

**STATE OF MICHIGAN
IN THE CIRCUIT COURT FOR THE COUNTY OF OAKLAND
BUSINESS COURT**

**VERITIV OPERATING COMPANY,
Plaintiff,**

v.

**Case No. 15-148865-CB
Hon. James M. Alexander**

**THE MILLCRAFT PAPER COMPANY, ET AL,
Defendants.**

OPINION AND ORDER RE: SUMMARY DISPOSITION

This matter is before the Court on two motions for summary disposition that collectively cover all Defendants. Plaintiff is in the business of “marketing, selling, and distributing commercial printing and business imaging papers, packaging systems and facility supplies and equipment throughout North America.”

Plaintiff filed the present action against its competitor, The Millcraft Paper Company, and five former employees who left to work for Millcraft. Plaintiff claims that this case is the result of “Millcraft’s scheme to unfairly and unlawfully compete against [it] by raiding its workforce in Southeast Michigan and by inducing the [the individual Defendants] to breach their written Non-Compete and Non-Solicitation Agreements.”

Although Defendant Kelley Walsh never executed a non-competition/non-solicitation agreement, Plaintiff claims that she acted as a “strawman” to circumvent Defendants Pohl, Westwater, and Meredith Walsh’s restrictive covenants. Because Kelley Walsh is not bound by

a restrictive covenant, she filed a separate motion from the remaining Defendants (“the Millcraft Defendants”).

Plaintiff further claims that Millcraft tortiously interfered with Plaintiff’s contracts and business expectancies, and misappropriated Plaintiff’s trade secrets and confidential information in violation of Michigan’s Uniform Trade Secrets Act (MUTSA), MCL 445.1901 et seq. Specifically, Plaintiff alleges the theft of its “pricing lists and spec list,” which it claims, “are protectable trade secrets.”

On these general allegations, Plaintiff sued on claims titled: (Count I) Breach of Contract (Pohl, M. Walsh, and Westwater); (Count II) Breach of Fiduciary Duty (all individual Defendants); (Count III) Aiding and Abetting Breach of Duty of Loyalty (all Defendants); (Count IV) Tortious Interference (all Defendants); (Count V) Misappropriation of Trade Secrets (all Defendants); (Count VI) Unfair Competition (all Defendants); (Count VII) Civil Conspiracy (all Defendants); and (Count VIII) Conversion (all Defendants).

Defendants now file their present motions for summary under MCR 2.116(C)(10), which tests the factual sufficiency of the complaint. *Maiden v Rozwood*, 461 Mich 109, 120; 597 NW2d 817 (1999).¹

1. MUTSA Preemption.

First, both motions seek dismissal of Plaintiff’s tort claims because the same are preempted by the Michigan Uniform Trade Secrets Act, which “displaced conflicting tort remedies for misappropriation of a trade secret.” *CMI Intern, Inc v Internet Intern Corp*, 251

¹ In such a motion, the moving party must specifically identify the issues that he believes present no genuine issue of material fact. *Maiden*, 461 Mich at 120. The opposing party may not rest on mere allegations or denials in his pleadings, but must, by affidavits or as otherwise provided in the rule, set forth specific facts showing a genuine issue for trial. *Id.* at 120-121. Where the evidence fails to establish a genuine issue regarding any material fact, the moving party is entitled to judgment as a matter of law. *Id.* at 120.

Mich App 125, 132; 649 NW2d 808 (2002), citing MCL 445.1908 and *Compuware Corp v Serena Software Int'l, Inc*, 77 F Supp 2d 816, 820, n 12 (ED Mich., 1999).

In response, Plaintiff agrees that “[t]he MUTSA preempts . . . ‘claims that are ‘based solely upon the misappropriation of a trade secret,’” quoting *Wysong Corp v M I Indus*, 412 F Supp 2d 612, 623 (ED Mich 2005). But, Plaintiff argues, its claims are not solely based on the theft of trade secrets. Rather, Plaintiff claims, said claims “are based on . . . numerous illegal acts separate and apart from the use or misappropriation of any trade secrets.”

In other words, it is undisputed that Plaintiff cannot use alleged trade secret misappropriation to support any non-MUTSA claims. As a result, to the extent that Plaintiff alleges the same in support of its non-MUTSA claims, said allegations must be dismissed. Said claims would then only survive if any remaining factual allegations are sufficient to support the claim.

For example, in Plaintiff’s Count II for breach of duty of loyalty, Plaintiff alleges that the individual Defendants breached said duty by (Amended Complaint at ¶ 103):

among other things, soliciting [Plaintiff] employees to terminate their relationship with [Plaintiff] and obtain competitive employment with Millcraft; wrongfully soliciting [Plaintiff’s] customers and vendors on behalf of Millcraft; and misappropriating and/or retaining confidential information and other property of [Plaintiff] with an intention of using such information and property to compete against [Plaintiff].

Plainly, Plaintiff attempts to use the alleged misappropriation of a trade secret as a basis for its breach of duty claim (a non-MUTSA claim). But this is contrary to the law. As such, the Court would strike the last clause of this paragraph 103, leaving an alleged breach of duty of loyalty by:

among other things, soliciting [Plaintiff] employees to terminate their relationship with [Plaintiff] and obtain competitive employment with Millcraft; wrongfully soliciting [Plaintiff’s] customers and vendors on behalf of Millcraft; ~~and~~

~~misappropriating and/or retaining confidential information and other property of [Plaintiff] with an intention of using such information and property to compete against [Plaintiff].²~~

A careful review of the Complaint alleges additional wrongs beyond the alleged misappropriation of trade secrets to support each of Plaintiff's claims – with the exception of Plaintiff's Count VIII for conversion. Defendants argue that said claim simply alleges the theft of unidentified "property" purportedly being the physical objects containing Plaintiff's alleged trade secrets.

In response, Plaintiff argues that although its price lists and spec lists are trade secrets unable to support a conversion claim, Defendants also admit stealing a mailing list, which is not a trade secret. It is the theft of this other "corporate asset" that serves as the basis for Plaintiff's conversion claim.

But Plaintiff's argument misses the mark. This is so because Plaintiff isn't seeking damages arising from the theft of a document or physical object in itself. Rather, Plaintiff is seeking damages for the conversion of the **information contained in a list**. But this is simply a thinly-veiled attempt to re-create a trade secrets claim based on the misappropriation of **information** that does not constitute a trade secret. And Plaintiff offers no binding authority that provides that a conversion claim may be based on an alleged conversion of non-trade secret information.

For the above reasons, Plaintiff's conversion claim fails as a matter of law, and Plaintiff's Count VIII is DISMISSED. With respect to Plaintiff's other claims, summary on this basis is DENIED.

² Similarly, "and confidential information" would be deleted from the end of paragraphs 104, 113, 124, and 148 of the Amended Complaint.

2. Trade Secrets?

Next, the Millcraft Defendants claim that Plaintiff's "pricing lists and spec list" do not qualify as protectable trade secrets.

Under the Michigan Uniform Trade Secrets Act (MUTSA), "Trade secrets" are defined as information that both: (1) "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use;" and (2) "is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." MCL 445.1902(d).

Our Supreme Court has explained, "a trade secret is 'a secret formula or process not patented but known only to certain individuals using it in compounding some article of trade having a commercial value, and does not denote the mere privacy with which an ordinary commercial business is carried on.'" *Hayes-Albion v Kuberski*, 421 Mich 170, 181; 364 NW2d 609 (1984).

In their motion, Defendants argue that "[n]one of the purported 'trade secrets' that Defendants may have possessed rises to the level of an actual trade secret." Defendants break down Plaintiff's trade secrets into three categories: (1) information regarding prices charged to customers by Plaintiff, (2) information regarding pricing charged by paper mills or suppliers to Plaintiff, and (3) information regarding customers' identities, contact information, or preferences.

Plaintiff, on the other hand, simply refers to the alleged trade secret as its "price lists and spec list." Plaintiff claims that it is a "compilation of information," but it isn't clear what exactly is contained in these lists. Plaintiff argues (with evidentiary support), however, that the great steps were taken to keep the pricing list confidential. And Plaintiff claims, in this highly

competitive industry, “[m]arket participants fight tooth-and-nail for 1 to 2% margins” – because “pricing is crucial.”

First, with respect to pricing charged to customers, the Millcraft Defendants argue that said information is readily known and provided to its customers on a regular basis. As such, Defendants argue, the same cannot be considered a trade secret.

With respect to the second category, supplier pricing, Defendants argue that this information isn’t even owned by Plaintiff. And, Defendants argue, Plaintiff cannot base a trade secrets claim on the alleged misappropriation of a third-party’s information. While the Court generally agrees, Defendants’ argument appears to be an over simplification of Plaintiff’s claimed trade secret.

The same is true for customer identity, information, and preferences. Defendants appear to argue that, on its own, a simple customer list is not a protectable trade secret. And, again, the Court would agree. But Plaintiff claims that its “price lists and spec list” is something more – and the value is found in the unique way that it compiles this information.

And, if shared, this information would provide Defendants with an unfair advantage when competing for the same customers because it would allow Millcraft to undercut Plaintiff’s pricing and convert sales.

For purposes of the present motion for summary disposition, the Court finds that viewing all evidence in the light most favorable to Plaintiff, Plaintiff’s “price lists and spec list” at least arguably falls within the *Hayes-Albion* Court’s trade secret definition. As a result, the Millcraft Defendants’ motion on this basis is DENIED.

3. Misappropriation.

Next, all Defendants argue that Plaintiff has no evidence the any Defendant actually misappropriated the alleged trade secrets. In order to establish misappropriation, Defendants claim that Plaintiff must establish “either (1) direct misappropriation . . . or (2) the knowing use of misappropriated information,” citing *United Rentals, Inc v Keizer*, 355 F3d 399, 412-413 (CA 6 2004).

In support of their summary request, Defendants then make a factual argument supported by evidence that they did nothing wrong. And in response, Plaintiff makes a factual argument supported by evidence that Defendants misappropriated its alleged trade secrets.

In other words, the parties have a material factual dispute supported by evidence that makes a summary decision on this issue wholly inappropriate. As a result, Defendants’ motions on this basis are DENIED.

4. Remaining claims.

Similarly, all Defendants make factual arguments that Plaintiff’s claims for breach of fiduciary duty, aiding and abetting the same, tortious interference, unfair competition, and civil conspiracy fail.

But each of Defendants’ arguments on these claims requires the Court to weigh evidence and/or determine credibility. This is so because both sides make factual arguments – supported by evidence – about what Defendants actually did or intended to do. The Court will not weigh evidence on a motion for summary disposition.³

As a result, Defendants’ motions on the aforementioned claims are similarly DENIED.

³ The parties, collectively, present nearly 1,700 pages of evidence in support of their factual assertions.

Summary

To summarize, Defendants' motions for summary disposition are GRANTED IN PART as outlined above.

Plaintiff cannot use any alleged trade secret misappropriation to support any non-MUTSA claims.

And Plaintiff's Count VIII for Conversion is DISMISSED under (C)(10).

In all other respects, both motions for summary disposition are DENIED.

IT IS SO ORDERED.

November 2, 2016
Date

/s/ James M. Alexander
Hon. James M. Alexander, Circuit Court Judge