IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

MILLER UK LTD. AND MILLER INTERNATIONAL LTD., **Plaintiffs,** **v.** **CATERPILLAR INC.,** **Defendant.**	**Civil Action No. 10-cv-3770** **Honorable Milton I. Shadur**
CATERPILLAR INC., **Counterclaim–Plaintiff,** **v.** **MILLER UK LTD. AND MILLER INTERNATIONAL LTD.,** **Counterclaim–Defendants.**	

PLAINTIFFS' RESPONSE IN OPPOSITION TO CATERPILLAR INC.'S MOTION FOR PARTIAL SUMMARY JUDGMENT ON COUNT 3 AND FOR SUMMARY JUDGMENT ON COUNT 4

Caterpillar Inc.'s ("Caterpillar") Motion for Summary Judgment is nothing more than a motion to dismiss masquerading as a motion for summary judgment. Relying almost exclusively on allegations from Plaintiffs Miller UK Ltd. and Miller International Ltd.'s ("Plaintiffs" or "Miller") Amended and Supplemental Complaint (the "Complaint"), Caterpillar now asks the Court to grant judgment as a matter of law even though Caterpillar itself disputes most of the statements that it sets forth in its Statement of Material Facts. These myriad factual disputes—most of which relate to the merit of Plaintiffs' claims—render summary judgment improper.

In addition to Caterpillar's improper reliance on disputed questions of fact, Caterpillar's motion also fails as a matter of law. Although Caterpillar argues that the Illinois Trade Secrets Act ("ITSA") preempts two of Plaintiffs claims, Caterpillar's analysis relies on a misguided view of the ITSA that ignores interpretations of Illinois' statute in favor of a Hawaiian court's interpretation of Hawaii's trade secret statute.

Adopting the analysis of the Hawaiian court, Caterpillar argues that the ITSA preempts any claim that is based on the misappropriation of confidential information, even if the information at issue does not fall within the statutory definition of a "trade secret." According to courts in this district, however, the plain language of the statute demonstrates that the ITSA preempts only those claims that are based on the misappropriation of a trade secret. Thus, to the extent a claim is based on confidential information that is not a trade secret, the ITSA will not preempt that claim.

As currently alleged, Plaintiffs' fraudulent inducement and unjust enrichment claims are based on Caterpillar's misuse of Plaintiffs' confidential and proprietary information, not its "trade secrets." Under the ITSA's narrow preemption provision, these two claims should not be preempted. Accordingly, Caterpillar's Motion for Summary Judgment should be denied.

BACKGROUND

Plaintiffs assert four claims against Caterpillar: breach of contract, threatened or actual trade secret misappropriation; fraudulent inducement; and unjust enrichment. (Caterpillar's Statement of Material Facts ("DSOF") ¶ 9) Plaintiffs allege that these claims arise out of a breach of the contractual and confidential relationship that existed between Plaintiffs and Caterpillar. (*Id.* ¶ 8) During this relationship, Plaintiffs provided Caterpillar with access to numerous trade secrets that are protected by the ITSA. (*Id.* ¶ 15)

In their misappropriation of trade secrets claim, Plaintiffs allege that Caterpillar misappropriated their proprietary trade secrets and confidential information. (*Id.* ¶ 10) Plaintiffs allege that these trade secrets were set forth individually and collectively in Paragraph 11 of their Complaint, and incorporated by reference that paragraph into their trade secrets claim. (*Id.*)

In contrast, Plaintiffs do not allege that their fraudulent inducement or unjust enrichment claims are based on the misappropriation of trade secrets. (*Id.* ¶¶ 11-12) Rather, Plaintiffs allege that these claims are based, at least in part, on Caterpillar's use of Miller's confidential and proprietary information. (*Id.*) In addition, Plaintiffs do not incorporate by reference Paragraph 11 of the Complaint into either their fraudulent inducement or unjust enrichment claims. (*Id.*)

Caterpillar's Statement of Material Facts is drawn almost exclusively from allegations in Plaintiffs' Complaint, many of which Caterpillar disputes. (*Compare* DSOF *with* PSOF) For example, Caterpillar disputes that it (1) requested access to Plaintiffs' confidential information and trade secrets; (2) received Plaintiffs' confidential information and trade secrets; or (3) used Plaintiffs' confidential information and trade secrets to produce Caterpillar's Center-Lock Pin Grabber Quick Coupler and Scoop bucket. (*See, e.g.*, PSOF ¶ 3-13) Where Caterpillar does not dispute an allegation, it claims that it lacks knowledge or information sufficient to form a belief about the truth of Caterpillar's allegations. (*Id.* ¶¶ 2, 14) Most notably, Caterpillar claims that it lacks knowledge or information sufficient to determine whether Plaintiffs' confidential and proprietary information constitutes trade secrets under the ITSA. (*Id.*)

SUMMARY JUDGMENT STANDARD

Summary judgment is proper only "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." FED. R. CIV. P. 56(a). In evaluating a motion for summary judgment, all evidence and inferences must be

viewed in the light most favorable to the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). A nonmovant is able to survive summary judgment if it can produce material factual disputes that might impact the outcome of the lawsuit. *CMBB LLC v. Lockwood Mfg., Inc.*, 628 F. Supp. 2d 881, 882-83 (N.D. Ill. 2009).

ARGUMENT

Caterpillar's Motion for Summary Judgment and corresponding Statement of Material Facts are filled with factual disputes that have a direct bearing on the outcome of Plaintiffs' fraudulent inducement and unjust enrichment claims.[1] These factual disputes require that the Court deny Caterpillar's Motion for Summary Judgment.

Caterpillar's motion also fails a matter of law. Contrary to Caterpillar's argument, the ITSA's preemptive effect does not extend to claims based on the misappropriation of confidential information. Instead, as the ITSA expressly states, it is intended to displace only those claims that are based on the misappropriation of trade secrets. Consequently, Plaintiffs' fraudulent inducement and unjust enrichment claims, which are based on the misappropriation of confidential information, are not preempted.

THE ILLINOIS TRADE SECRETS ACT DOES NOT PREEMPT PLAINTIFFS' CLAIMS BECAUSE THEY ARE NOT BASED ON THE MISAPPROPRIATION OF TRADE SECRETS.

Caterpillar argues that the ITSA preempts Plaintiffs' fraudulent inducement and unjust enrichment claims because "such claims rest on the same conduct that underlies Plaintiffs' trade secrets misappropriation claim." (Mem. at 2) Caterpillar further argues that, because preemption applies to any claim for misappropriation of information, it is proper at this juncture.

[1] Such factual disputes relate to, *inter alia*, (1) Caterpillar's use of Plaintiffs' confidential and proprietary information; (2) what information Plaintiffs provided to Caterpillar; and (3) whether Plaintiffs' confidential and proprietary information constitutes a "trade secret" under the ITSA.

(*Id.* at 9) Both of these arguments, however, are based on a flawed interpretation of the ITSA and, as such, must fail.

The first flaw in Caterpillar's preemption analysis is its decision to disregard any federal court's interpretation of the ITSA, and instead focus on the decisions of a few state courts interpreting their own trade secret statutes. (Mem. 4-6) Caterpillar is wrong to look only to state court decisions, as "[a] federal court sitting in diversity has the obligation to apply the law of the state as it believes the highest court of the state would apply it if presented with the issue." *Nat'l Athletic Sportswear, Inc. v. Westfield Ins. Co.*, 528 F. 3d 508, 512 (7th Cir. 2008). Thus, contrary to Caterpillar's suggestion, the decisions of federal courts provide important insight into how the Illinois Supreme Court would interpret the ITSA.

Had Caterpillar looked to the federal courts for guidance, it would have seen that its preemption analysis suffers from a fundamental flaw—it is wholly inconsistent with the plain language of the ITSA. As the courts in this district note, any analysis of the ITSA's preemptive effect must begin with the plain language of the statute. *See, e.g., Del Monte Fresh Produce, N.A., Inc. v. Chiquita Brands Int'l Inc.*, 616 F. Supp. 2d 805, 822 (N.D. Ill. 2009). According to Section 8(a), the ITSA is only "intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of trade secret." 765 ILL. COMP. STAT. 1065/8(a) (2012). The ITSA does not, however, state that it displaces civil remedies based on the misappropriation of confidential information.

Citing this express language, courts in this district have held that the ITSA preempts only those claims that are based on the misappropriation of trade secrets. *See, e.g., Combined Metals of Chi. Ltd. P'Ship v. Airtek, Inc.*, 985 F. Supp. 827, 830 (N.D. Ill. 1997). Citing this same language, these same courts have also held that the ITSA does not preempt a claim based on the

misappropriation of confidential information where that information does not constitute a "trade secret" under the ITSA. *See, e.g., Del Monte Fresh Produce, N.A., Inc.*, 616 F. Supp. 2d at 822 ("[T]he language of the ITSA makes clear that it allows plaintiffs to press forward with common law claims that are not premised on the theft of a trade secret."); *Universal Imagine Print Grp., LLC v. Mullen*, No. 07 C 6720, 2008 WL 62205, at *3 (N.D. Ill. Jan. 4, 2008) ("If the information does not qualify as a trade secret, the availability of civil remedies designed to address unlawful disclosure or use would be unaffected by the ITSA."); *U.S. Gypsum Co. v. LaFarge N. Am. Inc.*, 508 F. Supp. 2d 601, 638 (N.D. Ill. 2007) ("[T]o the extent particular information is not a trade secret, the claim is not preempted.").

As one court explains, if the information at issue "fail[s] to qualify as a trade secret, how could the [claim] be preempted under the ITSA? Again, the ITSA preempts only counts premised on the misappropriation of a trade secret. Thus, if the [information at issue is] not a trade secret or secrets, the ITSA preemption provision is inapplicable," and all other civil remedies for the protection of confidential information remain. *Combined Metals of Chi. Ltd. P'Ship*, 985 F. Supp. at 830.

In sum, the preemptive effect of the ITSA is much narrower than Caterpillar claims. Caterpillar's interpretation would require a court to read into the statute language stating that the ITSA intends to displace any civil remedies based upon misappropriation of a trade secret *or confidential information*. Courts in this district have refused to do so, holding that a claim is preempted only to the extent it is based on misappropriation of a trade secret and not, as Caterpillar argues, where a claim is based on the same conduct underlying the trade secret claim. *See, e.g., Charles Schwab & Co. v. Carter*, No. 04 C 7071, 2005 WL 2369815, at *4 (N.D. Ill. Sep. 27, 2005) (because the "plain terms" of the ITSA "preempts only *conflicting* laws that

provide remedies *for misappropriation of a trade secret*. The ITSA expressly allows all other claims that are not based upon trade secret misappropriation.") (emphasis in original).

This approach is in line with the narrow construction that Judge Easterbrook proposes in *Hecny Trans., Inc. v. Chu*, 430 F. 3d 402 (7th Cir. 2005). *Dominion Nutrition, Inc. v. Cesca*, No. 04 C 4902, 2006 WL 560580, at *4 (N.D. Ill Mar. 2, 2006) ("The Seventh Circuit has narrowly construed the preemptive effect of § 8.") According to Judge Easterbrook, the ITSA is not meant to preempt every claim that is based upon the misappropriation of confidential information. *Hecny Trans., Inc.*, 430 F. 3d at 404 ("[I]t is unimaginable that someone who steals property, business opportunities, and the labor of the firm's staff would get a free pass just because none of what he filched is a trade secret."). And yet, taken to its logical conclusion, that is exactly the effect of Caterpillar's suggested approach. As both Judge Easterbrook and the courts in this district have stated, the ITSA is not meant to operate that broadly. *Id.* at 405 ("An assertion of trade secret in a customer list does not wipe out claims of theft, fraud, and breach of the duty of loyalty that would be sound even if the customer list were a public record.").

In this case, Plaintiffs allege that their fraudulent inducement and unjust enrichment claims are based on Caterpillar's misuse of their confidential and proprietary information. (DSOF ¶¶ 11-12) Plaintiffs do not allege that these claims are based upon the misappropriation of trade secrets. (*Id.*) Nor do Plaintiffs incorporate by reference the paragraph of the Complaint that describes the many trade secrets that Caterpillar misappropriated. (*Id.*) Thus, these claims are not based on the misappropriation of statutory "trade secrets." Under the plain language of the ITSA, these claims are not preempted.

Abanco International, Inc. v. Guestlogix Inc., a recent Northern District of Illinois case that involved similar allegations, is instructive on this issue. 486 F. Supp. 2d 779 (N.D. Ill.

2007). In that case, plaintiff alleged misappropriation of trade secrets under the ITSA as well as claims of breach of contract, restitution/unjust enrichment, tortious interference, and conspiracy. *Id.* at 781. Defendant moved to dismiss the unjust enrichment and tortious interference claims, arguing that these claims were based on the misappropriation of trade secrets and were therefore preempted by the ITSA. *Id.* at 781-782. The court disagreed and held that preemption was not proper because the plaintiff did not limit the claims of unjust enrichment and tortious interference to the misappropriation of trade secrets, but instead alleged the misuse of plaintiff's "valuable and proprietary information." *Id.* at 782.

BlueEarth Biofuels, LLC v. Hawaiian Electric Co., the Hawaiian state court decision that Caterpillar relies upon, is a poorly-reasoned decision that is directly at odds with the analysis of this district. 123 Hawaii 314 (2010). Unlike the courts in this district, the court in *BlueEarth Biofuels, LLC* decided to dramatically expand the preemptive scope of its trade secret statute by reading language into the statute that does not exist. By doing so, the *BlueEarth Biofuels LLC* court unwittingly created a license to steal any information that does not rise to the level of a trade secret. Recognizing the problems with such a broad interpretation, courts in this district have concluded that the Illinois Supreme Court would interpret the ITSA in accordance with its express language and allow claims providing civil remedies for misappropriation of confidential information.

In this case, as in *Abanco International, Inc.*, Plaintiffs' claims for fraudulent inducement and unjust enrichment are not based on the misappropriation of trade secrets. Accordingly, they should not be preempted, and Caterpillar's Motion for Summary Judgment should be denied.

CONCLUSION

For all of the foregoing reasons, the Court should deny Caterpillar's motion for partial summary judgment on Count 3 (regarding buckets) and summary judgment on Count 4.

Dated: February 24, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that, on February 24, 2012 I, Reed S. Oslan, caused the foregoing **PLAINTIFFS' RESPONSE IN OPPOSITION TO CATERPILLAR INC.'S MOTION FOR PARTIAL SUMMARY JUDGMENT ON COUNT 3 AND FOR SUMMARY JUDGMENT ON COUNT 4** to be filed with the Clerk of the Court and served by operation of the electronic filing system of the United States District Court for the Northern District of Illinois upon the following counsel who have consented to receive notice of filings in the above-captioned matter pursuant to Fed. R. Civ. P. 5(b)(2)(D), the General Order on Electronic Case Filing, and Local Rule 5.9:

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General Information

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Court	United States District Court for the Northern District of Illinois
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Related Opinion(s)	2012 BL 104689