STATE OF MICHIGAN

MACOMB COUNTY CIRCUIT COURT

JVIS-USA, LLC, a Michigan limited liability company and JVIS MANUFACTURING, LLC, a Michigan limited liability company, d/b/a, JVIS USA MANUFACTURING, LLC,

Plaintiffs,

vs. Case No. 2013-2742-CB

NARTRON CORPORATION, n/k/a GEN X MICROSYSTEMS and a/k/a OLDNAR CORPORATION, a Michigan corporation and UUSI, LLC, d/b/a NARTRON, a Michigan limited liability company,

Defendants,

and

UUSI, LLC, d/b/a NARTON, a Michigan limited liability company,

Defendant/Counter and Third-Party Plaintiff

vs.

JVIS-USA, LLC, a Michigan limited liability company and JVIS MANUFACTURING, LLC, a Michigan limited liability company, d/b/a, JVIS USA MANUFACTURING, LLC

Counter-Defendants,

and

FUTABA CORPORATION OF AMERICA, a foreign corporation, THOMAS J. GRONSKI, RANDY GRIFFIN, and GINA TERRY,

Third-Party Defendants.

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OPINION AND ORDER

Plaintiffs have filed a joint motion for partial summary disposition as to Counts II and VII of Defendant UUSI, LLC d/b/a Nartron's ("Defendant") Counter/Third-Party Complaint. Third Party Defendants Randy Griff and Gina Terry have filed a concurrence to Plaintiffs' motion. Defendant has filed a response and requests that the motion be denied. Plaintiffs have also filed a reply brief in support of their motion.

In addition, Defendant has filed a motion for partial summary disposition against Plaintiffs and Third Party Defendant Futaba Corporation of America ("Futaba") as to Counts I and VIII of the Counter/Third-Party Complaint. Plaintiffs have filed a response and request that the motion be denied. In addition, Futaba and Third-Party Defendant Thomas J. Gronski have each filed a response to the motion and request that the motion be denied. Defendant has also filed a reply brief in support of its motion.

I. Factual and Procedural History

Plaintiffs JVIS-USA, LLC and JVIS Manufacturing, LLC (collectively, "Plaintiffs") are Tier I suppliers of automotive parts for Chrysler and other OEMs. Defendant is a Tier II supplier of printed circuit board assemblies ("PCBs") used in the interiors that Plaintiffs supply to Chrysler. This matter originally arose out of Plaintiffs' claims against Defendants for breach of contract. Specifically, Plaintiffs allege that Defendants failed/refused to supply the PCBs at the quantities, pricing and timing contained in the parties' supply agreement.

Defendant subsequently filed a counter/third-party complaint ("Counter-Complaint"). The Counter-Complaint is based on Defendant's allegations that Plaintiff has failed to pay it for the work it had completed in connection with the PCBs and has

improperly provided the PCBs and certain proprietary information to Futaba to reverse engineer the PCBs so that it could have the PCBs produced at a lower cost.

On April 22, 2015, Plaintiffs filed their instant joint motion for summary disposition as to Defendant's conversion (Count II) and unjust enrichment/quantum meruit (Count VII) claims. On May 18, 2015, Third Party Defendants Randy Griffin and Gina Terry filed their concurrence with the motion. On July 27, 2015, Defendant filed its response to the motion. On July 31, 2015, Plaintiffs filed their reply brief in support of their motion.

On May 22, 2015, Defendant filed its instant motion for summary disposition as to their misappropriation of trade secrets (Count I) and declaratory relief (Count VIII) claims. Futaba, Mr. Gronski, and Plaintiffs have each filed responses to the motion and request that the motion be denied. On July 31, 2015, Defendant filed reply briefs as to each of the responses.

On August 3, 2015, the Court held a hearing in connection with the instant motions and took the matters under advisement.

II. Standard of Review

Summary disposition may be granted pursuant to MCR 2.116(C)(8) on the ground that the opposing party has failed to state a claim upon which relief may be granted. *Radtke v Everett*, 442 Mich 368, 373-374; 501 NW2d 155 (1993). A motion under MCR 2.116(C)(10), on the other hand, tests the factual support of a claim. *Maiden v Rozwood*, 461 Mich 109, 120; 597 NW2d 817 (1999). In reviewing such a motion, a trial court considers affidavits, pleadings, depositions, admissions, and other evidence submitted by the parties in the light most favorable to the party opposing the

motion. *Id.* Where the proffered evidence fails to establish a genuine issue regarding any material fact, the moving party is entitled to judgment as a matter of law. *Id.* The Court must only consider the substantively admissible evidence actually proffered in opposition to the motion, and may not rely on the mere possibility that the claim might be supported by evidence produced at trial. *Id.*, at 121.

III. Arguments and Analysis

A. Plaintiffs' Motion for Summary Disposition of Defendant's Conversion (Count II) and Unjust Enrichment Claims (Count VII)

In their motion, Plaintiffs contend that Defendant's conversion and unjust enrichment claims must be dismissed to the extent based on the same items that form the basis for Defendant's misappropriation of trade secrets claim. Specifically, Plaintiffs rely on Section 8 of the Michigan Uniform Trade Secrets Act ("MUTSA"), which provides:

> (1) Except as provided in subsection (2), this act displaces conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of trade secrets.

MCL 445.1908.

[I]n interpreting a statute, a court must consider both the plain meaning of the critical word or phrase as well as its placement and purpose in the statutory scheme. As with any statutory interpretation, the court's goal is to give effect to the intent of the Legislature by focusing on the statute's plain language. *Speicher v. Columbia Twp Bd of Trustees,* 497 Mich 125, 133–134; 860 NW2d 51 (2014).

In its response, Defendant first asserts that Plaintiffs waived their preemption defense by failing to assert it in their affirmative defenses. Specifically, Defendant relies on MCR 2.111(F)(2), which provides that: "A defense not asserted in the responsive

pleading or by motion as provided in these rules is waived, except for the defenses of lack of jurisdiction over the subject matter of the action, and failure to state a claim on which relief can be granted." However, even if MUTSA preemption is an affirmative defense, which the Court need not determine, the Court is satisfied that Plaintiffs have sufficiently asserted it in its affirmative defenses. Specifically, Plaintiffs' first affirmative defense is that Defendant has failed to state a claim upon which relief can be granted. In their motion, Plaintiffs aver that Defendant cannot be granted relief on its quantum meruit and/or conversion claims because they are barred by MUTSA. Accordingly, Plaintiffs are doing nothing more than arguing a specific reason why some of Defendant's claims fail as a matter of law. For these reasons, the Court is convinced that Defendant's position is without merit.

Based on the Court's ruling that Plaintiffs properly raised their MUTSA defense, the remaining issue is whether MUTSA operates to bar Defendant's quantum meruit and/or conversion claims.

In their motion, Plaintiffs contend that Defendant's unjust enrichment/quantum meruit and conversion claims are preempted by MUTSA because such claims are either restitutionary (unjust enrichment/quantum meruit) or tort (conversion) claims, and that as a result they are barred by MUTSA. In response, Defendant contends that MUTSA does not bar its unjust enrichment/quantum meruit and conversion claims because, *inter alia*, the claims are not based solely on misappropriation of a trade secret.

"MUTSA displaces claims that are 'based solely upon the misappropriation of a trade secret." *Wysong Corp v MI Industries*, 412 F Supp 2d 612; 623 (ND Mich 2005), quoting *Bliss Clearing Niagra, Inc. v Midwest Brake Bond Co.*, 270 F Supp 2d 943, 946

(WD Mich 2003). In the Counter-Complaint, Defendant's conversion claim is based on its allegations that Plaintiffs acquired raw samples, a direct buy component list, engineering, design files and test results, and other "tangible and intangible property of the Electronic Module". (*See* Counter-Complaint, at ¶¶79-83.) Further, Defendant's unjust enrichment/quantum meruit claim is based on it allegation that Plaintiff took the Electronic Module without just compensation. (*Id.* at ¶118.) In comparison, in this case Defendant contends that it developed the PCBs using its proprietary information, software and manufacturing process knowledge, the combination of which constitutes a trade secret under MUTSA ("Proposed Trade Secret"). Specifically, Defendant identifies the following elements, which together, form the Proposed Trade Secret:

(i) Component selection process;
(ii) Layout of the board;
(iii) Placement of the individual components on the board;
(iv) Interfacing to the assembly;
(v) Component suppliers;
(vi) Nartron's manufacturing and assembly process of the board;
(vii) The inner-connections between boards that are soldered-allowing for multiple configurations of the board;
(viii) The physical locations of "keep-out" areas on the board;
(ix) The electromagnetic compatibility-how the components are related to each other and the traces between them on the board; and
(x) The operational software for the board.

(*See* Defendant's Brief in Support, at 5-6; Defendant's Exhibit F, at pp.74-80, 278.)

While the Court recognizes that Defendant's claims appear to possibly involve some overlap as to what tangible and intangible items are involved, the Court is not convinced that Plaintiffs, as the moving parties, have established that no genuine issue of material fact exists that the items at the center of Defendant's trade secret claim are solely the same items as those involved in Defendant's conversion and/or unjust enrichment/quantum meruit claims. Consequently, even if the Court were to find that

the question of preemption could be resolved prior to a determination as to whether the Proposed Trade Secret constitutes a trade secret under MUTSA, which is a question the parties' concede has not been addressed by this state, and has been decided differently in various jurisdictions, Plaintiffs' motion must nevertheless be denied due to the question as to whether Defendant's unjust enrichment/quantum meruit and/or conversion claims are based solely on the same items as its trade secret claim. For these reasons, Plaintiffs' motion for summary disposition of Counts II and VII of the Counter-Complaint must be denied.

B. Defendant's Motion for Partial Summary Disposition of its Claims for Misappropriation of Trade Secrets (Count I) and Declaratory Relief (Count VIII)

In this case, Defendant contends that Plaintiffs and Futaba (collectively, "Respondents") misappropriated the Proposed Trade Secret when Plaintiffs hired Futaba to reverse engineer the PCBs.

Respondents' position, on the contrary, is that Plaintiff JVIS-USA, LLC ("JUSA") purchased the Gerber files, drawings, operational software, and design of the PCBs for $451,000.00. In support of their position, Respondents rely on JUSA's purchase orders ("Purchase Orders") and its standard terms and conditions. (*See* Plaintiffs' Exhibits 4 and 5.) Plaintiffs contend that pursuant to the Purchase Orders and standard terms and conditions, JUSA purchased, in addition to the PCBs, the design, engineering and software underlying the PCBs.

The two invoices on which Plaintiffs rely provide in relevant part:

> Purchase Order 3218 - The cost of the functional design and layout packaging redesign and can include LED lighting development 90 day contract with respect to the WK program;

> Purchase Order 3397 – Design and engineering support through the entire life of the WK program.
>
> (*See* Plaintiffs' Exhibit 5.)

The standard terms and conditions relied on by Respondents provide, in relevant part:

> 12. Buyer's Property. All property used by [Defendant] in connection with the order which is owned, furnished charged to or paid by [JUSA] or its customer, including but not limited to materials, tools, dies, jigs, molds, patterns, fixtures, equipment, drawings and other technical information, specifications, and any replacement thereof shall be and remain the property of [JUSA] subject to removal and inspection by [JUSA] at any time without cost or expense to [JUSA] and [JUSA] shall have free access to [Defendant's] premises for the purpose of inspecting and removing such property. All such property shall be identified and marked as [JUSA's] property, used only for the order and adequately insured by [Defendant] at its expense for [JUSA's] protection. [Defendant] shall assume all liability for and maintain and repair such property and return the same to [JUSA] in its original condition, reasonable wear and tear excepted. [Defendant] agrees not to claim any statutory, equitable or other liens on [JUSA's] property. (*See* Plaintiffs' Exhibit 4, "Standard Terms and Conditions of Purchase Orders", at ¶12.)

Respondents argue that pursuant to the terms and conditions, JUSA owns all property Defendant used that is owned, furnished, charged to, or paid by JUSA in connection with the purchase order to which they were attached – which includes all the items identified by Defendant as the Proposed Trade Secret.

While the Purchase Orders reference the design and engineering underlying the WK program, as well as the layout, they do not make clear whether JUSA was purchasing the rights to the design, engineering and software, or whether they were merely paying Defendant to develop the design, engineering and software for the PCBs they were ultimately purchasing. Furthermore, while the terms and conditions provide, *inter alia*, that JUSA owned all of the property it paid for, the question remains as to whether it purchased the rights to the engineering, design and software of the PCBs, or

whether they paid only for the development of those items. Certainly, if JUSA purchased the Proposed Trade Secret, there can be no violation under MUTSA. However, the Court is convinced that the Purchase Orders and terms and conditions on their face are not dispositive, but merely create a genuine issue of material fact as to whether JUSA purchased the Proposed Trade Secret.[1]

Respondents further contend that even if the Proposed Trade Secrets are trade secrets under MUTSA, Defendants have failed to present any evidence that they were misappropriated. Specifically, Respondents aver that JUSA purchased the prototype boards from Defendant, that they gave the board to Futaba so that it could reverse engineer the board, and that reverse engineering the board was not wrongful where it has properly purchased the board from Defendant and where the reverse engineering was done merely by examining the board.

In order to constitute misappropriation, a person must either acquire the trade secret through improper means or disclose the trade secret of another without their consent. MCL 445.1904. It is legal for a party to gain possession of his competitor's product through proper means, and, through inspection and analysis, create a duplicate unless the item is patented. *Kubick v Hull*, 56 Mich App 335, 353; 224 NW2d 80 (1974). However, if a party, through breach of confidence, gains the information in usable form and escapes the efforts of inspection and analysis, the fact that it could have been discovered by lawful means is not a defense to a misappropriation claim. *Id.*

[1] The parties further dispute whether the terms and conditions were attached to the two purchase orders at issue in this case. (See Affidavit of John Washeleski, Exhibit C Of Defendant's Reply at ¶4; Affidavits of David Maronek, Plaintiffs' Exhibit 2.)

In support of its position, Respondents rely on the affidavit of Gary Wires, Futaba's Director of Engineering and Quality Assurance. In his affidavit, Mr. Wires testified that Futaba was not provided with Defendant's design data, Gerber files and BOMS, that none of the employees that reverse engineered the PCB boards at issue had previously worked for Defendant, that Futaba reverse engineered both the schematic and printed board layout without any of Defendant's design documents, that the old design documents it had obtained from Defendant were not utilized, that the software that was utilized was obtained from Larsen and Toubro, Ltd., not Defendant, and that Futaba utilized its own manufacturing process. (*See* Plaintiffs' Exhibit 8.) Mr. Wires further testified that Futaba reverse engineered the circuit board without the use of Defendants' design files, Gerber files or BOMS, and without utilizing any employees that had Defendants' processes. (*See* Plaintiffs' Exhibit 8.) While Defendants assert that they did not sell the ownership of their proprietary designs or intellectual property to JUSA, it is undisputed that JUSA did purchase the physical boards. Accordingly, if the board could be reverse engineered merely by utilizing the boards that had been lawfully purchased, which Mr. Wires has testified is what happened, Plaintiffs' and Third-Party Defendants actions in reverse engineering the circuit board is lawful under *Kubik*.

While Defendants spend the majority of their pleadings trying to establish that the Proposed Trade Secrets constitute trade secrets under MUTSA, they have failed to present any evidence that contradicts Mr. Wires' testimony that the boards were reverse engineered without the use of any information that was misappropriated. Although Defendant relies on emails that reference Respondent's desire to obtain Defendant's software, gerber files and other technical information, Defendant has failed to present

the Court with any evidence that such information was ultimately obtained, much less obtained in an improper manner. Consequently, Mr. Wires' testimony remains uncontroverted. As a result, the Court is convinced that Defendant has failed to establish that Respondents misappropriated any of the Proposed Trade Secrets. As a result, Respondents' motions for summary disposition of Defendant's misappropriation of trade secrets and declaratory judgment claims must be granted.

IV. Conclusion

For the reasons discussed above, Plaintiffs' joint motion for partial summary disposition as to counts II and VII of the Counter/Third-Party Complaint is DENIED. In addition, Defendant's motion for partial summary disposition as to Count I and VIII of the Counter/Third-Party Complaint is DENIED. Further, Respondents' request for summary disposition of Counts I and VIII of the Counter/Third Party Complaint is GRANTED.

Pursuant to MCR 2.602(A)(3), the Court states this Opinion and Order neither resolves the last claim nor closes the case.

IT IS SO ORDERED.

Date: FEB 29 2016

Kathryn A. Viviano

Hon. Kathryn A. Viviano, Circuit Court Judge