining” and whose existence is not disclosed by openly using the evidence gathered); *id.* (Faulconer admitting that making “test buys” through “front compan[ies]” was a “common practice”); *see also* A9190 (Faulconer admitting that making more “test buys” was not a trade secret).

When asked by PICA’s counsel what made his proposal “unique,” Diaz responded, “[W]ell, I guess there’s two [things]. [1] Its anonymity, the anonymity that it affords both Hewlett-Packard and PICA, and [2] its ability to combat or defeat the bad-guy technique of salting their loads.” A9069. These amorphous ideas do not begin to meet the specificity required of a trade secret, and there was no evidence that either one of them was a secret. Of course, the point of all “front companies” is to be “anonymous”—i.e., set up to look like real companies. A9069; A9343; A9408-9410. That is the entire point of operating a “front.” The MCA proposal simply proposed making the front company appear as real as possible; tellingly, however, Diaz never “put pen to paper on any of those types of details or logistics” (A9127), underscoring that there was nothing “secret” in the proposal. *See BondPro Corp. v. Siemens Power Generation, Inc.*, 463 F.3d 702, 710 (7th Cir. 2006) (“One expects a trade secret to be rich in detail, because a

process described in general terms . . . will usually be widely known and thus not worth incurring costs to try to conceal and so not a trade secret”).

Similarly, it is undisputed that “salting”—which PICA raised for the first time at trial—is a well-known technique used by some counterfeiters. A9133. Indeed, Diaz admitted that HP knew about “salting” as early as 2004. *Id.* Additionally, the front company’s supposed “ability to combat . . . salting” was to be achieved by having a “bulletproof” front company, which again is merely the idea of making the front company as robust as possible. This proposal was not unique or “secret.”

PICA attempts to avoid this fact by arguing that novel combinations of known elements are afforded trade secret protection. PICA Br. at 43. While PICA’s proposal may be a combination, it is no trade secret. Delaware trade secret law only protects “novel” combinations of known processes—not already-implemented combinations, or combinations already in the public domain. *Miles Inc. v. Cookson Am., Inc.*, No. CIV.A. 12,310, 1994 WL 676761, at *11 (Del. Ch. Nov. 15, 1994); *Merck & Co. v. SmithKline Beecham Pharm. Co.*, No. C.A. 15443-NC, 1999 WL 669354, at *15 (Del. Ch. Aug. 5, 1999) *aff’d*, 746 A.2d 277 (Del. 2000) and *aff’d*, 766 A.2d 442 (Del. 2000). Here, PICA attempts to liken the MCA proposal to Coca-Cola. The comparison is inapt. Coca-Cola is a never-before-implemented combination of products that results in an entirely unique

product unlike any of its component parts. Even giving credence to Diaz’s testimony that attempts to expand the MCA proposal, the proposal remains a combination of well-known elements that resulted in another well-known service: a durable, self-sustaining front company that would make test buys and root out counterfeiting. As HP’s trade secret expert testified, all of this has been done before.⁶ A9434; A9437.

The evidence demonstrated that Diaz’s MCA proposal was a well-known combination of commonly used elements. For these reasons, as a matter of law, PICA’s MCA proposal does not meet the definition of a trade secret.

2. There Was No Evidence HP Implemented The MCA Proposal.

None of the “circumstantial evidence” PICA cites (PICA Br. at 48) establishes that HP implemented the aspects of the MCA proposal that purportedly made it a unique trade secret. In a misleading effort to fashion evidence, PICA intentionally conflates HP’s ACF and SDF programs. The distinction between these two programs matters because PICA *explicitly admitted* at trial that it had no evidence of damages linked to HP’s alleged use of the proposal in its ACF program—an admission that should have completely foreclosed PICA from recovering on this theory. *See* A9510; A9504. Thus, the Trial Court erred in

⁶ *See also* HP Br. at 33.

allowing PICA to assert HP's use of the proposal in its ACF program as a basis for its trade secret claim.

Moreover, the "evidence" of misappropriation in the ACF program on which PICA now relies is insufficient. PICA alleges that the misappropriation apparently consists of: (a) Kwasny asked Diaz to help HP with its efforts to manage its channel partners; (b) according to Diaz's uncorroborated testimony, Kwasny told Diaz that HP was going to set up a front company operation in Europe but it was *not* stealing his idea;⁷ and (c) a year after Diaz discussed his proposal with Kwasny, a handful of employees in HP's ACF division discussed the possibility of establishing a new front company. PICA Br. at 49-50.

In fact, this "evidence" establishes nothing. First, Kwasny lacked the authority to implement any such proposal, and the uncontroverted evidence established that no one with that authority even knew it existed before this lawsuit. *See* A9255; A9343; A9412. Second, PICA's "smoking gun" email that it shows on page 18 of its brief is entirely innocuous. The email, sent a year after Diaz made his proposal, says nothing about PICA or the proposal. It merely references setting up a new front company for the purpose of determining whether HP product resellers are selling counterfeits to "unknowing" (i.e., innocent) buyers. That is

⁷ Diaz's testimony at trial on this conversation was that based on Kwasny saying the new front company in Europe was not based on the MCA proposal, Diaz somehow inferred HP was going to adopt his proposal. A9124-9125; AR1-7.

just business as usual for the HP ACF program. A9298-9299; A9343; A9397. The fact that PICA singles out this email as its best evidence shows the lack of any real evidence of misappropriation.

Perhaps most important, none of the purported evidence that PICA cites establishes that HP *actually implemented* the MCA proposal as opposed to continuing to set up new front companies as it had in the past. The evidence showed the ACF program involved the use of front companies before and after Diaz made his proposal. A9298-9299; A9343; A9397. As PICA's expert admitted at trial, the concept of using a front company is not a trade secret⁸—so HP could not have misappropriated the proposal unless it implemented at least some other particularized, unique feature. *See Savor*, 2004 WL 1965869, at *9–11 (similarity in two program's "basic features" is insufficient to establish misappropriation).

The "evidence" of misappropriation by HP's SDF program is nonexistent. The only evidence pointed to by PICA is: (1) SDF tripled its number of test buys, (2) HP increased the SDF budget, and (3) HP's presentation at the ISMA/OSAC trade conference.

Joseph Hendrix, Director of the SDF program, testified that the budget increase and the increase in test buys had nothing to do with PICA or the MCA

⁸ *See* A9184-9185; A9190.

proposal. HP had been using the investigative technique of making test buys in the SDF program since 2002. A9409. Hendrix testified that as time went on, the program “got more people, got more systems, did more analytics, pursued more cases . . . did more litigation, filed more criminal complaints.” A9412. The program also “did more test buys, but,” as Hendrix testified, “[HP] also did more of everything else.” *Id.* This sensible explanation, coupled with the fact that no one in HP’s SDF division had ever heard of the MCA proposal, *see id.*, demonstrates that the budget increase and increase in test buys had ***nothing to do*** with PICA’s proposal. And even if it did, a company merely doing more of something it has always done hardly shows appropriation of a trade secret.

As for the ISMA/OSAC⁹ presentation, it occurred at a conference held in March 2013, almost a year ***after*** PICA sued HP. As a review of the document itself (A10079-10096) shows, it does not refer to any “durable” or “bullet proof” front company that would act as an HP Tier 2 distributor. On page 10 (A10088) it merely refers to “test buys,” and based on that alone the Trial Court allowed wide-

⁹ ISMA stands for “International Security Management Association,” and OSAC refers to “Overseas Security Advisory Council.”

ranging discovery on HP's SDF program and admitted the document at trial as evidence of trade secret misappropriation. A10079-10096; A9498; A9190.¹⁰

Nor does the fact that a trade secret usually need not be copied word-for-word aide PICA. In fact, contrary to PICA's assertion (PICA Br. at 46-47), the "substantial similarity" test is the appropriate test here, and *Savor* is directly on point. Under the *Savor* test, PICA would have to prove "substantial similarity" between its MCA proposal and whatever program HP actually implemented. *See Savor*, 2004 WL 1965869, at *9. PICA has not done so.

At the very least, PICA must show that *some* novel aspect of PICA's program was used by HP in some way. PICA cannot argue on the one hand that the MCA proposal need not be copied word for word, then fail to show that anything HP allegedly copied (front companies, "durable" front companies, "self-sustaining" front companies, test buys, or more test buys) is a trade secret. *See* HP Br. at 32-34; *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

¹⁰ Diaz admitted that he did not have "any other information" aside from the ISMA/OSAC presentation "that HP changed the way it made sales and discount fraud test buys after [Diaz] made [the MCA] proposal." A6092. PICA does not dispute that HP has been using this well-known investigative technique in SDF since 2002. A9409.

the compilation to constitute a trade secret”).¹¹ PICA’s Opposition fails to point to the ostensibly unique aspects of the MCA proposal purportedly copied by HP.

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

Delaware law requires a trade secret plaintiff to prove that it took *reasonable* steps to protect the confidentiality of its alleged trade secret. 6 *Del. C.* § 2001(4)(b); *Savor*, 2004 WL 1965869, at *7. Lip service is not sufficient.

PICA’s brief points to no facts that it took reasonable efforts to protect its alleged trade secret. First, Diaz willingly handed over the proposal to Kwasny as a sales pitch, without asking Kwasny to keep the proposal a secret. Second, PICA did not label the proposal as a “trade secret” or ask HP to sign a nondisclosure agreement. Third, and most importantly, Diaz admitted that he took *no steps* to protect his trade secret after Kwasny later mentioned to him that HP was already planning on setting up a new front company in Europe. *Cf. HiRel Connectors, Inc. v. Dep’t of Def.*, 2003 WL 27168678, at *10 (C.D. Cal. Apr. 14, 2003) (considering whether plaintiff “failed to object to disclosure of its trade secrets” in determining whether plaintiff’s information should be awarded trade secret

¹¹ *Sanirab Corp. v. Sunroc Corp.*, 2002 WL 1288732, at *3 (Del. Super. Apr. 29, 2002), does not stand for a contrary proposition. Merely because unique combinations of generally known elements *can* constitute a trade secret does not mean that *any* combination can be a trade secret; combination trade secrets, like all other trade secrets, must be novel. *See* 6 *Del. C.* § 2001(4)(a); *Miles*, 1994 WL 676761, at *11.

protection). Indeed, PICA placed such little import on protecting the proposal's secrecy that its trade secret expert admitted that he did not even analyze this element. A9181.

PICA points to its Standard Business Complaint as evidence of supposed efforts to protect its trade secret, but that complaint was filed on May 24, 2011—over *one year after* the alleged misappropriation occurred. A5917-5950. During the interim, PICA and HP continued their commercial relationship without PICA *even mentioning* HP's ostensible misappropriation. A9123-9124. Further, contrary to PICA's assertion, merely marking a document "confidential" is not sufficient to demonstrate that PICA took reasonable steps to maintain the proposal's secrecy. *Accord Bradbury Co. v. Teissier-duCros*, 413 F. Supp. 2d 1209, 1225 (D. Kan. 2006) ("labeling a contact as 'high level' with the general statement that sometimes they are confidential is not sufficient to merit trade secret protection"). PICA cites no legal support for this proposition. In fact, it is "simply wrong" to contend that "the distinction between 'confidential information' and 'trade secrets' is purely 'semantic.'" *Fleming Sales Co. v. Bailey*, 611 F. Supp. 507, 512, n.4 (N.D. Ill. 1985).

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

PICA cannot escape the fact that its trade secret shape-shifted throughout this case. *See* HP Br. Ex. K.

Even after discovery was completed, at the hearing on HP’s motion for summary judgment, PICA could not pinpoint what part of its proposal qualified as a trade secret; when pressed by the Trial Court, PICA’s attorney could answer only “it’s the overall program.” PICA Ex. A; A8855-8856. The problem is that the “overall program” is too vague a definition to survive summary judgment—it was PICA’s burden to define its trade secret with reasonable particularity *before discovery, and certainly before trial*.¹²

Unfortunately, the Trial Court failed to require PICA to commit to a specific definition of the alleged secret and then stick to it.¹³ Contrary to Delaware law, PICA was continuously permitted to fall back on its “whole package” theory of misappropriation, arguing, without more, that HP could be liable if it implemented any piece of the proposal, even after PICA failed to (i) identify which pieces were used or (ii) prove they independently were trade secrets. This was error.

¹² *SmithKline Beecham Pharma. Corp. v. Merck & Co., Inc.*, 766 A.2d 442, 447 (Del. 2000).

¹³ This case is therefore unlike *Merck*, where plaintiff initially “described its entire process as a protectable trade secret,” then, “following discovery,” plaintiff narrowed the definition, and defendant was “informed well in advance of trial of the specific aspects of the [plaintiff’s] trade secret.” 766 A.2d at 448.

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

1. PICA Was Awarded Inappropriate “Expectation” Damages.

PICA does not dispute that its lost profits measure of damages compensates PICA for expectation damages—the value of a contract that PICA claims the parties *should have* formed but never did—rather than for PICA’s actual loss attributable to HP’s alleged use of its trade secret. PICA cites non-Delaware authority that courts may apply a “flexible and imaginative approach” to determine trade secrets damages. *See* PICA Br. at 53 (citing Restatement (Third) of Unfair Competition § 45 cmt. n.b (1995); *Univ. Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 538 (5th Cir. 1974)). PICA’s argument is misplaced.

PICA offers no authority (and there is none) that Delaware law permits a measure of damages not authorized by the Delaware Uniform Trade Secrets Act (“DUTSA”). The Restatement does *not* trump the Delaware statute. *See* 6 *Del. C.* § 2007(a) (noting that DUTSA “displaces conflicting tort, restitutionary and other law of this State providing civil remedies for misappropriation”); *Great Am. Opportunities, Inc. v. Cherrydale Fund., LLC*, 2010 WL 338219, at *18 n.209 (Del. Ch. Jan. 29, 2010) (disregarding Restatement where it conflicts with DUTSA). Nor does the Restatement establish that the contract-law remedy of

expectation damages is an appropriate remedy for the tort of misappropriation of trade secrets.¹⁴

2. PICA Introduced No Evidence Of Unjust Enrichment Attributable To HP's Use Of The Alleged Trade Secret.

PICA has not shown that the unjust enrichment damages it sought were linked to HP's implementation of PICA's alleged trade secret, rather than merely to HP's use of test buys in its SDF program. Instead, PICA's response mischaracterizes HP's argument and misses the point.

HP agrees that causation need not be proven by expert testimony specifically. However, PICA must show—through *some evidence* (expert testimony or otherwise)—that the damages awarded were linked to HP's alleged use of its trade secret. PICA has failed to do so. PICA identifies *no evidence* linking the unjust enrichment damages it was awarded to HP's alleged use of its trade secret. Dr. Markham was the only witness PICA called to testify on the amount of benefit HP received as a result of using the alleged trade secret, and he merely added up the value to HP of all SDF cases that involved a test buy. He admitted that he made no attempt to determine if there was any link between actual use of the trade secret and the alleged benefit HP obtained through its SDF

¹⁴ The case to which PICA cites is entirely irrelevant because it applies Georgia law and predates that state's adoption of the Uniform Trade Secrets Act. *See Univ. Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 533 (5th Cir. 1974).

program. *See* PICA Br. at 42; A9221. The only evidence of record on this issue showed that there was no link between PICA’s claimed damages and HP’s alleged use of PICA’s trade secret. Hendrix testified that none of the savings argued by PICA was tied to making test buys. A9414.

3. PICA Was Improperly Awarded Two Inconsistent, Mutually Exclusive Measures Of Damages.

PICA further fails to rebut HP’s argument that PICA collected two inconsistent, mutually exclusive measures of damages: both the sum HP *would have* paid PICA to implement the MCA proposal, and the savings HP realized by allegedly implementing the proposal on its own. These two scenarios could never exist simultaneously, and the Trial Court erred in allowing the jury to award damages for both.

While DUTSA permits plaintiffs to recover damages for both “actual loss” and “unjust enrichment,” it expressly prohibits double recovery. 6 *Del. C.* § 2003(a); *Great Am. Opportunities*, 2010 WL 338219, at *27 n.303 (noting that court is “mindful of the need to prevent double recovery for a single harm”). And nothing in DUTSA or Delaware case law permits plaintiffs to recover two measures of damages resulting from *entirely contradictory* fact patterns. Permitting recovery in this manner would violate the basic legal principle that a plaintiff must choose among inconsistent remedies. *See, e.g., Brown v. SAP Am.*,

Inc., 1999 WL 803888, at *9 (D. Del. Sept. 13, 1999); *Sannini v. Casscells*, 401 A.2d 927, 931 (Del. 1979).

PICA cites no legal authority that permits such recovery. In the case on which it relies, *Agilent Technologies*, the award was neither speculative nor counter-factual; the court awarded damages for both lost profits and unjust enrichment because the plaintiff *actually lost sales* when the defendant used its trade secrets to market a competing product, and the defendant *actually profited* from selling that product. *Agilent Techs. v. Kirkland*, 2010 WL 610725, at *27–31 (Del. Ch. Feb. 18, 2010). PICA, in contrast, sought damages based on the occurrence of two events that never came to pass, and it would have been impossible for both to occur.

Respectfully, this error warrants a new trial, or at a minimum, a remittitur to strike one of the two mutually exclusive awards. *See Riegel v. Aastad*, 272 A.2d 715, 718 (Del. 1970); *IPPV Enters., LLC v. Echostar Commc'ns, Corp.*, 191 F. Supp. 2d 530, 573–74 (D. Del. 2002).

4. HP Has Not “Waived” Its Argument That PICA Improperly Invited The Jury To Speculate On “Unknown” ACF Damages.

PICA does not deny that it invited the jury to “come up with” a number to approximate the “unknown” damages associated with HP’s alleged use of PICA’s MCA proposal in its ACF program despite having presented no evidence of any such damages. *See* PICA Br. at 44; A9510; A9504. Instead, PICA counters that

HP waived this argument by failing to object to its statements during closing. As HP made clear in its Opening Brief, HP did object to PICA's argument *before* closing arguments began, and the Court unequivocally rejected HP's position. *See* HP Br. at 44-45; A9494. PICA cites no authority establishing that an objection already ruled on by the court, only moments earlier, is waived if not reasserted. In fact, in one of the cases PICA cites, *General Motors Corp. v. Grenier*, this Court held there was no waiver where a party objected during a pretrial hearing but opted not "to object again at trial." 981 A.2d 531, 540 (Del. 2009).

PICA further attempts to justify its invitation to the jury to speculate by arguing that PICA's witnesses had testified that implementing the MCA proposal "would save HP, at least, \$10 [million]." PICA Br. at 55-56. This testimony was pure speculation, as PICA's counsel acknowledged during closing: "*We don't know* how much [HP] has saved on the counterfeit side from implementing this program," and told the jury "that amount *is up to you.*" A9504 (emphasis added).

Lastly, PICA argues that damages need not be "pinpoint[ed] with mathematical certainty." PICA Br. at 66. Again, this response utterly disregards that PICA presented *no estimate* of damages. Although the cases PICA cites establish that damages may be "approximate," they further establish that "damages may not be determined by mere speculation or guess." *See Vianix Del. LLC v. Nuance Commc'ns, Inc.*, 2010 WL 3221898, at *7 (Del. Ch. 2010); *see also Beard*

Research, Inc. v. Kates, 8 A.3d 573, 613 (Del. Ch. 2010) *aff'd sub nom. ASDI, Inc. v. Beard Research, Inc.*, 11 A.3d 749 (Del. 2010).

Because the Trial Court disregarded the principle that damages may not be speculative, the award in this case must be vacated. *See Gannett Co. v. Kanaga*, 750 A.2d 1174, 1190 (Del. 2000); *IPPV Enters.*, 191 F. Supp. 2d at 572–74.

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

It is, of course, impermissible to allow an expert to testify to an opinion unsupported by any analysis, methodology or independent research. Here, PICA's expert, Dr. Markham, opined on trade secret damages but admitted he completely failed to even consider whether there was any causal link between HP's alleged misappropriation and his damages. A9221. Because of this, HP moved to exclude his testimony.¹⁵ PICA assured the Trial Court that it would proffer evidence of causation before Dr. Markham took the stand, but it never did. A8920. It was error to allow Dr. Markham to present his damages calculations about how HP's SDF program was unjustly enriched from its use of the MCA proposal without first

¹⁵ PICA points out that HP's *Daubert* motion was filed four days before trial. But Dr. Markham's supplemental expert reports were not prepared until September 18th, with a final version coming on the 29th. A5108-5109; A5111-5112. So, it would have been impossible for HP to file a *Daubert* motion excluding these reports well in advance of trial. HP's motion was timely filed on October 1, just two days after Dr. Markham issued his Third Supplemental Report.

requiring PICA to proffer *some* evidence that the MCA proposal was responsible for HP's SDF savings.¹⁶

PICA claims that Dr. Markham's speculative conclusions "came from an affidavit that HP told the Court would connect HP's test buys and savings" (PICA Br. at 57), but that very affidavit explicitly states that none of the SDF Division's savings were caused by test buys, which was also confirmed by Hendrix's testimony. A5014; A9414-9415; AR8-19. Moreover, the idea of making test buys is undisputedly not a trade secret. The Trial Court had a duty to ensure expert opinion on trade secret damages was at least tied to HP's use of some idea that was allegedly a trade secret.

As a result of the Trial Court's failure to play its gatekeeping role, the jury was permitted to hear Dr. Markham's testimony asserting HP should be held liable for millions of dollars in damages although he admitted that he did not even know what PICA's alleged trade secrets were, and he made no attempt to determine what benefit HP received as a result of allegedly implementing the MCA proposal. A9214, A9221, A9223. He testified that he was just hired "to do the math"

¹⁶ PICA is incorrect in relying on *Vianix Delaware LLC v. Nuance Commc'ns, Inc.*, 2010 WL 3221898, at *7 (Del. Ch. Aug. 3, 2010), for the proposition that a damages expert can presume causation. PICA Br. at 57. In *Vianix*, there was no damages expert. *Vianix*, 2010 WL 3221898, at *7. The court held that plaintiff should be awarded *some* damages, but—appropriately—the court determined that only those damages actually *supported by the evidence* could be awarded. *Id.*

(A9229), and based on that math huge damages are appropriate here. Allowing that was error; *Daubert* requires experts to be more than mere calculators. *See Tumlinson v. Advanced Micro Devices, Inc.*, 81 A.3d 1264, 1269 (Del. 2013).

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

Upon a jury's determination that trade secret misappropriation was "wilful *and* malicious," "the court may"—but is not required to—"award reasonable attorney's fees to the prevailing party." 6 *Del. C.* § 2004 (emphasis added).

Because there was no evidence supporting the jury's trade secret verdict, the attorneys' fees award should likewise be reversed. But even if that verdict stands, the Trial Court's determination that PICA should be awarded 75% of its attorneys' fees must be vacated. As explained above, none of PICA's proffered evidence of misappropriation suffices to raise even an *inference* of misappropriation—and certainly not willful and malicious misappropriation. This is especially true because the evidence established that no one besides Jeff Kwasny even knew about Diaz's proposal—and Kwasny did not have the authority to implement the proposal. A9368-9369.

In opposition, PICA asserts that HP "ignores all of the misappropriation evidence and the evidence of HP's bad faith efforts to replicate, debilitate, and replace PICA." PICA Br. at 58. But this grab-bag of "evidence" is all unrelated to any decision by HP to adopt any "secret" element of the MCA proposal. The law requires specific evidence directly connecting use of the trade secret to a willful and malicious motive. *Beard Research*, 8 A.3d at 600-01.

Throughout trial, PICA argued that HP implemented the proposal in the SDF division, and the uncontroverted evidence at trial demonstrated that Kwasny had no relationship with that division. A9411-9412. Indeed, the evidence was that no one who worked in the SDF program knew about the proposal. A9411-9412. Of course, without knowledge of the proposal, it is impossible that anyone in HP's SDF department could have known they were misappropriating the proposal. *Agilent*, 2010 WL 610725, at *33.

Further, it was an abuse of discretion for the Trial Court to determine that PICA is owed 75% of its attorney fees for the trade secret claim, which comprised only one cause of action out of eleven. In fact, PICA spent much of its time litigating issues entirely unrelated to the MCA proposal. *See Br. Ex. L.*¹⁷

¹⁷ HP's Exhibit L approximates the amount of time PICA spent on discovery related to the MCA claim—only 34%. *Id.* PICA has never presented a counter-argument demonstrating that it spent more than 34% of its time on the MCA claim. A7660.

HP'S ANSWER TO PICA'S SUMMARY OF ARGUMENT ON CROSS APPEAL

1. Denied. There was no evidence of misappropriation, let alone “willful and malicious” misappropriation, and the Trial Court did not abuse its discretion in awarding PICA no exemplary damages, in any event.

2. Denied. PICA’s sanctions motion was meritless, and the Trial Court did not abuse its discretion in denying PICA’s request for HP to pay three-fourths of its litigation fees.

V. THE TRIAL COURT DID NOT ERR IN REJECTING PICA'S REQUEST FOR EXEMPLARY TRADE SECRET DAMAGES

A. Question Presented.

Whether the Trial Court appropriately determined that no exemplary damages are warranted in this case.

B. Scope Of Review.

An appellate court reviews a trial court's denial of exemplary damages under the Uniform Trade Secrets Act for abuse of discretion. *Perdue Farms Inc. v. Hook*, 777 So. 2d 1047, 1053 (Fla. Dist. Ct. App. 2001).

C. Merits Of Argument.

PICA asks the Court to hold that “it is legal error not to award *some* exemplary damages” when a jury finds willful and malicious conduct. PICA Br. at 60. But that is not the law. *See Agilent*, 2010 WL 610725, at *33–34 (declining to award exemplary damages where defendants' conduct was “both willful and malicious”); *Beard Research*, 8 A.3d at 601 (declining to award either exemplary damages or attorneys' fees under DUTSA). The Uniform Act does “not establish a right to [exemplary] damages . . . but rather shift[s] the entire issue of entitlement” from the jury to the judge. *Perdue Farms*, 777 So. 2d at 1052.

As with the Trial Court's award of attorneys' fees, the Court must “carefully review[]” the evidence of willful and malicious conduct before reaching a determination regarding exemplary damages. *Russo v. Ballard Med. Products*,

2007 WL 752164, at *2 (D. Utah Mar. 7, 2007) *aff'd*, 550 F.3d 1004 (10th Cir. 2008); *see also Agilent*, 2010 WL 610725, at *34. Tellingly, PICA raises *no facts* in its argument that the Trial Court should have awarded exemplary damages. Instead of arguing that the Trial Court made the incorrect factual determination (because it cannot), PICA asks this Court to create three new rules of law that are directly contrary to DUTSA's text.

First, PICA asserts that in a “jury trial,” as opposed to a bench trial, the “judge’s calculation of exemplary damages should start with a presumption that it is appropriate to award the maximum” statutory damages. PICA Br. at 61. This contention has no support in the law. The two cases cited by PICA as support for this proposition are inapposite. *W.L. Gore & Associates, Inc. v. Wu*, 2006 WL 2692584, at *6 (Del. Ch. Sept. 15, 2006), and *EDIX Media Grp., Inc. v. Mahani*, 2006 WL 3742595, at *6 (Del. Ch. Dec. 12, 2006), both involved decisions from the *bench*, so those cases certainly do not stand for the proposition that judges should surrender to the jury their statutory duty to engage in a thorough evaluation of the proper exemplary damages award. *See also 6 Del. C. § 2003(b); Comments to the Uniform Trade Secret Act, Damages, § 3* (the provision “follows federal patent law in leaving discretionary trebling to the judge even though there may be a jury”). Moreover, PICA’s default rule in favor of awarding the maximum statutory damages would run afoul of the well-established principle that a “high

standard” must be met before exemplary damages can be awarded. *Solway v. Kent Diagnostic Radiology Assocs., P.A.*, 2014 WL 704146, at *10 (Del. Super. Feb. 18, 2014).

Second, PICA argues that it was an “error” for the Trial Court to engage in a fact-intensive inquiry in reaching its conclusion to award no exemplary damages. PICA Br. at 60. But in bench trials and jury trials alike, it is the court’s *duty* to thoroughly analyze the facts before reaching a determination about the amount of exemplary damages to award (if any). *See Agilent*, 2010 WL 610725, at *34.

And *third*, PICA suggests that it was wrong for the Trial Court to consider the jury’s compensatory damages awards in awarding exemplary damages—but that is the tradition of Delaware courts. *See Agilent*, 2010 WL 610725, at *34 (“declin[ing] to enter into the realm of punishment” where “monetary damages” made plaintiff “whole” and “deprive[d] [defendant] of its unjust rewards”); *Jardel Co. v. Hughes*, 523 A.2d 518, 528 (Del. 1987) (“To the extent [that a] plaintiff has already been fully compensated by actual damages, an award of punitive damages is, in a real sense, gratuitous”). PICA cites no authority for its proposition that courts cannot consider the compensatory damages award in reaching a conclusion regarding exemplary damages. *See id.*

VI. THE TRIAL COURT DID NOT ERR IN REJECTING PICA'S REQUEST FOR THREE-FOURTHS OF ITS FEES

A. Question Presented.

Whether the Trial Court properly denied PICA's request for three-fourths of its fees as an exception to the American Rule.

B. Scope Of Review.

A court's "denial of litigation expenses under the bad faith exception to the American Rule" is reviewed for "abuse of discretion." *Lawson v. State*, 91 A.3d 544, 548 (Del. 2014).

C. Merits Of Argument.

The Court awarded PICA fees for three motions and one deposition under Rule 37(b), but denied PICA's request to shift three-fourths of its fees to HP as an exception to the American Rule. This was not an error. A close, accurate look at the timeline of discovery in this case demonstrates that PICA's outlandish attacks on HP's conduct during discovery are meritless.¹⁸ *See* A6597-6606.

The fee-shifting exception to the American Rule is "narrow," and "is applied only in the most egregious instances of fraud or overreaching." *Williams v. Spanagel*, 2000 WL 1336728, at *8 (Del. Ch. Sept. 14, 2000). Thus, to "award

¹⁸ PICA's Exhibit B presents a flawed and incomplete timeline of discovery in this case. The correct timeline, supported by the pleadings and discovery requests and responses in this case, was provided by HP to the Trial Court in its Opposition to PICA's Motion for Attorneys' Fees & Expenses, *see* A6597-6606.

fees under the bad faith exception,” there must be “clear evidence” that the non-moving party acted “in *subjective* bad faith.” *Id.* (emphasis added). Additionally, a court may not assume that a party has acted in bad faith if it can identify other plausible reasons for the party’s conduct. *Jacobson v. Dryson Acceptance Corp.*, 2002 WL 31521109, at *16–17 (Del. Ch. Nov. 1, 2002), *aff’d*, 826 A.2d 298 (Del. 2003).

PICA asserts that the Trial Court should have awarded it three-fourths of its fees due to HP’s “suppression” of evidence regarding (1) the ISMA presentation and (2) the “ACF trading company” e-mails. PICA Br. at 62-63.

As explained in HP’s Opposition to PICA’s Motion for Attorneys’ Fees and Expenses, at the time PICA requested the ISMA/OSAC presentation, it had made no allegation regarding HP’s SDF program (an area in which PICA never worked for HP), and there was no perceivable connection between a presentation on security and PICA’s claims. Simply put, PICA was on a fishing expedition. Thus, HP objected to the request and, when it became apparent that PICA was broadening its trade secret allegations to SDF, objected to opening up discovery into its SDF program. But when the Court ordered that HP conduct a search for the ISMA/OSAC presentation, HP complied. A6589-6618; A3852-3867. HP could not initially locate the presentation, which was not on HP’s document review

platform. One week after PICA gave HP a more specific definition of what it was looking for, HP located and produced the document. *Id.*

Likewise, PICA presents no evidence of HP's bad faith concerning discovery of the "trading company" e-mails. Because of these e-mails' attenuated relationship to this case (the e-mails were created *18 months* after Diaz submitted his proposal to Kwasny, and they bear *no* relation to PICA or the front company proposed by Diaz), the Trial Court correctly recognized that HP's failure to "originally identif[y]" Mr. Llamas (one of the recipients of the e-mails) as a witness "may well have been" because "HP legitimately didn't think that he had any information." A8820; accord *Shapiro v. Healthcare Acquisition, Inc.*, 2004 WL 878018, at *1 (Del. Ch. April 20, 2004) (holding that "[t]he corporation did not act in bad faith in resisting [] a broad request"). As soon as HP located the "trading company" e-mail, it produced it, ran follow-up searches, and made additional productions of related documents. A6622.

PICA is confusing advocacy for bad faith. HP's reasonable objections to PICA's overbroad discovery requests were made in good faith. When the discovery disputes were resolved by the Trial Court, HP abided by those orders.

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 and should deny PICA's request for exemplary damages and sanctions.

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CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of August, 2015, a copy of the foregoing Appellant Hewlett-Packard Company's Reply Brief in Support of its Appeal and Answering Brief in Opposition to Appellee's Cross-Appeal was electronically served via *File & ServeXPress* on the following counsel of record:

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