NINETEENTH JUDICIAL CIRCUIT OF VIRGINIA

Fairfax County Courthouse
4110 Chain Bridge Road
Fairfax, Virginia 22030-4009

703-246-2221 • Fax: 703-246-5496 • TDD: 703-352-4139

October 2, 2019

Sadina Montani, Esquire
Anand V. Ramana, Esquire
VEDDER PRICE, P.C.
1401 I Street, N.W.
Suite 1100
Washington, DC 20005
smontani@vedderprice.com
Counsel for Plaintiff

Bobi Herrera
21136 Skidmore Terrace
Apartment 221
Sterling, VA 20166
Self-Represented

Re: *Knowesis, Inc. v. Bobi Herrera*
Case No. CL–2019–2807

Dear Counsel and Ms. Herrera:

The question before the Court is whether an employee who properly acquired trade secrets within the scope of her employment, and who retains those secrets after termination and against her employer's will, violates the Virginia Uniform Trade Secrets Act ("VUTSA"). VA. CODE ANN. § 59.1-336, *et seq*. This Court holds that the VUTSA does not prohibit mere maintenance of trade secrets initially acquired through proper means. Rather, the VUTSA prohibits "acquisition . . . by improper means" of the trade secrets or the actual or threatened "disclosure or use" of them. *Id*. Because Plaintiff Knowesis, Inc. ("Knowesis") does not allege Defendant Bobi Herrera ("Herrera") either (1) acquired its trade secrets by improper means; or (2) actually disclosed or used them, or threatened to do so, Knowesis's Motion for Default and Summary Judgment as to Count III of its Complaint is denied.

OPINION LETTER

The Court previously awarded Summary Judgment to Knowesis against Herrera on the remaining counts of the Complaint and, based on the affidavits as *ex parte* proof, awards it $59,685.25, plus the return of Knowesis's devices to it within 30 days. If Herrera fails to return the devices within that time period, the Court awards Knowesis a total of $84,685.25.

I. Factual Overview.

Herrera is a former employee of Knowesis; Knowesis terminated her for poor performance. Compl. ¶ 1. While employed, Knowesis issued her a company laptop ("Knowesis Device #1")[1] and a company access card ("Knowesis Device #2").[2] She kept these at her personal residence. Compl. ¶ 15. Knowesis also issued her a desktop computer ("Knowesis Device #3), which was kept at Knowesis's office. *Id.*

"In furtherance of Herrera's employment," Knowesis provided her with access to "confidential personnel data" (including salaries and pricing) and "proprietary information" (including contract pricing, marketing, vendor agreements, government contracts, and associated subcontract agreements). Compl. ¶ 9. (Hereinafter, these two categories of information will be referred to as "Trade Secrets.")[3]

Knowesis Device #1 contained Trade Secrets. Compl. ¶ 11. However, Knowesis does not allege that Knowesis Devices #2 or #3 contained any Trade Secrets, although it alleges that Herrera deleted unspecified data from Knowesis Device #3. Compl. ¶ 22.

In addition to the three Knowesis-supplied devices, Herrera "used an external hard drive not owned, issued, or authorized by Knowesis (the "Unauthorized Personal Device") to store unknown Knowesis electronic files and data." Compl. ¶ 12. The Complaint also alleges that, post-termination, Knowesis took back possession of Knowesis Device #3 and discovered Herrera had deleted files and data from the device. Compl. ¶¶ 22, 49.

When Herrera failed to return Knowesis Device #1 and Knowesis Device #2, Knowesis sued, setting forth claims of detinue (Count I), conversion (Count II), violation of the VUTSA (Count III), and violation of the Virginia Computer Crimes Act ("VCCA") (Count IV). The detinue claim seeks return of Knowesis Device #1 and Knowesis Device #2. The conversion claim seeks $25,000 in damages for the value of both devices, plus the confidential information therein. The VUTSA claim seeks $25,000 in damages, attorney's fees, and $20,000 in punitive damages. Finally, the VCCA claim seeks $25,000 in damages plus attorney's fees and costs.

Herrera opposed the Complaint by filing an Answer, but contemptuously did not cooperate with discovery rules. She flatly refused to sit for a deposition. On June 14, 2019, this Court found her in civil contempt and ordered she pay $100 per day until she sits for a

---

[1] Compl. ¶ 8.
[2] Compl. ¶ 10.
[3] The fact that these are trade secrets is not in dispute. *See* Compl. ¶ 41 and Answer ¶ 41.

deposition. That did not work. She failed to agree to a deposition. On July 12, 2019, this Court entered an Order requiring her to appear for a deposition on July 18, 2019, and warned "[i]f she fails to appear on time and substantively participate, the Court will order summary judgment in favor of the Plaintiff." That, too, did not work. She failed to appear. On August 16, 2019, this Court entered an Order finding her in contempt, sanctioning her with summary judgment[4] in favor of Knowesis. The matter was continued to September 20, 2019, for a hearing on damages on summary judgment for Counts I, II, and IV, and for further argument on the proper application of the VUTSA (Count III). Herrera failed to appear at that hearing.

II. Virginia Uniform Trade Secrets Act.

According to the VUTSA, "[a]ctual or threatened *misappropriation* [of a trade secret] may be enjoined." VA. CODE ANN. § 59.1-337(A) (emphasis supplied). "Misappropriation" falls into two statutorily defined categories, either of which is actionable: (1) acquisition; and (2) disclosure or use. VA. CODE ANN. § 59.1-336, *Misappropriation* (1)–(2). The first is what is at issue in this case.

Specifically, "[m]isappropriation" under the first category means "[a]cquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by *improper means*." VA. CODE ANN. § 59.1-336, *Misappropriation* (1) (emphasis supplied). "Improper means" includes "use of a computer or computer network without authority, [or] breach of a duty or inducement of a breach of a duty to maintain secrecy . . ." VA. CODE ANN. § 59.1-336, *Improper Means*.[5] Stated more plainly, the VUTSA proscribes acquiring a trade secret by using a computer or computer network without authority to do so under this category of the statute.

While not as relevant in the present case, the second category of "misappropriation" under the VUTSA also proscribes the actual or threatened "disclosure" or "use" of a trade secret obtained via improper means. VA. CODE ANN. § 59.1-336, *Misappropriation* (2).

Knowesis failed to plead Herrera misappropriated its Trade Secrets under either statutory category. She neither acquired the secrets through improper means, nor disclosed or used them, nor threatened to disclose or use them.

The "Acquisition" category, which is most relevant to the present case, can be read at least three ways. The following three hypothetical scenarios best illustrate each way:

---

[4] The sanction threatened by this Court's July 12, 2019, Order was summary judgment. The Court's August 16, 2019, Order granted summary judgment on all matters, except for Count III (VUTSA), as a sanction in the form of default to recognize Herrera's refusal to attend a deposition. The VUTSA count was taken under advisement, as the Court wanted further briefing and argument on the statute's application.

[5] The full statutory list of "improper means" is: "theft, bribery, misrepresentation, use of a computer or computer network without authority, breach of a duty or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means." VA. CODE ANN. § 59.1-336.

As a first example, Virginia Peanut Co. employee Jane gives the company's "secret peanut butter recipe" to Thomas, a non-employee, who wishes to become a competitor. Thomas knows Jane gave him the secret recipe without authority. As a result, Thomas, a non-employee outsider, violated the VUTSA. He acquired the trade secret knowing Jane gave it to him in breach of her duty to her company using the "breach of duty" improper means.

As a second example, Jane first acquires the secret peanut butter recipe because, as one of the chefs, she needed it for her job. Later, her company tells her she is terminated. No longer a Virginia Peanut Co. employee, but before having her computer credentials canceled, Jane plugs in her personal thumb drive and downloads the secret recipe onto it. Although her initial acquisition was proper, a new, improper acquisition occurred because at the time she copied the recipe onto her personal device, she was no longer an employee and did not then-access the data for work-related reasons.

As a third example, Jane works in Virginia Peanut Co.'s accounting department. Unbeknownst to the company, however, Jane is also a skilled hacker. She hacks into Virginia Peanut Co.'s recipe department system and finds the secret recipe. Her acquisition was improper because, unlike the second example, her employer *never* permitted her access to the data. Underpinning both examples two and three is whether the acquisition was done within the scope of employment.

The key words in the VUTSA are "acquisition" and "disclosure or use." There is logic to the General Assembly limiting the VUTSA as it does to protect one who merely "possesses" properly acquired trade secrets after employment termination and after a trade secret holder wants it back. Not all trade secrets reside on digital media. A person's memory can contain important trade secrets. Of course, one cannot simply delete his memory. Unless the law protected one who properly acquired trade secrets by memory, but who subsequently lost the right to keep them, no one would agree to work with trade secrets. The liability would be too great. Indeed, one VUTSA remedy is compelled licensing of the trade secrets. VA. CODE ANN. §§ 59.1-337, -338. If the statute was really written to prohibit mere possession of secrets properly obtained but undesirably retained in one's memory after employment termination, a company could sue for substantial licensing fees and attorney's fees whenever one simply remembers secrets. This the law does not do.

III. Merely Keeping Trade Secrets Properly Obtained During Employment Upon Termination Does Not Violate the VUTSA.

Knowesis does not allege that Herrera acquired its Trade Secrets by using a computer or computer network without authority. In fact, it specifically alleges she acquired them in furtherance of her employment. Compl. ¶ 9. The nub of Knowesis' Complaint is that while Herrera properly acquired the Trade Secrets, she improperly kept them after she was terminated and after it demanded she return them. Unfortunately for Knowesis, the VUTSA does not affect a former employee who properly acquires trade secrets and merely holds them post-employment

with no actual or threatened disclosure or use. This statutory principle applies even if the retention is against the will of the employer.

Knowesis relies heavily on the persuasive authority of *Marsteller v. ECS Federal, Inc.* No. 1:13cv593 (JCC/JFA), 2013 WL 481786 (E.D. Va. 2013), a case with almost identical facts as the present case, for the principle that one who merely possesses trade secrets post-termination violates the VUTSA. In *Marsteller*, a government contractor alleged a VUTSA violation after an employee transferred the contractor's trade secrets onto an external hard drive that the employee retained post-employment. The transfer occurred during the employee's employment when she nominally had authority to access the secrets. Unlike Knowesis, however, the contractor in *Marsteller* alleged (1) the employee was not engaged in work related activities on behalf of the contractor at the time of the transfers; and (2) she was not authorized to transfer the secrets to any external storage devices. *Id.* at *1.

Counterposed, the Knowesis Complaint does not allege Herrera acquired the Trade Secrets outside of her work-related activities. It claims the opposite—that she did so in furtherance of her employment. Stated differently, the Complaint alleges Herrera acquired the Trade Secrets *properly*, not improperly. Knowesis does not allege that it had a policy barring employees from transferring Trade Secrets onto private hard drives and that Herrera violated that policy. Instead, Knowesis only alleges a hard drive Herrera used to store the Trade Secrets was not "owned, issued, or authorized" by the company. Compl. ¶ 12. This is a distinction *with* a difference; namely, using a particular, private hard drive without prior authorization versus using any hard drive unless specifically authorized. In the former instance, the employee merely did not get advance permission; in the latter, the employee disobeyed her employer. Had Knowesis alleged Herrera was not authorized to access the Trade Secrets on an unauthorized device, then the downloading would have amounted to an acquisition by "improper means," to wit: the use of a computer network without authority. VA. CODE ANN. § 59.1-336(1). However, taking the allegations in the Complaint as true, Herrera acquired all the Trade Secrets properly for work-related purposes. This makes Herrera different than the employee in *Marsteller* who allegedly acquired trade secrets for non-work-related purposes.

Another federal court opinion with similar facts as in the present case is instructive. In *Integrated Global Services, Inc. v. Mayo*, No. 3:17cv563, 2017 WL 4052809 (E.D. Va. Sept. 13, 2017) ("IGS"), employee Mayo copied numerous files from his IGS-provided computer onto a USB drive *after his employment with IGS ended. Id.* at *8 (emphasis supplied). The court found this "clearly shows . . . Mayo improperly acquired the trade secrets. As of June 21, 2017, Mayo no longer was employed with IGS, and thus had no legitimate reason to access—let alone copy—IGS's trade secret information." *Id.* In contrast, Knowesis did not allege that Herrera copied the materials *after* her termination. She merely kept the Trade Secrets she properly obtained during her employment. This is not a VUTSA violation.

IV. Knowesis Fails to Allege Which Trade Secrets Were Misappropriated and How.

Another problem for Knowesis is its failure to specify what precise trade secrets are at issue, and the means by which they were improperly taken. Making specific allegations as to the trade secrets misappropriated and the means of misappropriation is critical to stating a VUTSA claim. The Supreme Court of Virginia in *Preferred Systems Solutions, Inc. v. GP Consulting, LLC*, 284 Va. 382, 405 (2012), affirmed a demurrer to a complaint alleging trade secret misappropriation where the complaint failed to allege the particulars of the trade secrets itself or the specific improper means. The court wrote:

> The complaint, for instance, does not identify what trade secrets GP misappropriated; instead, it simply references a laundry list of items that PSS considers to be "Confidential Information." Nor does it identify the improper means by which GP obtained the trade secrets or how GP has used those secrets; rather, it merely states that "GP used improper means to acquire and misappropriate PSS' Trade Secrets" and that "GP used the Trade Secrets with a conscious disregard of PSS' rights and intending to ruin PSS' business, reputation and client relationships.

Id. at 405.

Knowesis does not allege what (if any) Trade Secrets Herrera misappropriated onto her personal hard drive. Knowesis admits it has no idea what Herrera used the drive to store. Knowesis does not allege that she stored any Trade Secrets on it.[6] Other than listing all its Trade Secrets in paragraph 9 of the Complaint, Knowesis does not allege which, if any, of the items were on any of the referenced devices, other than Knowesis Device #1. *See, e.g.,* Compl. ¶ 11 ("Herrera also used [the Unauthorized Personal Device] to store *unknown* Knowesis electronic files and data.") (emphasis supplied); Compl. ¶¶ 39–41 (the Trade Secrets "stored on Knowesis Device #1 (and, *potentially*, the Unauthorized Personal Device) . . ." (emphasis supplied). Similarly, Knowesis does not allege Herrera did anything but hold the Trade Secrets on her personal hard drive and on Device #1 and decline to return them. So, even had Knowesis affirmatively pled that its Trade Secrets were in fact on Herrera's personal hard drive, Knowesis failed to allege that Herrera did anything with them other than not return them.

This is why Knowesis cannot win summary judgment on this claim. The VUTSA does not apply to former employees similarly situated to Herrera: an employee who acquires a trade secret by proper means as part of her job, who holds them post-employment against the employer's will, but who does nothing to disclose, use, or threaten to disclose or use them.

---

[6] Knowesis does allege that Herrera stored Trade Secrets on Knowesis Device #1. Compl. ¶¶ 39, 40, and 41. However, Herrera acquired this data properly. Compl. ¶ 42.

V. Trade Secret Owners are Not Powerless to Protect Trade Secrets.

This is not to say that employers are powerless to watch former employees walk out of their business with armloads of trade secrets. Companies have tools both outside and inside the VUTSA.

Outside the VUTSA, companies can make employees sign confidentiality and non-disclosure agreements. Many employers require employees to sign restrictive covenants governing what happens post-employment to trade secrets acquired during employment. Companies can, and many do, adopt policies prohibiting the transfer of data onto non-company electronic devices. For example, in *IGS*, the court noted that Mayo signed a Confidentiality Agreement, which stated, *inter alia*, that "[a]t all times during my employment and thereafter I will ... not disclose or use any of the Company's Proprietary Information ..., except as such disclosure or use may be required in connection with my work for the Company[.]" *IGS*, at *8. Therefore, the court reasoned "even if Mayo contends he did not in fact know [he could not copy certain files post-employment], he at least should have known there were restrictions on his use of the trade secret information, and that its use was only permitted "in connection with [his] work for [IGS]." *Id.* (internal emphasis deleted).

Here, Knowesis makes no averment that Herrera signed such confidentiality and non-disclosure agreements.

Furthermore, the VUTSA protects companies from mere *threats* of disclosure or use. The VUTSA provides "[a]ctual or *threatened* misappropriation may be enjoined. VA. CODE ANN. § 59.1-337(A) (emphasis supplied). So, if the Complaint alleged that Herrera took some adverse action while retaining the otherwise properly obtained Trade Secrets, the "threatening" prong of the statute could apply. An employee who makes a direct threat of disclosure clearly falls into that category. However, softer actions could arguably also do so, too, such as by joining a competitor while steadfastly refusing requests to return her former employer's trade secrets. However, Knowesis has not alleged any such actions in its Complaint. Therefore, it cannot recover on its claim for summary judgment on this count.

VI. Damages on the Other Counts.

Knowesis provided the Court with two affidavits in support of its prayer for relief, which include attorney's fees and costs. Based on the *ex parte* proof, the Court finds that the damages are reasonable. Because Counts I and II are pled in the alternative (detinue and conversion), Knowesis cannot both retain its Devices and win a monetary judgment. Thus, Herrera must return Knowesis Device #1 and Knowesis Device #2 within 30 days of the Court's Order. If she fails to do so, Herrera must pay the $25,000 Knowesis prayed for in the conversion count. As for the VCCA count, the Court awards the $25,000 prayed for. However, the Court finds it would be unreasonable to award full attorney's fees and costs considering it did not win on the VUTSA count. Upon calculation, the Court awards $34,685.25 in attorney's fees and costs for its successful prosecution of the VCCA count.

VII. Conclusion.

The VUTSA prohibits acquisition of trade secrets by improper means. It does not prohibit maintenance of those secrets after the initial proper acquisition unless one can prove an actual or threatened disclosure or use of those secrets. Knowesis alleges that Herrera properly acquired the trade secrets and does not allege that she threatened to disclose or use—or in fact disclosed or used—those secrets in any way. Her passive maintenance of the secrets is not a violation of the VUTSA. Accordingly, Knowesis's Motion for Default and Summary Judgment as to Count III is denied. The Court having previously granted summary judgment through Herrera's default as a sanction for contempt awards damages as set forth herein.

An appropriate Order is attached.

Kind regards,

[redacted]

David A. Oblon
Judge, Circuit Court of Fairfax County
19th Judicial Circuit of Virginia

Enclosure

V I R G I N I A :

IN THE CIRCUIT COURT OF FAIRFAX COUNTY

KNOWESIS, INC.	)	
	)	
Plaintiff,	)	
v.	)	CL–2019–2807
	)	
BOBI HERRERA	)	
	)	
Defendant.	)	

ORDER

THIS MATTER came before the Court on September 20, 2019, for a hearing on damages on Summary Judgment awarded in favor of Plaintiff Knowesis, Inc. ("Knowesis") on Counts I (Detinue), II (Conversion), and IV (Virginia Computer Crimes Act ("VCCA"), and for presentation of Knowesis's argument on the proper application of Count III (Virginia Uniform Trade Secrets Act ("VUTSA")).

This Order incorporates by reference the Court's Letter Opinion dated October 2, 2019.

COUNTS I AND II: DETINUE AND CONVERSION

CONSIDERING Knowesis's prayer for relief and *ex parte* proof thereof; and

CONSIDERING Counts I and II are pled in the alternative; It is

ADJUDGED that Knowesis cannot both retain its Devices and win a monetary judgment the proffered damages are reasonable; and

ADJUDGED that the proffered damages are reasonable. Therefore, it is

ORDERED that Defendant Bobi Herrera ("Herrera") return Knowesis Device #1 and Knowesis Device #2 to Knowesis within thirty (30) days of this Order. If she fails to do so, Herrera must pay Knowesis $25,000.

COUNT III: VUTSA

CONSIDERING Knowesis's briefing and argument on the application of the VUTSA; It is

ADJUDGED that the VUTSA prohibits "acquisition . . . by improper means" of trade secrets or the actual or threatened "disclosure or use" of them. VA. CODE ANN. § 59.1-336, *et seq.*;

ADJUDGED that the VUTSA does not prohibit mere maintenance of trade secrets initially acquired through proper means, unless one can prove an actual or threatened disclosure or use of those secrets; and

ADJUDGED that Knowesis alleges that Herrera properly acquired the trade secrets and does not allege that she threatened to disclose or use—or in fact disclosed or used—those secrets in any way. Thus, Herrera's passive maintenance of the secrets is not a violation of the VUTSA; Therefore, it is

ORDERED that Knowesis's Motion for Default and Summary Judgment as to Count III is DENIED.

COUNT IV: VCCA

CONSIDERING Knowesis's provided the Court with two affidavits in support of its prayer for relief, which include attorney's fees and costs; and

CONSIDERING the *ex parte* proof; It is

ADJUDGED that the Court finds the $25,000 in actual damages reasonable;

ADJUDGED that it would be unreasonable, however, to award full attorney's fees and costs considering judgment was not awarded to Knowesis on the VUTSA count; and

ADJUDGED that upon calculation, the Court finds $34,685.25 in attorney's fees and costs would be reasonable; Therefore, it is

ORDERED that the Court awards Knowesis $59,685.25 for Count IV.

OCT 0 2 2019

[redacted]

Entered

[redacted]

Judge David A. Oblon

ENDORSEMENT OF THIS ORDER BY COUNSEL OF RECORD FOR THE PARTIES IS WAIVED IN THE DISCRETION OF THE COURT PURSUANT TO RULE 1:13 OF THE SUPREME COURT OF VIRGINIA. OBJECTIONS, IF ANY SHALL BE FILED WITHIN 10 DAYS OF THIS ORDER