

5-1-2019

Method Matters: Statutory Construction Principles and the Illinois Trade Secrets Act Preemption Puzzle in the Northern District of Illinois

William Lynch Schaller

Follow this and additional works at: <https://huskiecommons.lib.niu.edu/niulr>



Part of the [Law Commons](#)

Suggested Citation

William Lynch Schaller, Method Matters: Statutory Construction Principles and the Illinois Trade Secrets Act Preemption Puzzle in the Northern District of Illinois, 39 N. Ill. U. L. Rev. 195 (2019).

This Article is brought to you for free and open access by the College of Law at Huskie Commons. It has been accepted for inclusion in Northern Illinois University Law Review by an authorized editor of Huskie Commons. For more information, please contact jschumacher@niu.edu.

Method Matters: Statutory Construction Principles and the Illinois Trade Secrets Act Preemption Puzzle in the Northern District of Illinois

WILLIAM LYNCH SCHALLER*©+

Appellate methodology makes a difference when it comes to the interplay between statutes and judge-made law. The Illinois Trade Secrets Act (ITSA) through its preemption provisions abolishes some non-statutory claims and preserves others, but the line between the two remains a mystery—a mystery of extraordinary importance to those with information not rising to the level of trade secrets. Illinois state and federal appellate decisions have not improved matters: for over 30 years these appeals courts have failed to follow standard statutory construction rules and have yet to articulate a rationale justifying their opinions for or against preemption. This flawed methodology produced nearly 50 Illinois district court published rulings between 1992 and 2014 alone, all unable to agree on a rule of decision—a stark illustration of why appellate method matters. These appellate deficiencies will continue to confound Illinois district court decisions until the Illinois Supreme Court weighs in on the ITSA preemption issue, something that court has never done.

I. FEDERAL DISTRICT COURT OPINIONS BEFORE <i>COMPOSITE MARINE PROPELLERS</i>	201
II. FEDERAL DISTRICT COURT OPINIONS AFTER <i>COMPOSITE MARINE PROPELLERS</i>	202
III. FEDERAL DISTRICT COURT OPINIONS AFTER <i>HECNY TRANSPORTATION CO. V. CHU</i>	217
IV. FEDERAL DISTRICT COURT OPINIONS AFTER <i>SPITZ V. PROVEN WINNERS NORTH AMERICA, LLC</i>	233
V. ALL <i>AD HOC</i> , ALL THE TIME	236
VI. CONCLUSION	239

“Tis all in pieces, all coherence gone.”[†]

The United States District Court for the Northern District of Illinois, Chicago’s federal court, presides over one of the world’s major commercial

centers.¹ It sees its fair share of business litigation as a consequence. Among other things, the court's diversity jurisdiction and supplemental jurisdiction bring before it trade secret and related business tort claims under Illinois law.² Indeed, it's likely these Illinois state law claims will increase in the Northern District of Illinois given their close relationship with federal claims under the Defend Trade Secrets Act ("DTSA"), the new federal trade secret law Congress passed in 2016.

Proprietary information falls along a continuum in cases of this character. At one end sit true trade secrets—defined as information (1) that derives its economic value from its relative secrecy and (2) that is subject to reasonable secrecy measures—data fully protectable under the DTSA and its Illinois counterpart, the Illinois Trade Secrets Act ("ITSA").³ At the other end sits information not rising to the level of a trade secret yet not in the public domain. As I've explained elsewhere,⁴ such non-trade secret information once received and may still receive protection under various Illinois state law theories—like idea, fiduciary duty, tortious interference and tort of misappropriation law—unless preempted by the ITSA. The DTSA itself does not

* Partner (Retired), Baker & McKenzie, Chicago, Illinois. I would like to thank my daughter, Alexandra J. Schaller of Loeb & Loeb, for her research and editorial assistance. All views herein are mine alone and do not necessarily reflect the views of my daughter Ali, Loeb & Loeb, Baker & McKenzie or their respective clients; in fact, I am no longer a partner, employee or agent of Baker & McKenzie in any way. All errors are mine alone as well. ©2019 William Lynch Schaller. All rights reserved.

+This article is dedicated to my son, William Lynch Schaller, Jr., B.A., Michigan State University, M.B.A. (Candidate), Lake Forest Graduate School of Management, with every good wish on the start of his career: "We know what we are, but know not what we may be." WILLIAM SHAKESPEARE, THE TRAGEDY OF HAMLET, PRINCE OF DENMARK, act 4, sc 5, in THE COMPLETE WORKS OF WILLIAM SHAKESPEARE CAMBRIDGE EDITION 765 (William Aldis Wright ed., 1936).

† JOHN DONNE, AN ANATOMY OF THE WORLD, <https://www.poetryfoundation.org/poems/44092/an-anatomy-of-the-world> [<https://perma.cc/RH6C-BZJP>] (originally published 1611).

¹ See generally RICHARD CAHAN, A COURT THAT SHAPED AMERICA: CHICAGO'S FEDERAL DISTRICT COURT FROM ABE LINCOLN TO ABBIE HOFFMAN (Northwestern 2002); Richard Florida, *Sorry, London: New York Is the World's Most Powerful City*, <https://www.citylab.com/life/2015/03/sorry-london-new-york-is-the-worlds-most-economically-powerful-city/386315/> [<https://perma.cc/UXF5-Y6XP>] (March 3, 2015) (ranking Chicago ninth in the world in 2015 when measured in five categories comprising the so-called Global City Economic Power Index).

² See *Felder v. Casey*, 487 U.S. 131, 151 (1988) (*Erie* governs diversity and pendent jurisdiction); *Houben v. Telular Corp.*, 309 F.3d 1028, 1032 (7th Cir. 2002) ("While *Erie* questions arise most frequently in diversity cases, the Supreme Court has made clear that the doctrine applies equally to state law claims like Houben's that are brought to the federal courts through supplemental jurisdiction under 28 U.S.C. § 1367.").

³ See 18 U.S.C. § 1839(3); 765 Ill. Comp. Stat. 1065/2(d).

⁴ See William Lynch Schaller, *Illinois Trade Secret Law: The Peculiar Problem of Preemption*, 43 S. ILL. U. L. J. 325, 329-38 (2019).

figure in this equation; it expressly states that it does not preempt state law claims.⁵

Subtle but important issues lurk in this configuration: which Illinois state law claims are preempted by the ITSA and which are not, and why? The answers depend upon how courts reconcile competing provisions of the ITSA. Section 8(a) of the ITSA says that the ITSA preempts all "conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret."⁶ Section 8(b)(1), on the other hand, says the ITSA does not affect "contract remedies, whether or not based upon misappropriation of a trade secret,"⁷ and Section 8(b)(2) says that the ITSA does not affect "other civil remedies that are not based upon misappropriation a trade secret."⁸ As more ITSA trade secret and related Illinois business tort claims move to federal court under the DTSA, what are judges sitting in the Northern District of Illinois to make of these ITSA provisions?

To answer this question, I would normally begin with Illinois Supreme Court decisions, but that court has never addressed the preemption question—or indeed any question—under the ITSA since its passage in 1987. So in a separate paper I walked through the ITSA preemption decisions of both the Illinois Appellate Court and the United States Court of Appeals for the Seventh Circuit.⁹ I found all but one wanting. As I pointed out there, none set forth any canons of statutory construction; none supplied any policy reason for or against preemption; and only one—the Illinois Appellate Court’s decision in *Alpha School Bus Company, Inc. v. Wagner*—noticed Section 8(a) and Section 8(b)(2) both use the statutorily defined term “trade secret” to mark their respective boundaries.¹⁰ In fact, only one—the Illinois Appellate Court’s decision in *Wagner*—even cited Section 8(b)(2) at all.¹¹

The one case I think was properly reasoned is *PepsiCo, Inc. v. Redmond*,¹² a 1995 Seventh Circuit opinion holding that Section 8(a) by its terms preempts common law trade secret claims. Plaintiff prevailed on its statutory trade secret claim under the ITSA, so the statement in *PepsiCo* about the

5. See 18 U.S.C. § 1838 (“Except as provided in section 1833(b), this chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal, provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation of a trade secret, or to affect the otherwise lawful disclosure of information by any Government employee under section 552 of title 5 (commonly known as the Freedom of Information Act).”).

6. 765 Ill. Comp. Stat. 1065/8(a).

7. 765 Ill. Comp. Stat. 1065/8(b)(1).

8. 765 Ill. Comp. Stat. 1065/8(b)(2).

9. Schaller, *supra* note 4.

10. *Alpha School Bus Co., Inc. v. Wagner*, 391 Ill. App. 3d 722, 736, 910 N.E.2d 1134, 1149 (1st Dist. 2009).

11. *Id.* at 736, 910 N.E.2d at 1149.

12. *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1271 (7th Cir. 1995).

ITSA preempting common law trade secret claims was *dicta*. In any event, the Seventh Circuit had no need there to cite any statutory construction canons or to provide any rationale for its self-evident preemption ruling. If common law trade secret claims aren't preempted by the ITSA's statutory trade secrets regime, then nothing is and Section 8(a) may as well not exist. There thus was no reason in *PepsiCo* to consider the anti-preemption language found in Section 8(b)(2).

The same cannot be said of the Seventh Circuit's remaining three ITSA preemption opinions, however. All of them dealt with non-trade secret claims and hence all of them squarely confronted questions about Section 8(b)(2)'s reach and purpose. *Composite Marine Propellers, Inc. v. Van Der Woude*,¹³ the first, announced a pro-preemption position in 1992 with respect to all potential non-trade secret claims without analysis of any kind, simply citing Section 8(a) and treating this categorical outcome as axiomatic. *Hecny Transportation, Inc. v. Chu*,¹⁴ the second, reached the right result for the wrong reasons when handed down in 2005, ruling that claims of corporate opportunity diversion, fiduciary defalcations, and outright theft of physical property fell outside Section 8(a)'s pro-preemption clause—without citing or discussing the directly applicable anti-preemption provision found in Section 8(b)(2), without engaging in any formal statutory construction analysis, and without realizing its citation to the Uniform Trade Secrets Act (“UTSA”) as persuasive authority was inappropriate in a non-UTSA state like Illinois.¹⁵ *Spitz v. Proven Winners North America, LLC*,¹⁶ the third, summarily held in 2014 that “Illinois courts have read the preemptive language in the ITSA to cover claims that are essentially claims of trade secret misappropriation, even when the alleged ‘trade secret’ does not fall within the Act's definition.”¹⁷ The foundation of *Spitz* could hardly have been weaker: the parties on appeal failed to address preemption, *Spitz* offered no statutory construction analysis, and *Spitz* cited nothing more than the Illinois Appellate Court's opinion in *Pope v. Alberto-Culver Co.*,¹⁸ a deficient decision that itself offered no statutory construction analysis and simply cited Section 8(a). For better or worse, the *Spitz* court's broad preemption holding has closed the door on all Illinois non-trade secret information theft theories in federal court under *Erie* until the Illinois Supreme Court rules otherwise.

13. *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263 (7th Cir. 1992) (*per curiam*).

14. *Hecny Transp., Inc. v. Chu*, 430 F.3d 402 (7th Cir. 2005).

15. *Id.* at 404.

16. *Spitz v. Proven Winners North America, LLC*, 759 F.3d 724 (7th Cir. 2014).

17. *Id.* at 733.

18. *Pope v. Alberto-Culver Co.*, 296 Ill. App. 3d 512, 694 N.E.2d 615 (1st Dist. 1998).

The timing of *Spitz* was unfortunate. It eclipsed the late-Judge Shadur's fine Northern District of Illinois opinion in 2012 in *Miller UK Ltd. v. Caterpillar, Inc.*,¹⁹ where he thoughtfully analyzed Illinois statutory construction rules and then rejected ITSA preemption of unjust enrichment and fraudulent inducement claims based upon confidential information not rising to the level of "trade secrets." Judge Shadur highlighted the term "trade secret" appearing in Sections 8(a) and 8(b)(2) and its definition in Section 2(d) calling for economic value due to secrecy and reasonable secrecy measures. This definition, he said, shows that "two kinds of valuable information cannot be trade secrets: (1) public information, even if valuable in economic terms, and (2) information as to which a party fails to make reasonable efforts to keep it secret or confidential."²⁰ From the ITSA's use of the defined term "trade secret" he concluded the Illinois General Assembly must have intended to preempt all non-statutory "trade secret" claims through Section 8(a) and to preserve all non-trade secret claims through Section 8(b)(2). Given this statutory construction analysis, he had no difficulty rejecting *Pope* as "unreasoned and unreasoning"²¹ as part of his *Erie* effort to predict the Illinois Supreme Court's likely ITSA preemption view. Judge Shadur even ventured a policy reason for his anti-preemption ruling in *Miller*—uniformity with other states that have adopted the UTSA.²² Unfortunately, his policy position was wrong on two counts: (1) Illinois is not a UTSA state, as he acknowledged in passing in footnote 5 in *Miller*,²³ and (2) the ITSA has no "uniformity" clause, a key fact he overlooked.²⁴

19. *Miller UK Ltd. v. Caterpillar Inc.*, 859 F. Supp. 941, 942 (N.D. Ill. 2012).

20. *Id.* at 944.

21. *Id.* at 945.

22. *Miller UK*, 859 F. Supp. at 947 ("It must be remembered that, as with all efforts by the Commissions on Uniform Laws, the goal here was to persuade state legislatures to standardize an area of law in place of their varying jurisprudential approaches—an important goal in a national economy that does not come to a halt at state borders. In this instance the Act has sought to promote a single statutory definition of a 'trade secret.' It then provides (1) a set of rights for the holder of such an asset and (2) a set of remedies when these rights are violated.").

23. *Id.* at 946, n.5.

24. Most commentators also overlook these and other important distinctions that set Illinois apart from other states. See, e.g., Robert C. Denicola, *The New Law of Ideas*, HARV. J. L. & TECH. 195, 204-18 (2014) (citing the ITSA and discussing certain ITSA preemption cases, including Judge Shadur's opinion in *Miller UK v. Caterpillar*, without noting the ITSA's omission of the "uniformity" clause and without discussing Illinois statutory construction principles); Richard F. Dole, Jr., *Preemption of Other State Law by the Uniform Trade Secrets Act*, 17 SMU SCI. & TECH. L. REV. 95, 99, 111-14 (2014) (briefly discussing the ITSA and certain ITSA preemption cases without noting the ITSA's omission of the "uniformity" clause and without discussing Illinois statutory construction principles); Warrington S. Parker, III & Daniel D. Justice, *The Differing Approaches to Preemption under the Uniform Trade Secrets Act*, 49 TORT TRIAL & INS. PRAC. L. J. 645, 655, 658-59 (2014) (citing the ITSA and discussing certain ITSA preemption cases without noting the ITSA's omission of the

My purpose here is not to take sides on the ITSA preemption question. I did that in my earlier paper, where I argued Judge Shadur's reasoning and result were clearly correct and far superior to the Illinois state and federal appellate ITSA preemption opinions before and after *Miller* that skipped standard statutory construction methodology and then made matters worse by offering no policy reasons for or against preemption. My purpose here is instead to show my sympathy for Judge Shadur and the other Northern District of Illinois judges who had to wrestle with these confused and confusing appellate precedents. As I toured the Northern District of Illinois cases for my earlier paper, I realized their experience with ITSA preemption provided a rare opportunity to analyze the impact of appellate methodology on lower courts over a quarter century. Indeed, it presented the law equivalent of a scientific controlled study: the district court and the question remained the same; only Seventh Circuit precedent changed.

So I decided to embark on the present paper with the modest aim of showing what happens when reviewing courts fail to follow first principles. For analytic clarity, I divide the Northern District of Illinois cases by reference to then-extant Seventh Circuit ITSA preemption opinions to demonstrate how each lower court struggled to find some principled basis for decision but could not because of the appellate opinion flaws just noted or because they overlooked these appellate opinions and then failed to follow first principles themselves. Thus, Part I and Part II focus on Northern District of Illinois cases decided before and after the Seventh Circuit's 1992 opinion in

"uniformity" clause and without discussing Illinois statutory construction principles); Ashley Dillon, *An Immodest Proposal: How the Kansas Supreme Court Can Unify the Uniform Trade Secret Act's Preemption of Common Law Claims*, 60 U. KAN. L. REV. 1147, 1155, 1171 (2012) (briefly discussing the ITSA and certain ITSA preemption cases without noting the ITSA's omission of the "uniformity" clause and without discussing Illinois statutory construction principles); Charles Tait Graves & Elizabeth Tippet, *UTSA Preemption and the Public Domain: How Courts Have Overlooked Patent Preemption of State Law Claims Alleging Employee Wrongdoing*, 65 RUTGERS L. REV. 59, 65, 67, 68, 74, 82, 104 (2012) (citing the ITSA and certain ITSA preemption cases without noting the ITSA's omission of the "uniformity" clause and without discussing Illinois statutory construction principles); John T. Cross, *UTSA Displacement of Other State Law Claims*, 33 HAMLINE L. REV. 445, 449 (2010) (discussing the ITSA and many ITSA cases but cautioning: "While this Article does consider many cases from Illinois, and some from California, it is important to keep in mind the differences in language of §7 may affect the way the court resolves the [preemption] issue."); Julie Piper, *I Have a Secret?: Applying the Uniform Trade Secrets Act to Confidential Information That Does Not Rise to the Level of Trade Secret Status*, 12 MARQ. INTELL. PROP. L. REV. 359, 377-78 (2008) (citing the ITSA and discussing certain ITSA preemption cases without noting the ITSA's omission of the "uniformity" clause and without discussing Illinois statutory construction principles); Robert Unikel, *Bridging the "Trade Secret" Gap: Protecting "Confidential Information" Not Rising to the Level of a Trade Secret*, 29 LOY. U. CHI. L. J. 841, 884-86 (1998) (citing the ITSA and discussing certain ITSA preemption cases without noting the ITSA's omission of the "uniformity" clause and without discussing Illinois statutory construction principles).

Composite Marine Propellers. Part III tracks Northern District of Illinois rulings (plus four Central District of Illinois cases, in the interest of thoroughness²⁵) in the wake of Seventh Circuit’s 2005 opinion in *Hecny Transportation*. Part IV then reviews Northern District of Illinois decisions (and one Central District of Illinois opinion²⁶) after the Seventh Circuit’s 2014 opinion in *Spitz*. Once *Spitz* arrived, of course, the lower courts ceased searching, as they must in our hierarchal court system,²⁷ even though the illogic of the appellate precedents was apparent to at least two district court judges.²⁸

Part V offers some concluding thoughts about the lessons learned from these cases, the upshot of which is that method matters in appellate adjudication. In the end, we are left with nearly 50 federal district court decisions on ITSA preemption, not one of which—other than Judge Shadur’s *Miller* opinion—offered a policy reason for or against preemption. The predictable result was *ad hoc* adjudication; these Northern District of Illinois (and Central District of Illinois) district court judges seldom could divine what the Seventh Circuit wanted them to do as new claims came before them, leaving unlucky litigants to their fate. Bad reasoning makes bad law, to be sure.²⁹

I. FEDERAL DISTRICT COURT OPINIONS BEFORE *COMPOSITE MARINE PROPELLERS*

District court opinions before *Composite Marine Propellers* are a good place to start in a “state of nature” sense, that is, opinions that lacked any appellate guidance at all. The first and only such opinion appears to have

25. See *Arvegenix, LLC v. Seth*, 2014 WL 1698374 (C.D. Ill. Apr. 29, 2014) (McDade, J.); *Tradesmen Int’l, Inc. v. Black*, 2011 WL 5330589 (C.D. Ill. Nov. 7, 2011) (Bernthal, M.J.); *EBI Holdings, Inc. v. Butler*, 2009 WL 400634 (C.D. Ill. Feb. 17, 2009) (Scott, J.); *Jano Justice Systems, Inc. v. Burton*, 2008 WL 5191765 (C.D. Ill. Dec. 11, 2008) (Mills, J.).

26. See *First Financial Bank, N.A. v. Bauknecht*, 71 F. Supp.3d 819 (C.D. Ill. 2014) (McDade, J.).

27. See *Reiser v. Residential Funding Corp.*, 380 F.3d 1027, 1029 (7th Cir. 2004) (“In a hierarchical system, decisions of a superior court are authoritative on inferior courts . . . [D]istrict judges must follow the decisions of this court whether or not they agree.”).

28. See *Market Track, LLC v. Efficient Collaborative Retail Marketing, LLC*, 2015 WL 3637740 (N.D. Ill. June 11, 2015) (Tharp, J.); *Cronimet Holdings, Inc. v. Keywell Metals, LLC*, 73 F. Supp.3d 907 (N.D. Ill. 2014) (Ellis, J.).

29. See Frederick Schauer, *Do Cases Make Bad Law?*, 73 U. CHI. L. REV. 883, 890 (2006) (“Once a court announces a reason for its decision, and once that stated reason is something that future or lower courts are expected to take seriously as a reason, then the troubling question still arises as to whether the general statement that is the reason is better or worse by virtue of it having been initially announced in the context of a concrete dispute that a court is expected to resolve.”) (footnotes omitted); Frederick Schauer, *Giving Reasons*, 47 STAN. L. REV. 633, 637 (1995) (“But whatever the hierarchy between reason and authority, reasons are what we typically give to support what we conclude precisely when the mere fact that we have concluded is not enough.”).

been *Ace Novelty Company, Inc. v. Vijuk Equipment, Inc.*,³⁰ decided in 1990 by Judge Kocoras on a motion to dismiss. *Ace Novelty* claimed it shared with *Vijuk Equipment* its ideas about “soft tickets” for gaming and a special machine to produce them, only to have *Vijuk* later assert that the soft ticket design belonged to *Vijuk*. *Ace Novelty* offered no serious ITSA preemption analysis. It simply noted section 8(a)’s pro-preemption clause without citing section 8(b)(2)’s anti-preemption clause and then made the following assertion without any citation at all: “[t]he preemption provision is an indication of the outer limit of Illinois’ protection of intangible property.”³¹ As a busy district court lacking appellate precedent, the *Ace Novelty* court’s cursory approach was understandable but hardly a model for later cases. As an interesting aside, *Ace Novelty* was the only case the parties would later cite in the 1992 appeal in *Composite Marine Propellers*, and the Seventh Circuit ignored it with good reason.

II. FEDERAL DISTRICT COURT OPINIONS AFTER *COMPOSITE MARINE PROPELLERS*

*Chicago Show Printing Co. v. Sherwood*³² was not much better than *Ace Novelty*. In that case *Chicago Show* sued former employee *Sherwood* “for conversion of invention,”³³ and *Sherwood* raised preemption on a motion to dismiss. It was unclear to the court whether *Chicago Show* was alleging that *Sherwood* had “converted his idea or the actual machine he had built.”³⁴ As to the “idea” claim, Judge Leinenweber simply stated that it appeared to have been preempted by the ITSA.³⁵ The court offered no analysis or citation to authority beyond its generalized citation to Section 8. Even though *Sherwood* was decided on July 14, 1992, and docketed on July 20, 1992, the court did not discuss or even cite the Seventh Circuit’s broad ITSA preemption holding in *Composite Marine Propellers*, which was decided on May 4, 1992.

The next decision to consider preemption, issued in 1993, was *EarthDweller, Ltd. v. Rothnagel*.³⁶ In that case Judge Marovich considered preemption of fraud and breach of fiduciary duty claims. Specifically, *EarthDweller* claimed fraud based upon false representations that enabled the

30. *Ace Novelty Co., Inc. v. Vijuk Equipment, Inc.*, 1990 WL 129510 (N.D. Ill. Aug. 31, 1990) (Kocoras, J.).

31. *Id.* at *3-*4.

32. *Chicago Show Printing Co. v. Sherwood*, 1992 U.S. Dist. LEXIS 10843 (N.D. Ill. July 20, 1992) (Leinenweber, J.).

33. *Id.* at *7.

34. *Id.*

35. *Id.*

36. *EarthDweller, Ltd. v. Rothnagel*, 1993 U.S. Dist. LEXIS 16531 (N.D. Ill. Nov. 22, 1993) (Marovich, J.).

Rothnagels to develop their own competing business in lieu of acting as EarthDweller's licensee. The "breach of fiduciary duty" count claimed unjust enrichment based on the allegation that Samuel Rothnagel breached his duty to use confidential information entrusted to him solely for EarthDweller's benefit as EarthDweller's business consultant. On the Rothnagels' motion to dismiss, the court held there was no preemption, emphasizing Section 8(a)'s use of the words "conflicting" and "misappropriation of trade secrets" and then observing: "[b]y its very terms, the Illinois Trade Secret Act precludes only conflicting causes of action for misappropriation of trade secrets, and not those claims which allege more than mere misuse or misappropriation of trade secrets."³⁷ While hardly a polished analysis, *EarthDweller* at least reached the right result for the right reason: it read Section 8(a) as limited to a select class of claims, namely those based upon trade secret misappropriation. The court cited no decisions in support of its holding, however, nor did the court mention the sweeping pro-preemption language found in the Seventh Circuit's 1992 *per curiam* opinion in *Composite Marine Propellers*³⁸— "[u]nless defendants misappropriated a (statutory) trade secret, they did no legal wrong."³⁹

*Cohn v. Taco Bell Corp.*⁴⁰ followed in early 1994. *Cohn* involved a franchise fight in which plaintiff claimed unfair competition by Taco Bell in allegedly misappropriating plaintiff's confidential information in the form of "an extensive site study regarding appropriate locations for two new Taco Bell restaurants in the north and northwest suburbs of Chicago."⁴¹ Taco Bell attacked both the unfair competition count and a related trade secret count, arguing on a motion to dismiss that the ITSA preempted the unfair competition claim and that plaintiff failed to allege reasonable secrecy measures in support of its ITSA misappropriation claim. Judge Nordberg cited *Composite Marine Propellers* and Section 8—without noting Section 8(b)(2)'s anti-preemption language—and held the unfair competition claim was preempted because "Illinois ha[d] abolished all common law theories of misuse of confidential information with the passage of the Illinois Trade Secrets Act."⁴² The district court did not notice that Section 2(d)'s definition of "trade secret," requiring reasonable secrecy measures, operated to limit Section 8's preemption language to misappropriation based upon "trade secrets," as opposed to "confidential information." Ironically, the district court then went on to dismiss the ITSA misappropriation claim as well, for failure to allege

37. *Id.* at *21.

38. *Composite Marine Propellers*, 962 F.2d at 1265.

39. *Id.*

40. *Cohn v. Taco Bell Corp.*, 1994 WL 13769 (N.D. Ill. Jan. 14, 1994) (Nordberg, J.).

41. *Id.* at *9.

42. *Id.* at *10.

confidentiality measures as required by Section 2(d) with respect to the site plan, even though the district court had conceded that “the site information was not generally known, publicly available information” for purposes of the dismissed unfair competition claim.⁴³ In other words, the distinction between confidential information and trade secrets was lost due to preemption of an otherwise valid claim.

A similar result obtained in a later 1994 case, *Venango River Corp. v. NIPSCO Industries, Inc.*⁴⁴ That case centered on the collapse of the Chicago South Shore Railroad, which was owned and managed by Venango River Corp. After securing a nondisclosure agreement, Venango shared South Shore information and some Venango information with one of South Shore’s largest customers, Indiana utility NIPSCO, in an effort to persuade NIPSCO to invest in South Shore. NIPSCO declined, South Shore went bankrupt, and then Venango and NIPSCO became competing bidders for South Shore’s assets, with NIPSCO prevailing. Venango subsequently sued NIPSCO for trade secret theft and for “breach of fiduciary duty” based upon the nondisclosure agreement between South Shore and NIPSCO.⁴⁵ On NIPSCO’s motion for summary judgment, Judge Williams ruled that Venango lacked standing to bring its trade secret misappropriation claim because South Shore rather than Venango owned South Shore’s trade secret information.⁴⁶ She also ruled that NIPSCO did not “misappropriate” South Shore’s information since if NIPSCO had used it at all, NIPSCO had used it for the very purpose South Shore had intended—to acquire South Shore.⁴⁷ More important for our purposes, the court also held that Venango’s breach of fiduciary duty claim against NIPSCO was preempted “because it [was] predicated on the existence of a trade secret,”⁴⁸ citing Section 8(a) of the ITSA and *Composite Marine Propellers* without mentioning Section 8(b)(2)’s anti-preemption language.

43. *Id.* at *10.

44. *Venango River Corp. v. NIPSCO Industries, Inc.*, 1994 U.S. Dist. LEXIS 17898 (N.D. Ill. Dec. 15, 1994) (Williams, J.).

45. The district court acknowledged disclosure of trade secrets to a potential purchaser can create a fiduciary duty, citing *Cloud v. Standard Packaging Corp.*, 376 F.2d 384, 388-89 (7th Cir. 1967) (citing RESTATEMENT OF TORTS §757, comment j (1939), and holding that duty of confidence may arise where one should have known disclosure was made in confidence). *Venango River*, 1994 U.S. Dist. LEXIS 17898, at *24-25.

46. *Id.* at *29-30 (citing and quoting *Carpenter v. United States*, 484 U.S. 19, 26 (1987) (“Confidential information acquired or compiled by a corporation in the course and conduct of its business is a species of property to which the corporation has the exclusive right and benefit.”)).

47. *Id.* at *30-31.

48. *Id.* at *24.

*Web Communications Group, Inc. v. Gateway 2000, Inc.*⁴⁹ followed *Venango River* a few months later. Promotional marketing and print production management company Web over about six months arranged 15 print jobs for Gateway for a total of \$2.5 million dollars, and then the parties began discussing the concept of a “stepped insert” for Gateway ads. Web only spent three or four hours developing the “stepped insert” idea. Gateway considered the idea but then went with another printing firm, Quebecor Printing. When Gateway through Quebecor released ads using stepped inserts, Web sued claiming “implicit confidentiality”⁵⁰ as well as unjust enrichment. Judge Aspen on summary judgment rejected Web’s trade secret claim for lack of secrecy measures, holding that an industry custom of secrecy was not shown and that reliance on such a custom, alone, was insufficient under the ITSA.⁵¹ In granting a separate motion to dismiss directed at the unjust enrichment claim, the court quoted both section 8(a) and 8(b) and held that the unjust enrichment claim was preempted “to the extent directed at trade secret misappropriation,”⁵² citing *Venango River*. However, the court in *Web Communications* then proceeded to address plaintiff’s claim that even if its “stepped insert” did not qualify as a trade secret, it had a reasonable expectation of being awarded jobs arising from its “developmental work” and hence had a cause of action for unjust enrichment.⁵³ While the *Web Communications* court rejected this claim on the merits,⁵⁴ it plainly assumed that the unjust enrichment claim before it was *not* preempted by the ITSA—a distinction later lost on the Illinois Appellate Court in *Pope* when it cited *Web Communications* as its sole authority in support of its overbroad unjust enrichment preemption holding that Judge Shadur would roundly criticize in *Miller* in 2012 and the Seventh Circuit would uncritically accept in *Spitz* in 2014.

In early 1996, about a year after *Web Communications*, Judge Conlon granted a preemption motion to dismiss in *J.H. Chapman Group, Ltd. v.*

49. *Web Communications Group, Inc. v. Gateway 2000, Inc.*, 889 F. Supp. 316 (N.D. Ill. 1995) (Aspen, J.).

50. *Id.* at 320.

51. *Id.* The district court did not have the benefit of the Seventh Circuit’s subsequent decision in *Hicklin Engineering, LC v. Bartell*, 439 F.3d 346, 350 (7th Cir. 2006) (implied undertaking to abide by trade norms of secrecy constitutes sufficient secrecy measures).

52. *Id.* at 321.

53. *Id.*

54. The *Web Communications* court held that where preliminary services are rendered to gain a business advantage with the hope of securing a contract, without any reasonable anticipation on the part of either party “that reimbursement will directly result, quasi-contractual relief [in the form of unjust enrichment] is unwarranted.” *Web Communications*, 889 F. Supp. at 321 (quoting *Van C. Argiris & Co. v. FMC Corp.*, 144 Ill. App. 3d 750, 755, 494 N.E.2d 723, 727 (1st Dist. 1986)).

Chapman.⁵⁵ Chapman broke away from J. H. Chapman Group, an investment banking firm he had founded, to form a rival of the same name with his son. J.H. Chapman Group took the news poorly and brought a variety of claims, including trade secret theft, breach of confidential relationship, and breach of fiduciary duty. On a motion to dismiss, the district court sustained the trade secret claim but ruled that the “confidential relationship” count was preempted, citing Section 8(a) and *Composite Marine Propellers*. J.H. Chapman was pursuing a trade secret theory, the court observed, regardless of its reference to it as “commercially valuable information.”⁵⁶ J.H. Chapman’s separate “breach of fiduciary duty” claim met the same preemption fate for the same reason.

*Precision Screen Machines Inc. v. Elexon, Inc.*⁵⁷ appeared six months after *Chapman*. Like *Venango River*, *Precision Screen Machines* also involved confidential information exchanged in connection with a potential business sale. In this instance, somewhat simplified, Elexon signed a sophisticated nondisclosure agreement that required it to use all confidential materials solely for the possible purchase and to return all confidential materials upon demand. Alleging that Elexon retained some of the confidential materials after Precision demanded their return and that Elexon used those materials to Precision’s detriment, Precision claimed breach of the nondisclosure agreement, trade secret misappropriation, and “tortious breach of their confidential relationship.”⁵⁸ Judge Nordberg agreed that retention of the materials after their return was demanded constituted misappropriation under the ITSA, but he found the breach of confidential relationship claim preempted by the ITSA and therefore granted that portion of Elexon’s motion to dismiss. As had become typical by this point, the court engaged in no statutory construction analysis and did not mention the anti-preemption language found in Section 8(b)(2). It simply cited *Web Communications* and *Chapman* and then observed that preemption was warranted because the confidential relationship claim “was a common law claim for misappropriation of trade secrets.”⁵⁹

Thermodyne Food Service Products, Inc. v. McDonald’s Corp.,⁶⁰ another 1996 decision, offered a slight twist on the preemption issue in foreshadowing the Seventh Circuit’s *Hecny Transportation* opinion nine years later. The convoluted facts of the *Thermodyne* summary judgment opinion showed that Thermodyne designed and manufactured ovens using its trade

55. J.H. Chapman Grp., Ltd. v. Chapman, 1996 U.S. Dist. LEXIS 2256 (N.D. Ill. Feb. 28, 1996) (Conlon, J.).

56. *Id.* at *8.

57. Precision Screen Machines Inc. v. Elexon, Inc., 1996 U.S. Dist. LEXIS 12487 (N.D. Ill. Aug. 28, 1996) (Nordberg, J.).

58. *Id.* at *3-*4.

59. *Id.* at *13.

60. Thermodyne Food Serv. Products, Inc. v. McDonald’s Corp., 940 F. Supp. 1300 (N.D. Ill. 1996) (Alesia, J.).

secret technology, technology consisting of a combination of elements not susceptible to reverse engineering. McDonald's, a major customer, began secret discussions with a Thermodyne executive, Lieberman, apparently for the purpose of establishing an alternative source of supply for ovens using the same technology. When Lieberman departed Thermodyne, so did McDonald's, but Thermodyne eventually caught on as a result of a trade show and a magazine article suggesting McDonald's had acquired Thermodyne's oven technology. Judge Alesia denied the defense motion for summary judgment on Thermodyne's trade secret claim, ruling among other things that Thermodyne's president and project manager both possessed sufficient industry experience to qualify as experts able to testify about whether Thermodyne's technology was known within the industry.⁶¹ The court then offered a relatively nuanced preemption discussion of Thermodyne's fiduciary duty claim against Lieberman. It explicitly followed *Composite Marine Propellers* as well as *Venango River* and *Chapman* in holding that the fiduciary claim was preempted to the extent it rested on Lieberman's theft of Thermodyne's technology.⁶² However, the court cautioned that the fiduciary claim could survive to the extent it was "premised on conduct other than the misappropriation of the Thermodyne technology."⁶³ *Thermodyne* thus became the first opinion to recognize that preemption does not automatically apply just because stolen information is at issue in some way.

For fans of the field, Judge Shadur's 1997 summary judgment opinion in *Nilssen v. Motorola, Inc.*⁶⁴ was a *tour de force* in trade secret analysis from a style standpoint, reflecting his distinctive narrative skill, elegant expression, and comprehensive bent, but his ITSA preemption approach was uncharacteristically pedestrian. Nilssen, a litigious inventor and former employee Motorola fired in 1972,⁶⁵ approached Motorola about his inventive efforts in electronic ballast for fluorescent lighting. The negotiations were

61. *Id.* at 1306.

62. This holding later became the basis for the Illinois Appellate Court's rejection of McDonald's attempt to establish "advertising injury" insurance coverage for Thermodyne's claims. See *McDonald's Corp. v. Am. Motorist Ins. Co.*, 321 Ill. App. 3d 972, 986, 748 N.E.2d 771, 783-84 (2d Dist. 2001) (holding that judicial estoppel doctrine precluded McDonald's effort to establish "cloud on title" and "unfair competition" as bases for insurance coverage, as McDonald's persuaded the district court in *Thermodyne* to dismiss those claims or their equivalents as preempted by the ITSA).

63. *Id.* at 1309.

64. *Nilssen v. Motorola, Inc.*, 963 F. Supp. 664 (N.D. Ill. 1997) (Shadur, J.).

65. *Id.* at 667, 669 (noting Nilssen's firing in 1972 and Motorola's concerns about "his history of sending Motorola unsolicited material" and "his possible litigiousness"). Motorola's concerns were prescient: Nilssen's battles with Motorola continued through at least 2001, and his battles with others continued through at least 2007. See *Nilssen v. Motorola, Inc.*, 255 F.3d 410 (7th Cir. 2001); *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223 (Fed. Cir. Oct. 2007).

characterized by “fits and starts” and multiple nondisclosure agreements,⁶⁶ but in the end the parties could not agree on partnership or licensing terms. Pursuant to the nondisclosure agreements, Nilssen demanded the return of his materials and Motorola claimed it complied. When Motorola later entered the ballast lighting business, allegedly through its independent development efforts,⁶⁷ Nilssen brought patent, trade secret, confidential relationship, and unjust enrichment claims. On ITSA preemption of the last two, however, Judge Shadur had very little to say beyond quoting from *Composite Marine Propellers* and citing *Precision Screen* and *Web Communications*.⁶⁸ Obviously, Judge Shadur’s two-paragraph, pro-preemption analysis in *Nilssen* stands in stark contrast to his forceful and extended anti-preemption opinion 15 years later in *Miller*, with the Seventh Circuit’s intervening *Hecny Transportation* decision in 2005 only partially explaining his change of heart.

The year 1997 did bring a major development nearly a decade after the ITSA passage, however: *Combined Metals of Chicago Limited Partnership v. Airtek, Inc.*,⁶⁹ a district court opinion that actually read the ITSA’s preemption provision in its entirety and gave life to its anti-preemption clause in Section 8(b)(2). There Airtek gave its steel fabrication design and die specifications to its supplier, Combined Metals, to manufacture catalytic converters pursuant to an agreement that did not address confidentiality. Combined Metals developed a die for Airtek but then began using that die to make catalytic converter shells for competitors of Airtek without Airtek’s knowledge. Airtek demanded return of the die and design specifications; Combined refused to return them; Combined Metal sued for unpaid invoices; and Airtek counterclaimed for breach of fiduciary duty and trade secret theft.

The case came before the court on Combined Metals’ motion to dismiss arguing ITSA preemption. Judge Alesia, who authored *Thermodyne* just one year before, acknowledged *Thermodyne* in *Combined Metals* and conceded that Section 8(a) of the ITSA “clearly preempts all common law claims that are based on the misappropriation of a trade secret.”⁷⁰ However, he then became the first judge to note explicitly that the Section 8(a) by its terms limits preemption to claims based on “misappropriation of a trade secret,” while Section 8(b)(2) expressly states that the ITSA has no effect on claims *not*

66. *Nilssen*, 963 F. Supp. at 681, n. 19.

67. In a later opinion in the *Miller* case, Judge Wood did not use the term “clean room” to describe Motorola’s defense. In a later opinion in the case, Judge Wood offered an extensive “clean room” discussion in analyzing the admissibility of expert testimony under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993). See *Miller UK Ltd. v. Caterpillar, Inc.*, 2015 WL 10818831 (N.D. Ill. Nov. 1, 2015) (Wood, J.).

68. *Nilssen*, 963 F. Supp. at 683-84.

69. *Combined Metals of Chi. Ltd. P’ship. v. Airtek, Inc.*, 985 F. Supp. 827 (N.D. Ill. 1997) (Alesia, J.).

70. *Id.* at 830.

based on “misappropriation of a trade secret.”⁷¹ He did so because Airtek argued that if its information did not qualify as a trade secret, Airtek wanted to fall back on its breach of fiduciary duty allegations resting on the confidential relationship between Airtek and Combined Metals.⁷² Judge Alesia recognized the logic of Airtek’s argument based upon a comparison of Section 8(a) and Section 8(b)(2):

Thus, in the instant case, if the Airtek die and design specifications fail to qualify as a trade secret, how could the breach of fiduciary duty count be preempted under the ITSA? Again, the ITSA preempts only counts premised on the misappropriation of a trade secret. Thus, if the Airtek die and specifications is not a trade secret or secrets, the ITSA preemption provision is inapplicable. Accordingly, the breach of fiduciary duty count will remain in this action for now.⁷³

Interestingly, Judge Alesia acknowledged *Composite Marine Propellers* later in his opinion when he addressed the complaint’s failure to identify with specificity the trade secrets at issue, yet he omitted the broad preemption statement found in that Seventh Circuit opinion: “[u]nless defendants misappropriated a (statutory) trade secret, they did no legal wrong.”⁷⁴

*Learning Curve Toys, L.P. v. PlayWood Toys, Inc.*⁷⁵ offered another preemption dispute two years after *Combined Metals*, this time on summary judgment. Unable to replicate the train-track sound they wanted for the famous Thomas the Tank Engine toy, Learning Curve Toys approached PlayWood Toys, and PlayWood quickly came up with a novel solution: it carved angled grooves in the tracks to produce the desired “clickity-clack” sound and created a prototype. The parties could not come to terms, however, and Learning Curve thereafter patented the track, leading PlayWood to bring various claims, including trade secret theft, “idea misappropriation,” and unjust enrichment. To defeat ITSA preemption, PlayWood argued (much like the

71. *Id.* The court in *EarthDweller* made the same point about Section 8(a) but did not explicitly examine or quote Section 8(b)(2).

72. *Id.* Judge Alesia expressed doubt about the validity of Airtek’s confidential relationship claim, noting that ordinarily parties to a contract do not owe each other fiduciary duties and that for trust and confidence to be reposed, one side must prove it was heavily dependent upon the advice of the other—circumstances he thought were not present based upon the complaint alone. *Id.* at 830, n.3.

73. *Id.* (footnotes omitted).

74. *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1265 (7th Cir. 1992).

75. *Learning Curve Toys, L.P. v. PlayWood Toys, Inc.*, 1999 WL 529572 (N.D. Ill. July 20, 1999) (Pallmeyer, J.).

counter-plaintiff in *Combined Metals* before it) that its trade secret theft and idea misappropriation claims presented distinct causes of action, with its idea claim surviving if its trade secret claim failed.⁷⁶ Judge Pallmeyer marshalled the usual precedents in favor of preemption, such as *Composite Marine Propellers*, *Precision Screen*, and *Thermodyne*,⁷⁷ and even became the first Illinois court to cite commentary in the field,⁷⁸ although she curiously omitted any reference to what was then the most recent case on preemption addressing the very same argument, *Combined Metals*. From these authorities the district court in *Learning Curve Toys* concluded the ITSA “eliminated common law claims based on conduct which might support an ITSA action.”⁷⁹ Judge Pallmeyer then teased a new Illinois rule from these authorities: “if the operative facts are arguably cognizant under the ITSA, any common law claim that might have been available on those facts in the past now no longer exists in Illinois.”⁸⁰ This “stricter”⁸¹ preemption rule almost proved disastrous when Judge Pallmeyer later took away PlayWood's \$6 million jury verdict for trade secret theft,⁸² breathing new life into the question of whether information not rising to the level of a trade secret can be protected under non-ITSA theories. The Seventh Circuit never reached the preemption issue, however, as it reinstated the jury's verdict on ITSA grounds.⁸³

The following year brought the hesitant summary judgment decision in *Thomas & Betts Corp. v. Panduit Corp.*⁸⁴ That 1998 dispute arose when employee Wimmer jumped ship from Thomas & Betts to competitor Panduit,

76. *Id.* at *2.

77. *Id.* at *3.

78. *Id.* (citing Robert Unikel, *Bridging the "Trade Secret" Gap: Protecting "Confidential Information" Not Rising to the Level of Trade Secrets*, 29 LOY. U. CHI. L. J. 841 (1998) and ROGER M. MILGRIM, *MILGRIM ON TRADE SECRETS*, §1.01[4], at 1-68.14 (1996)).

79. *Learning Curve Toys*, 1999 WL 529572, *3.

80. *Id.* This new Illinois rule was apparently derived from Roger Milgrim's treatise, as the *Learning Curve Toys* court quoted it a few paragraphs earlier in its opinion. *Learning Curve Toys*, at *3 (quoting *Powell Products, Inc. v. Marks*, 948 F. Supp. 1469, 1474 (D. Colo. 1996) (dicta) (preemption appropriate under the Uniform Trade Secrets Act where “other claims are no more than a restatement of the same operative facts which would plainly and exclusively spell out only trade secret misappropriation”) (quoting ROGER M. MILGRIM, *MILGRIM ON TRADE SECRETS*, §1.01[4], at 1-68.14 (1996)).

81. *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 2002 WL 391361, at *3 (N.D. Ill. Mar. 14, 2002).

82. *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 721 (7th Cir. 2003) (noting the district court granted Learning Curve Toys' Rule 50 motion to set aside the jury's verdict); *Learning Curve Toys*, 2002 WL 391361 (opinion and order granting Rule 50 motion); *Learning Curve Int'l v. Seyfarth Shaw LLP*, 392 Ill. App. 3d 1068, 1072, 911 N.E.2d 1073, 1077 (1st Dist. 2009) (describing the verdict as “about \$6 million” and noting later settlement was for over \$11 million).

83. *Learning Curve Toys*, 342 F.3d at 716.

84. *Thomas & Betts Corp. v. Panduit Corp.*, 108 F. Supp. 2d 968 (N.D. Ill. May 2, 2000) (Moran, J.).

taking with him his former employer's "computers, disks and documents" along with trade secret sales and related information stored on those physical items.⁸⁵ In addition to its trade secret claims, Thomas & Betts alleged breach of fiduciary duty, conversion, unfair competition, tortious interference, conspiracy, fraud, and Illinois Consumer Fraud Act claims. Relying on *Composite Marine Propellers*, *Thermodyne*, *Chapman*, *Venango*, *Learning Curve Toys*, *Cohn*, *Sherwood*, and *Ace Novelty*, Judge Moran in *Thomas & Betts* ruled that all of these business tort claims were preempted by "Section 8."⁸⁶ The court acknowledged the tension between these pro-preemption opinions and the anti-preemption holdings in *EarthDweller* and *Combined Metals*, but sought to distinguish those cases on procedural grounds, noting they were decided on motions to dismiss whereas *Thomas & Betts* came for decision on summary judgment.⁸⁷ The court turned aside Thomas & Betts' breach of fiduciary duty and conversion claims tied to the stolen "computers, disks and documents" on the additional ground that "these physical items have little value apart from the information contained therein."⁸⁸ As to Thomas & Betts' argument "that preemption [wa]s improper because the confidential information taken by Wimmer may not rise to the level of a trade secret,"⁸⁹ the district court responded: "this theory would render Section 8 meaningless, for it would forbid preemption of state law claims until a final determination has been made with respect to whether confidential information rises to the level of a trade secret."⁹⁰ The district court did not elaborate on this *non-sequitur*, as it thought the question moot in light of *Learning Curve Toys* and the sweeping holding in *Composite Marine Propellers*, the latter of which the *Thomas & Betts* court quoted. Still, the court was obviously troubled by Thomas & Betts' "information not rising to the level of a trade secret" argument, as the court ended with this observation: "[w]e are not unmindful of the concerns raised by T&B, but point out that T&B's confidentiality

85. *Id.* at 970.

86. *Id.* at 972-74. The *Thomas & Betts* court became the first to dismiss an Illinois Consumer Fraud Act claim on preemption grounds, quoting Section 8(a)'s language displacing "conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret." *Id.* at 975, n. 3 (emphasis in original) (quoting ILCS 1065/8(a)).

87. *Id.* at 972, n. 1.

88. *Id.* at 973, n. 2. The court distinguished *Sherwood* on the notion that the converted physical invention there presumably had more value than the items converted in *Thomas & Betts*. Of course, as we now know, the Seventh Circuit would later take a very different view in *Hecny Transportation*, holding that the breach of fiduciary duty claim there, resting on stolen "files, computers, software, and other office equipment," was not preempted. *Hecny Transp.*, 430 F.3d at 404.

89. *Thomas & Betts*, 108 F. Supp. 2d at 972.

90. *Id.* at 972-73.

agreement with Wimmer and its concomitant breach of contract claim remain intact and provide adequate protection with respect to this issue.”⁹¹

A few more district court cases took up preemption before *Hecny Transportation*, but they resist easy description. For example, *Bagley v. Lumbermens Mutual Casualty Co.*,⁹² an idea theft opinion Judge Bucklo issued in 2000 just a few weeks after *Thomas & Betts*, nowhere mentioned *Thomas & Betts*—or for that matter, any decision for or against preemption—in denying a motion to dismiss. Emphasizing that the express language of the Section 8(a) only preempts “conflicting” laws that provide remedies for misappropriation of “trade secrets,” Judge Bucklo allowed Bagley’s unfair competition and stolen idea claims to stand.⁹³ By contrast, about a year later in *AutoMed Technologies, Inc. v. Eller*,⁹⁴ on “jumping ship” facts largely similar to those in *Thomas & Betts*, Judge Moran, the author of *Thomas & Betts*, granted a preemption motion to dismiss for the most part and dispensed with breach of fiduciary duty, conversion, conspiracy, and tortious interference claims.⁹⁵ Only breach of fiduciary duty claims resting on corporate opportunity usurpation and employee solicitation facts survived; these claims, the court ruled, did not share the same facts as the software and design plans that formed the core of the trade secret misappropriation claim.⁹⁶ And just a month after *AutoMed*, Judge Reinhard in *Seaga Manufacturing, Inc. v. Fortune Metal, Inc.*⁹⁷ issued a terse opinion dismissing unfair competition, fraud, and deceptive trade practice claims as preempted since all three were premised on the theory that machine-builder Fortune misappropriated Seaga’s “confidential proprietary information” concerning the design and manufacture of Seaga’s machines and its customer information.⁹⁸ He did allow tortious interference claims for solicitation of an employee and a customer to withstand preemption, however, evidently because they were not rooted in the trade secret scenario. Judge Reinhard in *Seaga* cited no authority for these holdings, although they paralleled the rulings in *AutoMed*. *Master Tech Products, Inc. v. Prism Enterprises*,⁹⁹ a 2002 decision by Judge Andersen on summary

91. *Id.* at 973.

92. *Bagley v. Lumbermens Mut. Cas. Co.*, 100 F. Supp.2d 879 (N.D. Ill. 2000) (Bucklo, J.).

93. *Id.* at 883-84.

94. *AutoMed Techs., Inc. v. Eller*, 160 F. Supp.2d 915 (N.D. Ill. July 2001) (Moran, J.).

95. *Id.* at 921-22 (“Breaching a duty of loyalty by using confidential information is still misappropriation of a trade secret.”).

96. *Id.* at 921, 925.

97. *Seaga Mfg., Inc. v. Fortune Metal, Inc.*, 2001 WL 1196184 (N.D. Ill. Oct. 10, 2001) (Reinhard, J.).

98. *Id.* at *2.

99. *Master Tech Prods., Inc. v. Prism Enters.*, 2002 WL 475192 (N.D. Ill. Mar. 26, 2002) (Andersen, J.).

judgment motions that relied on *Composite Marine Propellers* and *Learning Curve Toys* and found the ITSA preempted Illinois Consumer Fraud Act, Illinois Antitrust Act, and common law fraud claims relating to confidential information exchanged in the course of unsuccessful business sale negotiations. And *Fox Controls, Inc. v. Honeywell Inc.*,¹⁰⁰ yet another preemption motion to dismiss opinion, issued in 2002 by Judge Grady, followed *Thomas & Betts* and similar decisions (*AutoMed*, *Learning Curve Toys*, *Nilssen*, *Thermodyne*, *Chapman*, *Web Communications*, and *Ace Novelty*) in ruling that all allegations amounting to claims that Fox Controls misused Honeywell's confidential information were preempted. Pleading in the alternative was not permitted in light of *Composite Marine Propellers*, *Learning Curve Toys*, *AutoMed*, and *Thomas & Betts*, the court ruled.¹⁰¹

The distinction between claims dependent on stolen information and claims grounded on other conduct continued to emerge in the last three federal court ITSA preemption decisions before *Hecny Transportation*. The first of these, *Lucini Italia Co. v. Grappolini*,¹⁰² decided in 2003, was the most interesting because it also was the first Illinois case since *Composite Marine Propellers* to consider preemption *after* a merits trial (Judge Pallmeyer had approved preemption on summary judgment in *Learning Curve Toys*). The somewhat convoluted facts there involved “a breach of loyalty and theft of valuable trade secrets by a highly paid consultant to a small family business engaged in the sale of olive oil.”¹⁰³ Just before trial defense counsel withdrew, and then defendants themselves failed to appear at trial. Magistrate Judge Denlow conducted a bench trial without them and found defendants wrongfully seized an exclusive contract with a key supplier for their own benefit and began marketing a new product by means of misappropriated trade secrets. The court therefore awarded breach of fiduciary duty damages of \$4.17 million for lost profits and \$1 million in punitive damages for the diverted exclusive supply agreement, the same lost profits and punitive damages for fraud, the same lost profits for promissory estoppel, and the same lost profits and punitive damages—plus \$800,000 in development costs—for trade secret misappropriation. These awards, plus attorneys’ fees and costs, brought the total award to just under \$6,762,000, and the court also granted a permanent injunction against use of the misappropriated olive oil secrets.¹⁰⁴ The court revisited its earlier motion to dismiss ruling that had permitted Lucini’s non-ITSA claims to stand (on the possibility that they were “based on

100. *Fox Controls, Inc. v. Honeywell Inc.*, 2002 U.S. Dist. LEXIS 15663 (N.D. Ill. Aug. 22, 2002) (Grady, J.).

101. *Id.* at *7-8.

102. *Lucini Italia Co. v. Grappolini*, 2003 U.S. Dist. LEXIS 7134 (N.D. Ill. Apr. 28, 2003) (Denlow, M.J.).

103. *Id.* at *1.

104. *Id.* at *68-69.

something more than the trade secret misappropriation")¹⁰⁵ and found, after trial, "that the facts relating to the breach of fiduciary duty, fraud, and promissory estoppel claims are inextricably linked to the trade secret claim."¹⁰⁶ The court therefore ruled that all damages were provided under the trade secret count, noting that the other awards were only made in the event the trade secret judgment did not survive on appeal.¹⁰⁷

Lucini Italia was followed in 2004 by Judge Pallmeyer's second effort at preemption in *Do It Best Corp. v. Passport Software, Inc.*,¹⁰⁸ a case mainly noteworthy for its trade secret subject matter: computer program source code. Do It Best licensed software from Passport Software, later tried to evade the license by creating derivative software based on Passport Software's code, and then lied about the origin of its new code—by pretending it obtained the code from RealWorld—to avoid paying royalties under the Passport Software license. Do It Best brought a declaratory judgment action and Passport counterclaimed for copyright infringement, ITSA trade secret misappropriation, fraud, and tortious interference based on a separate license agreement between Passport Software and RealWorld. Much like her earlier preemption decision in *Learning Curve Toys*,¹⁰⁹ Judge Pallmeyer's opinion in *Do It Best* took a broad view of preemption and found Passport Software's fraud counterclaim preempted because "it merely restate[d] its trade secret misappropriation claim," citing *Thomas & Betts*.¹¹⁰ She distinguished *Thomas & Betts* in upholding the tortious interference counterclaim before her; however, "unlike plaintiff in *Thomas & Betts*, PSI alleges that DIB interfered with its relationship with a licensor of software (RealWorld), as well as with PSI's relations with its existing customers, rather than DIB's alleged misappropriation of trade secrets."¹¹¹

Judge Aspen, who authored the 1995 summary judgment opinion in *Web Communications*, also revisited the preemption question in 2004 in *Dick*

105. *Id.* at *65. See also *Lucini Italia Co. v. Grappolini*, 231 F. Supp.2d 764 (N.D. Ill. 2002) (Denlow, M.J.) (collecting authorities for and against preemption and denying preemption on fiduciary duty, fraud, constructive fraud, and unjust enrichment claims to the extent that they are not "inextricably intertwined" with ITSA claims); *Lucini Italia Co. v. Grappolini*, 288 F.3d 1035 (7th Cir. 2002) (reversing district court's denial of preliminary injunction).

106. *Id.* at *66.

107. *Id.*

108. *Do It Best Corp. v. Passport Software, Inc.*, 2004 WL 1660814 (N.D. Ill. July 23, 2004) (Pallmeyer, J.).

109. Judge Pallmeyer did not cite her *Learning Curve Toys* preemption opinion, although she did cite the Seventh Circuit's decision in *Learning Curve Toys, Inc. v. PlayWood, Inc.*, 342 F.3d 714 (7th Cir. 2003). *Do It Best*, 2004 WL 1660814, at *10.

110. *Id.* at *10.

111. *Id.* at *20.

Corp. v. SNC-Lavalin Constructors, Inc.,¹¹² this time on a motion to dismiss. Somewhat simplified, in 1999, Dick and NEPCO entered into a joint venture agreement that provided the joint venture itself would exclusively own all drawings and other intellectual property related to the Kendall County Generation Facility they were to build, and Dick ended up owning all intellectual property once NEPCO withdrew from the joint venture. In 2002, defendants SLCI and PCL used the joint venture's drawings (which they had apparently received through NEPCO) on a power plant facility in Dixon, Illinois, so Dick sued SLCI and PCL for copyright infringement, trade secret misappropriation, tortious interference and conversion. Without citing his prior preemption opinion in *Web Communications*, Judge Aspen granted SLCI's and PCL's preemption motions to dismiss the tortious interference and conversion counts "to the extent that these counts [we]re premised upon the misuse of confidential information, but [h]e den[ie]d the motions to the extent that these counts [we]re premised upon alleged solicitation of employees."¹¹³ Citing *Composite Marine Propellers, AutoMed* and *Thomas & Betts*, Judge Aspen ruled that the tortious interference and conversion claims were preempted so far as they relied "on misappropriation or misuse of ideas."¹¹⁴ He then expressly rejected Dick's attempt to distinguish between unlawful possession of tangible documents and misuse of ideas in those documents, citing *AutoMed* and *Thomas & Betts* in holding that "in cases where the value of a claim stems primarily from the ideas contained within items rather than their tangible forms, the ITSA preempts the claim."¹¹⁵ He did uphold the tortious interference claim against preemption to the extent it alleged wrongful solicitation of Dick's employees, however.¹¹⁶

Ironically, just as all momentum seemed to favor blanket preemption when the same facts merely could give rise to a trade secret misappropriation claim, along came the 2005 opinion in *Charles Schwab & Co., Inc. v. Carter*,¹¹⁷ where Judge St. Eve rejected a preemption motion to dismiss a few months before *Hecny Transportation*. The egregious facts there showed a Schwab information technology employee, on the verge of losing his job, unilaterally decided he could keep his employer's trading trade secrets because Schwab was closing his unit, the Schwab Soundview Capital Markets'

112. *Dick Corp. v. SNC-Lavalin Constructors, Inc.*, 2004 U.S. Dist. LEXIS 26767 (N.D. Ill. Nov. 24, 2004) (Aspen, J.).

113. *Id.* at *32.

114. *Id.* at *33.

115. *Id.* at *33.

116. *Id.* at *34.

117. *Charles Schwab & Co., Inc. v. Carter*, 2005 WL 2369815 (N.D. Ill. Sept. 27, 2005) (St. Eve, J.).

Investment Analytics Division (“IA”).¹¹⁸ Focusing on Schwab’s allegations that Carter copied “15,000 computer files from Schwab’s network,” that he emailed to his new employer Acorn “confidential information . . . relating to certain of the outside data sources used in IA’s models,” and that “Carter copied and removed confidential information from Schwab’s offices,”¹¹⁹ the district court refused to dismiss Schwab’s claims for conversion, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, and unjust enrichment.¹²⁰ The district court stressed that the “plain terms” of Section 8(a) operate to preempt only “conflicting” laws that provide remedies “for misappropriation of a trade secret”¹²¹ and observed that a court must first determine whether the separate claim “seek[s] recovery for wrongs beyond the mere misappropriation.”¹²² The district court then summoned the anti-preemption decisions in *EarthDweller*, *Combined Metals* and *Bagley* and noted the forgiving language in *Lucini Italia*, *AutoMed*, *Thomas & Betts*, *Web Communications* and *Learning Curve Toys* before concluding: “[t]aken

118. See, e.g., Lynne Marek, *What Will It Take to Beat the Boss?*, CRAIN’S CHI. BUS., July 27, 2015, at 14 (discussing the multiple trading and investment firms founded by ex-employees of Chicago-based Citadel, including Chicago-area firms Magnetar, Anchor Bolt Capital, Alyeska Investment Group, Castle Creek Arbitrage, Gladius Capital Management, Chicago Fundamental Investment Partners, and Teza Capital Management); Bradley Hope, *Speedy Trader Seeks to Slow Critics*, WALL ST. J., Oct. 15, 2014, at C1 (discussing high-frequency trading firm Hudson River Trading, “one of the most active trading firms in the world, accounting for more than 5% of U.S. stock transactions on most days.”); *United States v. Aleynikov*, 676 F.3d 71 (2d Cir. 2012) (reversing high-frequency trading computer specialist Sergey Aleynikov’s federal trade secret theft conviction); *Aleynikov v. Goldman Sachs Grp., Inc.*, 765 F.3d 350 (3d Cir. 2014) (analyzing advancement/indemnification fight between Aleynikov and Goldman Sachs arising out of Aleynikov’s state and federal criminal prosecutions for allegedly stealing Goldman Sachs’ high-frequency trading code); *People v. Aleynikov*, 31 N.Y.3d 383, 104 N.E.3d 687, 79 N.Y.S.3d 583 (2018) (upholding Aleynikov’s conviction for uploading proprietary software code in violation of New York statute prohibiting “tangible reproduction or representation” and unlawful “intent to appropriate . . . the use” of secret scientific material); *Citadel Inv. Grp., LLC v. Teza Tech, LLC*, 398 Ill. App. 3d 724, 924 N.E.2d 95 (1st Dist. 2010) (civil litigation arising out of Aleynikov’s attempt to join Teva Technologies); *Citadel Investment Grp., LLC v. Teza Technologies, LLC*, 2009 WL 3416124 (Cir. Ct. Cook Cty., Ill., 2009) (Rochford, J.) (fining Teza Technologies’ founder Mikhail Malyshev \$2 million for computer evidence destruction); Courtney Comstock, *Court Fines Citadel’s Mikhail “Misha” Malyshev \$1.1 Million Despite Genius Porn-Addict Defense*, <https://www.businessinsider.com/mikhail-misha-malyshev-porn-hft-citadel-2010-10> [<https://perma.cc/L3TS-GQ8G>] (Oct. 19, 2010) (reporting court’s rejection of Malyshev’s home computer “scrubbing” defense: “I am addicted to hard-core internet pornography and wiped my hard-drive clean to save myself the embarrassment of being examined about the forensic details of my addiction.”).

119. *Id.* at *5.

120. *Id.*

121. *Id.* at *4 (quoting ITSA, 765 Ill. Comp. Stat. 1065/8).

122. *Id.* (quoting *EarthDweller, Ltd. v. Rothnagel*, 1993 WL 487546, *7 (N.D. Ill. Nov. 22, 1993)).

together, it is reasonable to infer that within the downloaded files, the e-mailed information, and other information removed from Schwab's office, Carter acquired proprietary and confidential information that could give rise to common law liability, even if that information does not constitute a full-blown trade secret."¹²³

III. FEDERAL DISTRICT COURT OPINIONS AFTER *HECNY TRANSPORTATION CO. V. CHU*

Coincidentally, the first district court case to confront the Seventh Circuit's restrictive 2005 preemption opinion in *Hecny Transportation* was Judge St. Eve's 2005 decision in *C.H. Robinson Worldwide, Inc. v. Command Transportation, LLC*,¹²⁴ and her tune changed accordingly. Loeb sold his business to freight logistics firm C.H. Robinson and later joined competitor Command Transportation; eventually software developer Harrison, another C.H. Robinson employee, joined Loeb at Command Transportation. Loeb and Harrison developed a new software program for Command Transportation that competed with C.H. Robinson's logistics software, and C.H. Robinson sued for trade secret theft, unfair competition, conversion, fraud, conspiracy and a constructive trust. On a motion to dismiss, Judge St. Eve viewed the crucial inquiry under *Hecny Transportation* as whether the claims were "dependent on the misappropriation of a trade secret."¹²⁵ She then determined that alleged use of C.H. Robinson's confidential information underpinned all of C.H. Robinson's non-ITSA claims and therefore dismissed them as preempted, except for the conversion count, as the factual allegations supporting that claim were unclear.

As it happened, the next preemption case also came before Judge St. Eve, as reflected in her 2006 decision in *Systems America, Inc. v. Providential Bancorp, LTD.*¹²⁶ Greatly simplified, System America initially provided services and later supplied software to defendant Providential in exchange for a promised ownership stake in Providential. Providential reneged on its part of the deal yet retained Systems America's software, prompting Systems America's trade secret and conversion claims. Judge St. Eve denied Providential's motion to dismiss Systems America's trade secret claim but granted

123. *Id.* at *5 (citing *Bagley v. Lumbermens Cas. Mut. Co.*, 100 F. Supp. 2d 879, 884 (N.D. Ill. 2000), for "denying motion to dismiss common law misappropriation and unfair competition claims because the ITSA preemption provision did not preclude alternative assertion that stolen business plan was not actually a trade secret.").

124. *C.H. Robinson Worldwide, Inc. v. Command Transp., LLC*, 2005 WL 3077998 (N.D. Ill. Nov. 16, 2005) (St. Eve, J.).

125. *Id.* at *6.

126. *Systems America, Inc. v. Providential Bancorp, LTD.*, 2006 WL 463314 (N.D. Ill. Feb. 24, 2006) (St. Eve, J.).

it as to the conversion claim on ITSA preemption grounds. As the author of *Charles Schwab & Co., Inc. v. Carter*¹²⁷ just five months before, Judge St. Eve was of course familiar with the preemption issue, but she evidently thought *Hecny Transportation* simplified her task and dictated a different outcome in *Systems America*. Quoting the passage from *Hecny Transportation* in which the Court of Appeals noted that “the dominant view is that claims are foreclosed only when they rest on the conduct that is said to misappropriate trade secrets,”¹²⁸ and citing *AutoMed* for its software conversion claim preemption holding,¹²⁹ Judge St. Eve ruled *Systems America*’s software conversion claim was preempted because it rested solely on *Providential*’s misappropriation of the software.¹³⁰ She did not mention the possibility that under her *Charles Schwab* decision, *Systems America*’s conversion claim could stand if its software did not rise to the level of a trade secret, nor did she attempt to square this aspect of *Charles Schwab* with *Hecny Transportation*.

Dominion Nutrition, Inc. v. Cesca,¹³¹ rendered by Judge Hart less than a week later in 2006, omitted any reference to *Systems America* while attempting to hew to *Hecny Transportation*. *Dominion Nutrition* was a variation on *Lucini Italia*: a business consultant, Cesca, became president of *Dominion Nutrition* but then used his secret company, *Global Nutrifooods*, to usurp a corporate opportunity, namely the *McDonald*’s relationship *Dominion Nutrition* was trying to foster. *Dominion Nutrition* brought two counts against *Cesca* for breach of fiduciary duty—one for attempting to dissuade *McDonald*’s from doing business with *Dominion Nutrition*, and one for attempting to persuade *McDonald*’s to go with his firm, *Nutrifooods*—and a third count against him for tortious interference with business expectancy in taking away the *McDonald*’s opportunity. The district court opened by citing *Hecny Transportation* and noting that “[p]ublished opinions of the Illinois state courts have not construed §8 with any specificity.”¹³² It then canvassed pre-*Hecny Transportation* district court opinions to show two different preemption approaches had emerged, one standing for the rule that “if the operative facts are arguably cognizable under the ITSA, any common law claim that might have been available on those facts in the past now no longer exists,” as set forth in Judge *Pallmeyer*’s *Learning Curve Toys* opinion, and

127. *Charles Schwab & Co., Inc. v. Carter*, 2005 WL 2369815 (N.D. Ill. Sept. 27, 2005) (St. Eve, J.).

128. *Systems America*, 2006 WL 463324, at *6 (quoting *Hecny Transportation*, 430 F.3d at 404-05).

129. *Id.* at *18.

130. *Id.*

131. *Dominion Nutrition, Inc. v. Cesca*, 2006 WL 560580 (N.D. Ill. Mar. 2, 2006) (Hart, J.).

132. *Id.* at *3.

a second espousing the rule that “there is no preemption unless the tort involves ‘misuse of secret information,’ that is, misappropriation of an actual trade secret,” as stated in Judge Moran’s *AutoMed* opinion. The district court then quoted at length from *Hecny Transportation*, including the Seventh Circuit’s statements that “misappropriation of a trade secret differs from other kinds of fiduciary defalcations, which the statute therefore does not affect” and that “[a]n 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 sound even if the customer list were a public record.”¹³³ The district court in *Dominion Nutrition* therefore denied Cesca’s summary judgment motion seeking preemption of the fiduciary duty and tortious interference claims, observing pointedly that “[i]t need not be proven that Cesca relied on any confidential information.”¹³⁴

Judge Bucklo, the author of *Bagley*, re-entered the preemption fray in 2007 with a brief opinion in *Abanco Int’l, Inc. v. Guestlogix Inc.*¹³⁵ Abanco, an inventor and provider of payment processing services and systems such as debit and credit card processing, entered into a confidentiality agreement with Guestlogix, a supply chain management firm serving the hotel industry. Pursuant to this agreement, Abanco provided “a valuable and proprietary system” for processing in-flight credit card transactions and sales and inventory information. Together they approached American Airlines about an electronic buy-on-board system. Abanco’s proposal was rejected, but Guestlogix’ later proposal was accepted, prompting Abanco’s action charging Guestlogix with theft of Abanco’s proprietary system. Judge Bucklo weighed Guestlogix’ preemption motion to dismiss in light of *Hecny Transportation*, noting at the outset that Abanco conceded its non-ITSA claims were preempted to the extent they were dependent upon misappropriation of trade secrets. Judge Bucklo agreed with Abanco that preemption was improper to the extent Abanco’s claims concerned “information which does not

133. *Id.* at *4 (quoting *Hecny Transportation*, 430 F.3d at 404-05).

134. *Id.* For those interested in the ultimate outcome of the case, Cesca won after a bench trial before Seventh Circuit Judge Posner, who was sitting by designation. Judge Posner ruled that Cesca (1) did not violate his non-disclosure agreement, (2) did not violate his fiduciary duties during his short stint as head of Dominion Nutrition, (3) did not profit from his wrong, if he engaged in wrongdoing at all, and (4) did not cause Dominion Nutrition’s injuries, because McDonald’s would not have dealt with Dominion Nutrition in any event. *See Dominion Nutrition, Inc. v. Cesca*, 467 F. Supp.2d 870 (N.D. Ill. 2006) (Posner, J.). The last of these, based on McDonald’s supposed refusal to deal with Dominion, is open to question as a legal matter. *See William Lynch Schaller, Corporate Opportunities and the Third Party “Refusal to Deal” Defense: Policy and Practice Lessons from Illinois*, 47 J. MARSHALL L. REV. 1 (2013) (arguing that the third-party refusal to deal defense should be rejected as a matter of law and policy in Illinois corporate opportunity cases).

135. *Abanco Int’l, Inc. v. Guestlogix Inc.*, 486 F. Supp.2d 779 (N.D. Ill. 2007) (Bucklo, J.).

rise to the level of a trade secret.”¹³⁶ Judge Bucklo cited *Hecny Transportation* for this proposition, and she also quoted Section 8(b)(2)’s anti-preemption language earlier in her opinion. Judge Bucklo apparently thought her previous preemption decision in *Bagley* was irrelevant in light of *Hecny Transportation*, as she did not cite *Bagley*.

A more probing analysis appeared subsequently in 2007 in *RTC Industries, Inc. v. Haddon*,¹³⁷ where Judge Grady, the author of *Fox Controls, Inc. v. Honeywell Inc.*,¹³⁸ again struggled with the extent of fiduciary duty preemption, this time guided by *Hecny Transportation*. The rather unique facts there presented every company’s worst nightmare: RTC vice president Haddon was hired by its competitor DCI with the understanding he would eventually become DCI’s president, but even before leaving RTC he began serving DCI’s interests by warning DCI that a DCI employee, Schipke, was in the process of jumping ship to RTC.¹³⁹ “This was news to DCI, as Schipke had not yet notified DCI he had accepted RTC’s offer.”¹⁴⁰ DCI confronted Schipke and Schipke rescinded his acceptance of RTC’s offer, and RTC then sued Haddon for breach of fiduciary duty, breach of his employee confidentiality agreement, and trade secret misappropriation. On Haddon’s Rule 12(c) judgment on the pleadings motion asserting ITSA preemption of the fiduciary duty claim, the *RTC Industries* court opened its analysis of *Hecny Transportation* by noting it was “unclear how broadly to apply the Seventh Circuit’s decision.”¹⁴¹ It then carefully parsed *Hecny Transportation*, quoting the Court of Appeals’ statement that “the dominant view is that claims are foreclosed only when they rest on *the conduct* that is said to misappropriate trade secrets,”¹⁴² language the *RTC Industries* court took to mean “there are still some instances where the ITSA will preempt a fiduciary duty claim.”¹⁴³ After quoting the *Dominion Nutrition* court’s observation that *Hecny Transportation* “narrowly construed” the ITSA’s preemptive effect,¹⁴⁴ the court in *RTC Industries* rejected the pre-*Hecny Transportation* decision in *Learning Curve Toys* as too strict in demanding preemption whenever “the operative

136. *Id.* at 781.

137. *RTC Industries, Inc. v. Haddon*, 2007 WL 2743583 (N.D. Ill. Sept. 10, 2007).

138. *Fox Controls, Inc. v. Honeywell Inc.*, 2002 U.S. Dist. LEXIS 15663 (N.D. Ill. Aug. 22, 2002) (Grady, J.).

139. See Sue Shellenbarger, *Bye, Boss, Let’s Stay Friends Forever: Dreams of Pounding the Desk and Shouting About All That Went Wrong; How to Make the Final Day at a Job Less Awkward*, WALL ST. J., Aug. 19, 2015, at D1 (noting that salesmen and other employees quitting to join competitors are often asked to leave immediately).

140. *Fox Controls*, 2002 U.S. Dist. LEXIS 15663, at *1.

141. *Id.*

142. *Id.* (emphasis in original).

143. *Id.*

144. *Fox Controls*, 2002 U.S. Dist. LEXIS 15663, at *3.

facts are arguably cognizable under the ITSA.”¹⁴⁵ Judge Grady instead announced a new rule in *RTC Industries*: “After *Hecny Transportation*, the test for a non-ITSA claim is not whether the plaintiff arguably could have brought an ITSA claim. Rather, the test is whether the plaintiff’s claim would lie if the information at issue were non-confidential.”¹⁴⁶ Concluding RTC’s fiduciary duty claim would have been valid even if RTC had taken no steps to keep Schipke’s hiring confidential, the *RTC Industries* court rejected preemption.¹⁴⁷ The court in *RTC Industries* buttressed its ruling by citing the Illinois Appellate Court’s opinion in *Hill v. Names and Addresses, Inc.*¹⁴⁸ as an example of an Illinois state court opinion “concluding that the confidentiality of information shared with a competitor is not relevant to a claim for a breach of the duty of loyalty.”¹⁴⁹ Thus, *RTC Industries* rejected *Learning Curve Toys* in light of *Hecny Transportation* and concluded that RTC did not “arguably plead itself out of court by alleging Schipke’s imminent departure was confidential.”¹⁵⁰

I pause to ponder Judge Kocoras’ 2008 opinion in *Universal Imagine Print Group, LLC v. Mullen*¹⁵¹ before turning to another 2008 decision weeks later, *CardioNet, Inc. v. Life Watch Corp.*¹⁵² The misappropriation facts in *Universal Imagine Print* were simple: an employee copied certain print jobs just weeks before resigning, and his employer then discovered that all of the employee’s print and electronic data were missing from his office and computer. Judge Kocoras’ ruling was equally simple: the fiduciary duty claim concerning missing information was not preempted because, “[i]f 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.”¹⁵³ Judge Kocoras did not cite his earlier (and contrary) decision in *Ace Novelty Company, Inc. v. Vijuk Equipment, Inc.*,¹⁵⁴ nor did he cite *Hecny Transportation* or any other case. Even so, Judge Kocoras’ straightforward

145. *Id.* (quoting *Learning Curve Toys*, 1999 WL 529572, at *3). Judge Grady did not mention his own pre-*Hecny Transportation* preemption opinion in *Fox Controls*, where he had followed *Learning Curve Toys*.

146. *Id.*

147. *Id.*

148. *Hill v. Names and Addresses, Inc.*, 212 Ill. App. 3d 1065, 1076, 571 N.E.2d 1085, 1091 (1st Dist. 1991).

149. *Fox Controls*, 2002 U.S. Dist. LEXIS 15663, at *3.

150. *Id.*

151. *Universal Imagine Print Group, LLC v. Mullen*, 2008 WL 62205 (N.D. Ill. Jan. 4, 2008) (Kocoras, J.).

152. *CardioNet, Inc. v. Life Watch Corp.*, 2008 WL 567223 (N.D. Ill. Feb. 27, 2008) (Conlon, J.).

153. *Universal Imagine*, 2008 WL 62205, at *3 (citing 765 Ill. Comp. Stat. 1065/8(b)).

154. *Ace Novelty Co., Inc. v. Vijuk Equip., Inc.*, 1990 WL 129510 (N.D. Ill. Aug. 31, 1990) (Kocoras, J.).

analysis—relying exclusively on the plain language of Section 8(b)—was as refreshing as it was correct.

CardioNet, on the other hand, was far more intricate factually and analytically. CardioNet, a heart monitoring device manufacturer, supplied Mobile Cardiac Outpatient Telemetry ("MCOT") devices to patients, but their use of the devices was only by physician prescription and was subject to several contractual restrictions: (1) they were to return the device to CardioNet immediately after usage ceased, (2) they were to use the MCOT solely for heart monitoring, and (3) they were to refrain from tampering, reverse engineering, or transferring the device to third parties. Life Watch, a CardioNet competitor, acquired two CardioNet MCOTs by obtaining false prescriptions for two Life Watch employees, Lehman and Ament, and then by having them falsely agree to the usual CardioNet use restrictions. Thereafter, Life Watch employee Lehman faked a heart attack using a cardiac stimulator, causing the MCOT to signal CardioNet's monitoring center. CardioNet subsequently discovered the scheme and sued, arguing Life Watch had improperly acquired the MCOT kits to obtain CardioNet's proprietary data. As one might guess, in addition to its ITSA claim, CardioNet brought conversion, fraud, unfair competition and interference with contract claims against Life Watch.

In her preemption analysis, Judge Conlon, the author of *J.H. Chapman Group, Ltd. v. Chapman*,¹⁵⁵ opened with *Hecny Transportation* and drew from it that preemption applies when non-trade secret claims rest on the same conduct as trade secret claims, but "does not apply to duties imposed by law that are not dependent upon the existence of competitively significant information."¹⁵⁶ Judge Conlon therefore ruled that claims based on theft of the MCOT kits themselves escaped preemption while claims based on theft of the information within the MCOT kits did not. Accordingly, the conversion and fraud claims fell to the extent they rested on information misappropriation, as did the unfair competition claim that "inextricably" depended on the allegation that defendants "possess[ed] and use[d] . . . information obtained from examination and testing of the two MCOT kits."¹⁵⁷ The conversion and fraud claims were allowed to stand as they related to the improperly acquired MCOT kits themselves. The tortious interference claim was also allowed to stand: "[t]he tort alleged here is not the misappropriation of a trade secret, but rather the interference with Lehman and Ament's underlying contract with CardioNet."¹⁵⁸ Interestingly, Judge Conlon cited Judge Kocoras'

155. *J.H. Chapman*, 1996 U.S. Dist. LEXIS 2256 (N.D. Ill. Feb. 28, 1996) (Conlon, J.).

156. *Id.* at *2 (quoting *Hecny Transportation*, 430 F.3d at 405).

157. *Id.* at *3-5.

158. *Id.* at *5. The district court cited for support the Seventh Circuit's decision rejecting preemption of a tortious interference claim in *IDX Sys. Corp. v. Epic Sys. Corp.*, 285 F.3d 581, 586-87 (7th Cir. 2002) (Wisconsin law). *Id.* at *5.

Universal Imagine Printing opinion in setting forth the ITSA's definition of "trade secret" but otherwise ignored it in *CardioNet*,¹⁵⁹ even though *Universal Imagine Printing* was contrary to her preemption holdings. Indeed, she even cited *Charles Schwab* for its anti-preemption holding: "[c]laims not based on trade secret misappropriation are permissible."¹⁶⁰ Yet, like Judge St. Eve in *Systems America*, Judge Conlon in *CardioNet* did not mention the possibility that under *Charles Schwab*, *CardioNet*'s conversion, fraud and unfair competition claims could stand if *CardioNet*'s MCOT data did not rise to the level of a trade secret, nor did Judge Conlon attempt to reconcile this aspect of *Charles Schwab* with *Hecny Transportation*.

Days after Judge Conlon's *CardioNet* opinion, Judge Lefkow examined ITSA preemption in another software case, *Integrated Genomics, Inc. v. Kyrpides*, this time with a stunning anti-preemption outcome.¹⁶¹ Although the case involved the topical subject of software for analyzing genomes,¹⁶² the operative facts were of the more prosaic "jumping ship" variety with a wrinkle: the Joint Genome Institute hired away two of competitor *Integrated Genomics*' top employees—Director of Bioinformatics and genetic software developer *Kyrpides* and his research scientist assistant *Ivanova*—as part of an apparent mass raid.¹⁶³ An added wrinkle was the lack of a trade secret

159. *J.H. Chapman*, 1996 U.S. Dist. LEXIS 2256, at *3.

160. *Id.* at *2.

161. *Integrated Genomics, Inc. v. Kyrpides*, 2008 WL 630605 (N.D. Ill. Mar. 4, 2008) (Lefkow, J.).

162. On software development in general, see Christopher N. George & Raymond Millien, *Protecting IP in an Agile Software Development Environment*, LANDSLIDE MAGAZINE, Vol. 7, No. 6, at 34 (July/Aug. 2015) (comparing traditional software development to "agile" software development and discussing intellectual property challenges posed by agile development, including trade secret and nondisclosure agreement issues); PETER J. BENTLEY, *DIGITIZED: THE SCIENCE OF COMPUTERS AND HOW IT SHAPES THE WORLD* at 218-32 (Oxford Univ. Press 2012) (discussing "bioinformatics" and how it impacts biology and medicine). On biotech development in general and genetic research in particular; see EDDY D. VENTOSE, *PATENTING MEDICAL AND GENETIC DIAGNOSTIC METHODS* (Edward Elgar Publishing 2013) (extended patent law discussion of treatment regimes, diagnostic methods and genetic diagnostic methods); JENNIFER DOUDNA & SAMUEL H. STERNBERG, *A CRACK IN CREATION: GENE EDITING AND THE UNTHINKABLE POWER TO CONTROL EVOLUTION* (Houghton Mifflin Harcourt 2017) (discussing discovery of CRISPR-Cas9 technique for gene editing and its revolutionary implications); SIDDHARTHA MUKHERJEE, *THE GENE: AN INTIMATE HISTORY* (Scribner 2016) (examining history of genetic research and discovery from 1865 to the present).

163. See, e.g., William Lynch Schaller, *Jumping Ship: Legal Issues Relating to Employee Mobility in High Technology Industries*, 17 LAB. LAW. 25, 55-57 (2001) (discussing trade secret "inevitable disclosure" doctrine in the context of mass raids involving such firms as Wal-Mart, Amazon.com, Intel, Broadcom, McKesson and PeopleSoft); Mike Ramsey & Douglas MacMillan, *Uber Lures Robot Gurus From Carnegie Mellon*, WALL ST. J., June 1, 2015, at A1 (reporting Carnegie Mellon's crisis after losing 40 of its National Robotics Engineering Center's top robotics researchers and scientists—6 principal investigators and 34 engineers—to Uber, which offered "bonuses of hundreds of thousands of dollars and a doubling of salaries to staff the company's new tech center in Pittsburgh.").

claim—apart from alleging breach of noncompetition covenants, Integrated Genomics chose to bring only fiduciary disloyalty, unfair competition and tortious interference claims, each “based on allegations that Kyrpides was privy to Integrated Genomics’ proprietary information and that he left the company to work for a competitor, where he helped to develop a competing product and offered that product to Integrated Genomics’ customers.”¹⁶⁴ Thus, *Integrated Genomics* squarely presented a fundamental question: Must plaintiff endure ITSA preemption dismissal of all its information-based claims even when it brings no trade secret claims?

Integrated Genomics was one of the few Illinois decisions to consider this basic question and the first to do so in the aftermath of *Hecny Transportation*, an inquiry made all the more noteworthy by Integrated Genomics’ failure to “address this argument at all,” leaving the district court “with its own research and the few citations provided by Kyrpides.”¹⁶⁵ Judge Lefkow quickly turned aside Kyrpides’ reliance on pre-*Hecny Transportation* district court preemption decisions, citing Judge Grady’s observation in *RTC Industries* that “*Hecny [Transportation]* depart[ed] from the broad preemptive effect applied in . . . prior cases”¹⁶⁶ before concluding that “the liberal preemption doctrines stated in cases like *Fox Controls, Inc. v. Honeywell, Inc.* have been called into serious question by *Hecny Transportation* and can no longer be cited as the unequivocal law in this circuit.”¹⁶⁷ Judge Lefkow then noted the statement in *Hecny Transportation* that “[a]n assertion of a 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”;¹⁶⁸ she did not accept this statement without reservation, however, choosing instead to qualify it with Judge Grady’s view in *RTC Industries* that claims are still preempted when they rest on conduct that is said to constitute misappropriation of trade secrets.¹⁶⁹ Yet for all her seeming fidelity to precedent, in the end Judge Lefkow in *Integrated Genomics* explicitly chose to follow Judge Kocoras’ total anti-preemption holding in *Universal Imagine Printing*:¹⁷⁰ “While Integrated Genomics cannot protect confidential information to the extreme of preventing its employees from being able to function after leaving its employee, *Delta Med. Sys. v. Mid.-Am. Sys., Inc.*, 331

164. *J.H. Chapman*, 1996 U.S. Dist. LEXIS 2256, at *8.

165. *Id.* at *10.

166. *Id.* at *11.

167. *Id.*

168. *Id.* at *11, n. 9.

169. *J.H. Chapman*, 1996 U.S. Dist. LEXIS 2256, at *11.

170. Indeed, the district court quoted Judge Kocoras’ holding in *Universal Imagine Print*: “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 ITSA [preemption].” *Integrated Genomics*, 2008 WL 630605, *11 (quoting *Universal Imagine Print*, 2008 WL 62205, at *2).

Ill. App.3d 777, 772 N.E.2d 768, 793 (Ill. App. Ct. 1st Dist. 2002), it may be able to protect more than what would fit into the strict definition of a trade secret.”¹⁷¹ For these reasons, Judge Lefkowitz refused to dismiss Integrated Genomics’ fiduciary duty of loyalty, tortious interference and unfair competition claims on ITSA preemption grounds.¹⁷²

Jano Justice Systems, Inc. v. Burton,¹⁷³ the first reported ITSA preemption opinion from the Central District of Illinois, authored by Judge Mills, closed 2008 on an anti-preemption note. Burton was a 50% shareholder in Jano Justice Systems, a firm that provided electronic data solutions to court clerks and county officers, and Burton had access to Jano’s proprietary software, including its source code. While still a 50% owner and before resigning as an employee of Jano, Burton set up a competing firm, hired away Jano’s employees, solicited Jano’s customers, and even told customers he and his new firm were affiliated with Jano. Judge Mills had no difficulty in finding such conduct constituted breaches of fiduciary duty independent of Burton’s alleged trade secret theft.¹⁷⁴ He therefore denied Jano’s preemption motion to dismiss solely on the authority of *Hecny Transportation*.

For all the talk of trade secret theft by foreigners in general and Chinese in particular,¹⁷⁵ no ITSA preemption case involved that fact pattern until early

171. *Integrated Genomics*, 2008 WL 630605, at *11.

172. *Id.* at *11-13.

173. *Jano Justice Systems, Inc. v. Burton*, 2008 WL 5191765 (C.D. Ill. Dec. 11, 2008) (Mills, J.).

174. *Id.* at *2 (citing *Hagshenas v. Gaylord*, 199 Ill. App. 3d 60, 557 N.E.2d 316 (2d Dist. 1990)). On fiduciary liability under the unusual *Hagshenas* opinion, see William Lynch Schaller, *Competing After Leaving: Fiduciary Duties of Illinois Closely Held Corporation Shareholders After Hagshenas v. Gaylord*, 84 ILL. B. J. 354 (1998).

175. See, e.g., *TianRui Group Co. v. International Trade Commission*, 661 F.3d 1322 (Fed. Cir. 2011) (Chinese firm TianRui hired away nine employees of American firm Amsted’s licensee in China in order to acquire 128 secrets relating to Amsted’s cast steel railway wheel technology); CARL ROPER, *TRADE SECRET THEFT, INDUSTRIAL ESPIONAGE, AND THE CHINA THREAT* (CRC Press 2014); Peter Loftus, *Industrial Espionage Cases Soar in U.S.*, WALL ST. J., Sept. 20, 2017, at A1 (“FBI investigations and arrests for industrial espionage and violations of export-control laws, predominantly linked to the Chinese government, rose to an all-time high in 2015, according to the U.S.-China Economic and Security Review Commission.”); Devlin Barrett, *FBI to Use Spy Law to Battle Trade Theft*, WALL ST. J., July 24, 2015, at A3 (“Because the Chinese government is tied to the wide-ranging effort to steal trade secrets, U.S. authorities plan to increasingly use surveillance authorized by the Foreign Intelligence Surveillance Court, often referred to as the FISA court, to conduct economic espionage investigations, [Randall Coleman, the head of the FBI’s counterintelligence division] said.”); Mark Mazzetti & Dan Levin, *Obama Administration Warns Beijing About Covert Agents Operating in the U.S.*, N.Y. TIMES (Aug. 16, 2015), <https://www.nytimes.com/2015/08/17/us/politics/obama-administration-warns-beijing-about-agents-operating-in-us.html> [<https://perma.cc/466X-PZWS>] (“According to the Chinese news media, Beijing has sent scores of security agents abroad to ‘persuade’ their targets to return home. Just how they accomplish their aims is unclear, and questions have been raised about why a number of suspects, presumably sitting on significant wealth abroad, have willingly returned to

2009 in *Motorola, Inc. v. Lemko Corp.*¹⁷⁶—a fact pattern that eventually resulted in the federal criminal conviction and four-year sentence of former Motorola software engineer Hanjuan Jin.¹⁷⁷ The circumstances were grim: Jin and four other Chinese-born Motorola employees secretly began working for Lemko, a rival located practically in Motorola’s backyard in suburban Chicago, and over the course of years they stole source code and other proprietary data relating to cellular infrastructure, voice and data services and other wireless communications technologies. Most of Judge Kennelly’s opinion was devoted to analyzing the Computer Fraud and Abuse Act,¹⁷⁸ but near the end he addressed ITSA preemption in a single paragraph. One defendant, Sheng, argued on a motion to dismiss that Motorola’s fiduciary duty claims were preempted to the extent they were based on the same conduct that constituted Motorola’s ITSA claims. Judge Kennelly found this argument premature, noting that if “Motorola is ultimately unable to prove the existence of a trade secret as defined by the ITSA, there would be no preemption.”¹⁷⁹ He

China.”); Josh Chin, Jeremy Page, Alejandro Lazo & Adam Entous, *Hunt for Chinese Man in U.S. Fuels Intrigue: Brother of Top Aide to Former Beijing Leader—Who Diplomats and Analysts Suspect Has Access to Sensitive Information – Hasn’t Been Seen Since October*, WALL STREET JOURNAL, Aug. 17, 2015, at A6 (“Spokesmen for the State Department and the Justice Department said the U.S. is engaging with China on fugitives in the U.S. but insists on credible evidence of criminal activity.”); Natasha Bertrand, *The FBI Is Looking for a Star Ohio State Professor with NASA Ties Who Disappeared*, BUS. INSIDER (Sept. 9, 2015), <https://www.businessinsider.com/chinese-ohio-state-professor-rongxing-li-disappeared-2015-9> [<https://perma.cc/P8WW-6YRW>] (reporting disappearance of OSU Professor Rongxing Li, who submitted a proposal to NASA to work on the Mars 2020 project, which gave him access to Department of Defense information he was prohibited from sharing with China); James A. “Sandy” Winnefeld, Jr., *Cybersecurity’s Human Factor: Lessons from the Pentagon*, HARV. BUS. REV. 87 (Sept. 2015) (“The clear lesson is that people matter as much as, if not more than, technology.”); Editorial, *Beijing’s New World Order*, WALL ST. J., Sept. 25, 2015, at A16 (“All of this amounts to perhaps the greatest theft in history. It has been compounded in recent years by China’s attempts to require foreign firms to hand over proprietary technology as the price of doing business in China, a price those firms are increasingly reluctant to pay.”).

176. 609 F. Supp. 2d 760 (N.D. Ill. Feb. 11, 2009) (Kennelly, J.). Motorola later brought related litigation against the Huawei telecom group and “its founder, Ren Zhengfei, a former officer in the People’s Liberation Army,” alleging they “began working with Chinese-born Motorola employees in as early as 2001.” Jamil Anderlini, *Motorola Claims Espionage in Huawei Lawsuit*, FIN. TIMES, July 22, 2010.

177. See, e.g., Ameet Sachdev, *Former Motorola Engineer Sentenced to Four Years in Trade-Secret Case*, CHI. TRIB., August 31, 2012. Jin’s conviction and sentencing were affirmed by the Seventh Circuit in *United States v. Jin*, 733 F.3d 718 (7th Cir. 2013).

178. See, e.g., Graham M. Liccardi, *The Computer Fraud and Abuse Act: A Vehicle for Litigating Trade Secrets in Federal Court*, 8 J. MARSHALL REV. INTELL. PROP. L. 155 (2008) (discussing efforts to use the CFAA in trade secret cases and problems posed by such statutory terms as “unauthorized access,” “exceeds authorized access,” “loss” and “damage”).

179. *Motorola*, 609 F. Supp. 2d at 771.

cited only *C.H. Robinson* for this proposition,¹⁸⁰ the very first case to consider *Hecny Transportation* and of course one in which preemption was treated cautiously and narrowly.

*EBI Holdings, Inc. v. Butler*¹⁸¹ followed less than a week after *Motorola* was published. Butler, a salesman for medical device company EBI, began competing before quitting and then joined rival Blackstone. His fiduciary misconduct ranged far beyond trade secret theft and included “arranging meetings with Plaintiff’s customers to show off Blackstone products and selling Blackstone products.”¹⁸² Butler also “failed to return customer files and documents in his possession,” leaving his former employer “at a serious competitive disadvantage because it did not have valuable historical customer and sales information for Butler’s territory, resulting in loss of stimulator sales business to Defendants and others.”¹⁸³ Blackstone allegedly was “aware of, encouraged and induced these breaches of fiduciary duty and duty of loyalty” and “knowingly accepted benefits resulting from the breaches.”¹⁸⁴ Thus, the stage was set for EBI’s trade secret theft claims as well as its claims for inducing fiduciary disloyalty, tortious interference with Butler’s noncompete contract, unjust enrichment, civil conspiracy, and tortious interference with prospective economic advantage with customer relations.¹⁸⁵ Judge Scott’s opinion was interesting and unusual in that it was principally devoted to the Blackstone defendants’ preemption arguments, although Butler joined in the preemption motion to dismiss. She acknowledged *Hecny Transportation* and recognized the parallels with *Jano Justice Systems*, the only other Central District of Illinois opinion on ITSA preemption. Judge Scott in *EBI Holdings* found ample allegations of conduct not dependent on trade secret theft and therefore rejected the preemption arguments of the Blackstone defendants and Butler.¹⁸⁶ She specifically endorsed the holding in Judge Bucklo’s *Abanco* opinion, observing that the unjust enrichment claim arising out of stolen files and documents was “not restricted to claims arising out of the misappropriation of trade secrets, but may potentially include other information that falls outside the ITSA definition of trade secret as well.”¹⁸⁷

180. *Id.*

181. *EBI Holdings, Inc. v. Butler*, 2009 WL 400634 (C.D. Ill. Feb. 17, 2009) (Scott, J.).

182. *Id.* at *4.

183. *Id.* at *5.

184. *Id.* at *4.

185. Assuming the pre-resignation competition and corporate opportunity usurpation occurred and were encouraged as alleged, it was clear under Illinois law that Butler had breached his fiduciary duties and that Blackstone was equally liable for inducing him to do so. See William Lynch Schaller, *Corporate Opportunities and Corporate Competition in Illinois: A Comparative Discussion of Fiduciary Duties*, 46 J. MARSHALL L. REV. 1, 16-17 (2012).

186. *EBI Holdings*, 2009 WL 400634, at *4-7.

187. *Id.* at *5.

*Del Monte Fresh Produce N.A., Inc. v. Chiquita Brands International, Inc.*¹⁸⁸ came shortly after *EBI Holdings*. The by-now familiar fact pattern in *Del Monte* involved a Del Monte employee emailing herself Del Monte documents shortly before resigning to join rival Chiquita Brands, triggering a bevy of claims against her. Of relevance here was the court's discussion of ITSA preemption concerning Del Monte's fiduciary duty claim against the employee. Even though he rejected Del Monte's trade secret claims on pricing and customer data for lack of confidentiality, Judge Hibbler allowed Del Monte's fiduciary duty claim to survive summary judgment with respect to the downloaded documents. The court quoted *RTC Industries*, including that case's citation to *Hecny Transportation*,¹⁸⁹ but primarily relied on the logic of *Combined Metals*: "if the items at issue 'fail to qualify as a trade secret, how could the breach of fiduciary duty count be preempted under the ITSA? Again, the ITSA preempts only counts premised on the misappropriation of a trade secret.'"¹⁹⁰ The *Del Monte* court also noted that *Charles Schwab* had reached the same preemption result for the same reason on similar facts.¹⁹¹

After a brief lull preemption resurfaced in early 2011 in still another ITSA opinion by Judge Pallmeyer, *Carpenter v. Aspen Search Advisors, LLC*.¹⁹² The unremarkable facts showed Carpenter left employee recruiter Aspen Search Advisors to form a competing firm, HR Pilots. Carpenter sued Aspen for unpaid compensation, and Aspen responded with multiple counterclaims, including a breach of fiduciary duty claim that rested on Carpenter's access to Aspen's confidential information. Even though *Carpenter* was decided after *Hecny*, Judge Pallmeyer took the same preemption approach found in her earlier preemption opinions in *Learning Curve Toys* and *Do It Best*: she followed *Composite Marine Propellers* and broadly ruled that "[w]hether or not an ITSA claim is supported, the Act preempts related common law claims, such as this one."¹⁹³ She therefore dismissed the fiduciary duty count.

Judge Shadur, the author of *Nilssen* in 1997 and later the author of *Miller* in 2012, weighed in again in mid-2011 in *Stove Builders Int'l, Inc. v. GHP Group, Inc.*¹⁹⁴ His *Stove* opinion was short and to the point and did not recite the facts, as it came on the heels of an oral argument the day before on a

188. *Del Monte Fresh Produce N.A., Inc. v. Chiquita Brands International, Inc.*, 616 F. Supp. 2d 805 (N.D. Ill. 2009) (Hibbler, J.).

189. *Id.* at 822.

190. *Id.* 822-23 (quoting *Combined Metals*, 985 F. Supp. at 830).

191. *Id.* at 823.

192. *Carpenter v. Aspen Search Advisors, LLC*, 2011 WL 1297733 (N.D. Ill. April 5, 2011) (Pallmeyer, J.).

193. *Id.* at *2 (citing *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1265 (7th Cir.1992)).

194. *Stove Builders Int'l, Inc. v. GHP Group, Inc.*, 2011 WL 2183160 (N.D. Ill. June 3, 2011) (Shadur, J.).

preemption motion to dismiss. So far as the opinion reveals, GHP attacked Stove's interference with prospective economic advantage theory in Count IV as preempted because it rested on trade secret misappropriation facts. Judge Shadur acknowledged Judge Moran's *AutoMed* decision and Judge Bucklo's *Abanco* decision but chose not to decide whether and to what extent those opinions conflicted on preemption. He instead resolved the dispute before him by noting that GHP had been arguing that Stove lacked trade secrets, prompting him to conclude, "If GHP is right on that score, Count IV is *not* preempted by the Act because "Trade Secret Information" would be an inaccurate characterization of the property interests it seeks to preserve."¹⁹⁵

A few weeks later came *Fire 'Em Up, Inc. v. Technocarb Equipment (2004) Ltd.*¹⁹⁶ Another preemption motion to dismiss decision, *Fire 'Em Up* involved a charge that a licensee, Technocarb, was misusing licensor Fire 'Em Up's confidential training and materials to develop, promote and sell Technocarb's rival fuel device. Fire 'Em Up alleged trade secret theft and fraud, as well other claims not relevant to our discussion here, and the district court considered preemption as to the fraud count. After dismissing Fire 'Em Up's ITSA claim without prejudice on technical pleading grounds, Judge Norgle highlighted the statements in *Hecny Transportation* that claims are preempted by the ITSA "only when they rest on the conduct that is said to misappropriate trade secrets" and that preemption "does not apply to duties imposed by law that are not dependent upon the existence of competitively significant secret information."¹⁹⁷ Judge Norgle had no trouble finding Fire 'Em Up's fraud claim was not dependent on trade secrets and thus avoided preemption, as it was based in major part on Technocarb's breach of the distributor agreement between the two companies.

A busy 2011 ended with another Central District of Illinois preemption opinion, *Tradesmen Int'l, Inc. v. Black*,¹⁹⁸ by Magistrate Judge Bernthal. Tradesmen involved multiple employees, including Black, Walker and Boyer, who broke away found a rival staffing company, Professional Labor Services. All had noncompetition agreements, and all sought to honor those contracts by locating their new firm in central Illinois and by declining business from Tradesmen customers. Their sole misstep was linked to Walker: shortly before leaving Tradesmen, Walker sent five e-mails with "Modified D & B Reports" attached to his personal e-mail account, and these reports became the basis for a number of claims—including trade secret theft, conversion, breach of fiduciary duty and civil conspiracy—against all

195. *Id.* at *1.

196. *Fire 'Em Up, Inc. v. Technocarb Equipment (2004) Ltd.*, 799 F. Supp.2d 846 (N.D. Ill. June 27, 2011) (Norgle, J.).

197. *Id.* at 852 (quoting *Hecny Transportation*, 430 F.3d at 404-05).

198. *Tradesmen Int'l, Inc. v. Black*, 2011 WL 5330589 (C.D. Ill. Nov. 7, 2011) (Bernthal, M.J.).

defendants.¹⁹⁹ Represented by the always-able Ken Vanko, defendants skillfully carved up Tradesmen's claims on legal and factual grounds at summary judgement, persuading Magistrate Judge Bernthal on the strength of *Hecny Transportation* that the conversion, fiduciary breach and civil conspiracy claims were preempted to the extent "they rest[ed] on the conduct that [wa]s said to constitute misappropriation of trade secrets."²⁰⁰ With Ken's continued assistance on appeal, defendants even became the first to prevail on an ITSA bad faith fee claim tied solely to maintenance (as opposed to initiation) of a trade secret theft action.²⁰¹

A secrecy contract breach resulted in preemption arguments in *Organ Recovery Systems, Inc. v. Preservation Solutions, Inc.*,²⁰² a 2012 opinion in which Judge Kennelly followed *Hecny Transportation* and even resurrected *Composite Marine Propellers*. The facts were relatively unremarkable: After signing a nondisclosure agreement, Organ Recovery shared its confidential information with Preservation Solutions in an effort to bring to market room-temperature chemical solutions to be used in preserving kidneys for transplants. However, Preservation Solutions and an affiliated firm, Bridge to Life, later came out with a rival product, allegedly derived from Organ Recovery's confidential information. Organ Recovery brought duty of loyalty, deceptive trade practices, false advertising and civil conspiracy claims; the defendants responded with an ITSA preemption motion to dismiss attacking the last three claims.²⁰³ Relying on *Hecny Transportation*, the district court ruled that Organ Recovery's deceptive trade practices and false advertising claims alleged defendants disparaged its products and lied about their own—allegations that did not depend on trade secret misappropriation and hence did not trigger preemption. As to the civil conspiracy charge, the district court found it preempted because there were no "allegations of other bad acts by

199. *Id.* at *2.

200. *Id.* at *4.

201. *See* *Tradesmen Int'l, Inc. v. Black*, 724 F.3d 1004, 1016-17 (7th Cir. 2013).

202. *Organ Recovery Systems, Inc. v. Preservation Solutions, Inc.*, 2012 WL 116041 (N.D. Ill. Jan. 16, 2012) (Kennelly, J.).

203. The district court rejected the duty of loyalty claim on the merits, ruling that Preservation Solutions did not owe a fiduciary duty of loyalty to Organ Recovery by virtue of their confidentiality agreement alone. *Id.* at *4 (citing *Original Great Am. Chocolate Chip Cookie Co., Inc. v. River Valley Cookies, Ltd.*, 970 F.2d 273, 280 (7th Cir. 1992)). "The fact that OCR trusted PSI to abide by their contract does not create a fiduciary relationship." *Id.* at *5 (citing *Yokel v. Hite*, 348 Ill. App. 3d 703, 707, 809 N.E.2d 721, 725 (5th Dist. 2004)). This view stands in marked contrast to some cases suggesting noncompete agreements extend fiduciary duties after the employment or agency relationship ends. *See, e.g., Integrated Genomics*, 2008 WL 630605, *10 ("The court notes, however, that a restrictive covenant may create an ongoing fiduciary duty even after an employee leaves a company.") (citing *Jostens, Inc. v. Kauffman*, 842 F. Supp. 352, 354 (C.D. Ill. 1994) (citing in turn *Composite Marine Propellers*, 962 F.2d 1263, 1265 (7th Cir. 1992)).

the defendants beyond the taking of confidential information.”²⁰⁴ The district court relied in part on the Court of Appeals’ broad statement in *Composite Marine Propellers* that “unless defendants misappropriated a (statutory) trade secret, they did no legal wrong.”²⁰⁵ As further support, the district court contrasted the holdings in *CardioNet* and *EBI Holdings* for and against preemption, respectively, based upon the presence or absence of facts showing conduct beyond mere trade secret misappropriation.²⁰⁶

I have covered Judge Shadur’s 2012 opinion in *Miller UK v. Caterpillar, Inc.*,²⁰⁷ and I will skip the district court’s 2013 decision in *Spitz v. Proven Winners North America, LLC*²⁰⁸ since it did not rule on preemption, even though it ultimately resulted in the Seventh Circuit’s *Spitz* preemption opinion in 2014. So I turn to Judge St. Eve’s 2013 offering in *Lumenate Technologies, LP v. Integrated Data Storage, LLC*.²⁰⁹ There, in essence, Integrated Data Storage (IDS) raided Lumenate’s staff, some of whom downloaded data and destroyed computer evidence as they “covered their tracks” before departing Lumenate.²¹⁰ Lumenate alleged actual and threatened trade secret theft, including an inevitable disclosure claim under *PepsiCo Inc. v. Redmond*,²¹¹ but the preemption question turned on IDS’ alleged interference with the ex-employees’ Lumenate nondisclosure agreements. In considering the motion to dismiss before her, Judge St. Eve acknowledged both her prior opinion in *Charles Schwab* and the Seventh Circuit’s opinion in *Hecny Transportation*. She then framed the question as “whether Lumenate’s tortious interference claim against IDS would stand even if the information that the Individual Defendants allegedly misappropriated from [Lumenate] does not constitute trade secrets.”²¹² She first noted that the contractual definition of “confidential information” was essentially identical to the ITSA’s definition of “trade secret” and thus concluded that there could be no interference unless the information was a trade secret—bringing the claim squarely within the ambit of the ITSA’s preemption provision, she thought. Judge St. Eve did not discuss or cite the contrary opinions of Judge Conlon in *CardioNet* and of the Seventh Circuit in *Epic Systems*, both of which held that tortious interference claims are not preempted.²¹³

204. *Organ Recovery Systems*, 2012 WL 116041, at *9.

205. *Id.* (quoting *Composite Marine Propellers*, 962 F.2d at 1265).

206. *Id.*

207. *Miller UK v. Caterpillar, Inc.*, 859 F. Supp.2d 941 (N.D. Ill. 2012) (Shadur, J.).

208. *Spitz v. Proven Winners North America, LLC*, 969 F. Supp.2d 994 (N.D. Ill. Aug. 22, 2013) (Hart, J.).

209. *Lumenate Technologies, LP v. Integrated Data Storage, LLC*, 2013 WL 5974731 (N.D. Ill. Nov. 11, 2013) (St. Eve, J.).

210. *Id.* at *5.

211. *PepsiCo Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995).

212. *Lumenate Tech.*, 2013 WL 5974731 at *7.

213. *See infra* notes 240-41.

The year 2014 brought five new preemption decisions before the Seventh Circuit handed down *Spitz*. The first, *Montel Aetnastak, Inc. v. Miessen*,²¹⁴ involved employees who learned of their employer Montel's confidential effort to develop a relationship with a department store chain and the confidential information Montel generated in connection with its attempt to sell its specially-adapted mobile shelving product to that chain. Chief Judge Castillo found Montel's claim of tortious interference with the department store opportunity preempted because all that was alleged was use of confidential information in diverting the opportunity, but he concluded that part of a fiduciary duty claim and part of a civil conspiracy survived, under *Hecny Transportation*, to the extent they were not based exclusively on the misappropriated confidential information.²¹⁵ Chief Judge Castillo did acknowledge in *dicta*, though, that ITSA preemption would not apply to non-confidential information.²¹⁶ In the second case, *Covenant Aviation Security, LLC v. Berry*,²¹⁷ Judge Bucklo continued to adhere to this view as well, explicitly holding that the breach of fiduciary duty claim there, to the extent it was based on information not rising to the level of a trade secret, escaped preemption on a motion to dismiss under her interpretation of *Hecny Transportation*—a holding consistent with her earlier opinions in *Bagley* and *Abanco*.

The last three 2014 cases before *Spitz*, all decided on motions to dismiss, were *SSB Worldwide, Inc. v. Potts*,²¹⁸ *Global Material Technologies, Inc. v. Dazheng Metal Fibre Co., Ltd.*,²¹⁹ and *Arvegenix, LLC v. Seth*.²²⁰ *Potts* involved a global freight logistics and supply chain solutions firm salesman, Potts, who took files and transferred data to his new employer before quitting. Judge Holderman held the ITSA preempted all common law claims dependent on the allegedly misappropriated trade secrets, though he followed *Hecny*

214. *Montel Aetnastak, Inc. v. Miessen*, 998 F. Supp.2d 694 (N.D. Ill. 2014) (Castillo, C.J.).

215. Even though all of the district decisions discussed thus far were decided under *Erie* diversity principles, the district court opinion in *Montel Aetnastak* was the first to cite the preemption holding in the Illinois Appellate Court's decision in *Alpha School Bus Co., Inc. v. Wagner*, 391 Ill. App. 3d 722, 910 N.E.2d 1134 (1st Dist. 2009). *Montel Aetnastak*, 998 F. Supp. 2d at 720.

216. *Montel Aetnastak*, 998 F. Supp. 2d at 720 ("While Plaintiffs are correct that the ITSA does not preempt non-confidential information, they have wholly failed to offer any argument that their claim is not based upon misappropriation of confidential information.").

217. *Covenant Aviation Security, LLC v. Berry*, 15 F.Supp.3d 813 (N.D. Ill. 2014) (Lefkow, J.)

218. *SSB Worldwide, Inc. v. Potts*, 2014 WL 499001 (N.D. Ill. Feb. 7, 2014) (Holderman, J.).

219. *Global Material Technologies, Inc. v. Dazheng Metal Fibre Co., Ltd.*, 2014 WL 1099039 (N.D. Ill. Mar. 20, 2014) (Dow, J.).

220. *Arvegenix, LLC v. Seth*, 2014 WL 1698374 (C.D. Ill. April 29, 2014) (McDade, J.).

Transportation in sustaining a fiduciary duty claim based on the allegation that Potts “intentionally undermined SBS’s business by quoting prices to SBS customers that Potts knew would incur substantial losses.”²²¹ *Global Material Technologies* concerned what many consider to be the standard Chinese playbook—developing a close and seemingly interdependent relationship with an American firm, learning the American firm’s most confidential manufacturing and customer information, transferring all manufacturing and technology to China so the American firm becomes increasingly dependent on the Chinese supplier for production, then squeezing the American firm on pricing and production, and finally, completely cutting off the American firm and openly competing.²²² Judge Dow approved the ITSA claims but found all other business torts claims preempted, as they rested on the trade secret misappropriation allegations and nothing more.²²³ *Arvegenix* presented the sad but standard story of a firm sharing its secrets in attempting to recruit investors, in that case for its pennycress agribusiness, only to see the investors dump the firm and start a rival. Judge McDade examined *Hecny Transportation* and then held that all business torts claims tied to trade secret misappropriation were preempted, but left open the possibility that some of the business tort claims could be re-alleged without reliance on trade secrets.²²⁴

IV. FEDERAL DISTRICT COURT OPINIONS AFTER *SPITZ V. PROVEN WINNERS NORTH AMERICA, LLC*

The Seventh Circuit in *Spitz* of course reset the test in favor of total preemption without acknowledging its earlier decisions in either *Hecny Transportation* or *Composite Marine Propellers*. One would expect *Spitz* to play a decisive role going forward and it quickly did.

I put aside *First Financial Bank, N.A. v. Bauknecht*,²²⁵ the first district court preemption decision after *Spitz*, as Judge McDade didn’t even note

221. *Potts*, 2014 WL 499001, at *8.

222. See, e.g., PAUL MIDLER, *POORLY MADE IN CHINA: AN INSIDER’S ACCOUNT OF THE CHINA PRODUCTION GAME* (John Wiley & Sons 2009); JAMES MCGREGOR, *NO ANCIENT WISDOM, NO FOLLOWERS: THE CHALLENGES OF CHINESE AUTHORITARIAN CAPITALISM* (Prospecta Press 2012); *Administration Strategy on Mitigating the Theft of U.S. Trade Secrets*, WHITEHOUSE.GOV, (Feb. 2013) https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf [<https://perma.cc/U5CY-YAEN>].

223. *Global Materials Technologies*, 2014 WL 1099039, at *6-7.

224. *Arvegenix*, 2014 WL 1698374, at *7-9 (dismissing tortious interference, unfair competition and unjust enrichment claims as preempted, but allowing re-pleading of the tortious interference claims in Counts III and IV because they were “not necessarily premised on secret information, and would be viable even if the information Plaintiffs allege[d] Defendants used had been public information.”).

225. *Bauknecht*, 71 F. Supp.3d 819 (C.D. Ill. 2014) (McDade, J.).

Spitz in *Bauknecht*. Judge McDade instead continued to follow the *Hecny Transportation* passage asking whether a claim is “dependent upon the existence of competitively significant secret information” as the test for preemption and then granted summary judgment in favor of preemption with respect to customer, farming guide, and soil map information offered under a conversion theory.²²⁶ Despite his failure to mention *Spitz*, Judge McDade reached the total preemption result demanded by *Spitz*: “[p]laintiff should not be permitted to do an end-run around the ITSA in this case and present a conversion claim based upon competitively secret information if it cannot succeed in its ITSA claim.”²²⁷ Judge McDade tried to obey *Hecny Transportation*, too, however, as he later held that preemption did not apply to physical documents the defendants had taken, if plaintiff was not claiming trade secret status as to them.²²⁸

The two remaining cases capture the preemption debate in its entirety, with *Spitz* proving determinative. *Cronimet Holdings, Inc. v. Keywell Metals, LLC*,²²⁹ a 2014 opinion by Judge Ellis, arose from a bidding battle between Cronimet and Keywell over the assets of a firm that employed Newman and Joyce. Although Keywell won the auction for the assets in a bankruptcy sale, it lost Newman and Joyce, both of whom joined Cronimet. Much of Judge Ellis’ opinion was preoccupied with the assignability of their employment contracts, but Newman and Joyce also argued the ITSA preempted Keywell’s claims for misappropriation of confidential information, unfair competition, and unjust enrichment. Keywell responded that preemption did not apply “because its claim for misappropriation of confidential information [wa]s for information that d[id] not rise to the level of a trade secret.”²³⁰ Judge Ellis noted the tension surrounding the proper understanding of *Hecny Transportation* as applied to such “not rising to the level of a trade secret” claims, citing as examples Judge Shadur’s anti-preemption opinion in *Miller* and the pro-preemption opinions of Chief Judge Castillo in *Montel Aetnastak* and Judge Grady in *RTC Industries*.²³¹ But Judge Ellis found *Spitz* controlling: “Illinois courts have read the preemptive language in the ITSA to cover claims that are essentially claims of trade secret misappropriation, even when the alleged ‘trade secret’ does not fall within the Act’s definition.”²³²

226. *Id.* at 848 (quoting *Hecny Transportation*, 430 F.3d at 405).

227. *Id.*

228. *Id.* at 849 (“If First Financial is not claiming that the documents that Graymont and Bauknecht have in their possession, including cash flow statements, financial reports, note modifications, mortgage extensions, and business loan agreements, are trade secrets, its conversion claim can proceed to trial.”).

229. *Cronimet Holdings, Inc. v. Keywell Metals, LLC*, 73 F. Supp.3d 907 (N.D. Ill. 2014) (Ellis, J.).

230. *Id.* at 919.

231. *Id.* at 919-20.

232. *Id.* at 920 (quoting *Spitz*, 759 F.3d at 733).

Accordingly, she granted the preemption motion to dismiss as to the confidential information, unfair competition, unjust enrichment, and civil conspiracy claims tied to allegedly stolen information.²³³

The final chapter to this story was written by Judge Tharp in 2015 in *Market Track, LLC v. Efficient Collaborative Retail Marketing, LLC*.²³⁴ Two market data tracking firms fought there over patent and trade secret claims, and the case was before the district court on preliminary injunction and judgment on the pleadings motions. As Market Track did not move for a preliminary injunction on its ITSA claim, the district court addressed such relief solely on Market Track's tortious interference claim. With no way to escape *Spitz*, Market Track chose "to denigrate the quality of the Seventh Circuit's analysis."²³⁵ As an inferior court in a hierarchal system, Judge Tharp would have none of that.²³⁶ He also explicitly rejected Market Track's assertion that *Hecny Transportation* addressed the status of information not rising to the level of a trade secret, observing that *Hecny Transportation* "focused on the nature of the duty the tortfeasor was alleged to have violated, and endorsed the view that where a duty exists without regard to whether a breach involved information that was worthy of protection under the Trade Secrets Act (whatever the scope of that act's protection), the ITSA does not preempt the claim."²³⁷ Finally, in a first impression ruling Judge Tharp held that Market Track's tortious interference claim tied to customer nondisclosure agreements was also preempted. For this he cited the broad holding in *Composite Marine Propellers* that "Illinois abolished all common law theories of misuse of [secret] information"²³⁸ and noted that the ITSA's definition of "misappropriation" by "improper means" encompasses "breach or inducement of a breach of a confidential relationship or other duty to maintain secrecy or limit use."²³⁹ Judge Tharp distinguished the Seventh Circuit's anti-preemption tortious interference holding in *IDX Systems Corp. v. Epic Systems Corp.*²⁴⁰ on the ground that *IDX Systems* involved Wisconsin law,²⁴¹ without citing the contrary district court opinion in *CardioNet* taking the opposite view of *IDX Systems*.

233. *Id.* at 920.

234. *Market Track, LLC v. Efficient Collaborative Retail Marketing, LLC*, 2015 WL 3637740 (N.D. Ill. June 11, 2015) (Tharp, J.).

235. *Id.* at *17.

236. *Id.*

237. *Id.*

238. *Id.* at *18 (quoting *Composite Marine Propellers*, 962 F.2d at 1265).

239. *Market Track*, 2015 WL 3637740, at *18 (quoting 765 ILCS 1065/2(a) and (b)). Cf. *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015) (defendant's good faith belief that an asserted patent is invalid is not a defense to an induced infringement claim under 35 U.S.C. §271(b)).

240. *IDX Systems Corp. v. Epic Systems Corp.*, 285 F.3d 581 (7th Cir. 2002).

241. *CardioNet*, 2008 WL 567223, at *5 (N.D. Ill. Feb. 27, 2008) (Conlon, J.).

V. ALL *AD HOC*, ALL THE TIME

It must have been a struggle writing all these district court opinions; it certainly was a struggle writing about them. The story they tell is one of intellectually honest district court judges trying to do their duty with regard to a wide array of fact patterns and claims governed by Illinois law. Yet if we look closely, the cases and claims they confronted largely follow a basic theme: one-time or would-be business associates became competitors locked in a zero-sum game, pursuing each other's business opportunities, customers, employees, technology, or some combination of these. Competition in and of itself is a good thing, of course, but unfair competition is not. Drawing the line between the two can be difficult, especially early in a case when the facts are relatively undeveloped, with different facts triggering different claims. Making matters worse, most often the attacks in these cases were led by former employees, former partners or former agents, all of whom were fiduciaries at one time and most likely still were at the time of their alleged wrongdoing, meaning they almost certainly owed a duty of loyalty and confidence independent of any contract or trade secret claim.

If we distill these cases still further, they can be grouped along an even simpler axis—those that were based on competitively significant information and those that were not. Those that were not should never have been the subject of ITSA preemption debate from any point of view. *Hecny Transportation* was properly dismissive of just such a preemption argument with respect to “files, computers, software and other office equipment,”²⁴² holding that an employee's theft of physical property and other defalcations before resigning have nothing to do with trade secrets and everything to do with fiduciary duties. But this issue was so obvious that only *Sherwood*, *Thermodyne*, *Thomas & Betts*, and *Dick Corp.* even felt the need to address it before *Hecny Transportation* and no case has done so since.

By far the harder question, at least as these district courts conceived it, was the fate of competitively significant information not rising to the level of a trade secret. This issue surfaced repeatedly in one of three ways: (1) plaintiff alleged a statutory trade secret claim that was defective for some reason, most often for failure to take affirmative secrecy measures but occasionally because the contested information was generally known or in the public domain; (2) plaintiff brought a competitive information claim but elected not to bring a trade secret claim; or (3) plaintiff alleged a viable statutory trade secret claim that overlapped other claims involving competitive information.

These are actually easy issues once the relationship between Section 8(a) and Section 8(b) is properly understood by reading them together under traditional statutory construction canons, as Judge Alesia's opinion in *Combined Metals* and Shadur's opinion in *Miller* amply illustrate. On their view,

242. *Hecny Transportation*, 430 F.3d at 404.

information doesn't need to rise to the "trade secret" level to trigger claims established under Illinois law and preserved under Section 8(b)(2). Judge Marovich's opinion in *EarthDweller*, Judge Bucklo's opinion in *Bagley*, and Judge St. Eve's opinion in *Charles Schwab* all reached the same result based on their reading of Section 8(a) alone. They each noted that Section 8(a)'s displacement of "conflicting" remedies based on a "trade secret" required a conflict that could not arise if the information in question did not meet the "trade secret" standard. Under either the *Combined Metals/Miller* approach or the *EarthDweller/Bagley/Charles Schwab* approach, the three inquiries outlined above are irrelevant; the presence or absence of statutory trade secret claims has no bearing on non-trade secret claims.

Other districts courts struggled, however, in their search for a workable standard under the weight of the Seventh Circuit's opinions in *Composite Marine Propellers* and *Hecny Transportation*. For example, with only *Composite Marine Propellers* (1992) as a guide, Judge Conlon suggested in *J.H. Chapman* (1996) that all claims resting on "commercially valuable information" were preempted, while Judge Pallmeyer in *Learning Curve Toys* (1999) believed preemption was mandated whenever "the operative facts are arguably cognizable under the ITSA." Judge Moran in *AutoMed* (2001) was of the view that to warrant preemption, "core" facts had to show misuse of an actual trade secret in common with a statutory trade secret claim. Magistrate Judge Denlow in *Lucini Italia* (2003) thought the non-trade secret claims had to be "inextricably intertwined" with the trade secret claims to be preempted. Judge Aspen in *Dick Corp.* (2004) said "misappropriation of ideas" was the test.

The district court judges' standards changed with *Hecny Transportation* (2005) before them. Judge Hart in *Dominion Nutrition* (2006) noted the tension between *Learning Curve Toys* and *AutoMed* but didn't need to resolve it. Judge Grady in *RTC Industries* (2007) offered this guideline: "After *Hecny Transportation*, the test for a non-ITSA claim is not whether the plaintiff arguably could have brought an ITSA claim. Rather, the test is whether the plaintiff's claim would lie if the information at issue were non-confidential."²⁴³ Judge Lefkow in *Integrated Genomics* (2008) largely followed Judge Grady's lead in *RTC Industries*, but she added a slight twist of her own, allowing plaintiff there "to protect more than what would fit into the strict definition of a trade secret."²⁴⁴ Judge Conlon in *CardioNet* (2008), however, said the test was whether the challenged claims rested on "competitively significant information." Judge Hibbler in *Del Monte* (2009) could barely make sense of it all: "if the items at issue 'fail to qualify as a trade secret, how could the breach of fiduciary duty count be preempted under the ITSA? Again, the

243. *RTC Industries*, 2007 WL 2743583, at *3.

244. *Integrated Genomics*, 2008 WL 630605, at *11.

ITSA preempts only counts premised on the misappropriation of a trade secret.”²⁴⁵ Judge Norgle in *Fire ‘Em Up* (2011), by contrast, had no difficulty in extracting the proper measure, quoting *verbatim* from *Hecny Transportation* in saying that claims are preempted by the ITSA “only when they rest on the conduct that is said to misappropriate trade secrets” and that preemption “does not apply to duties imposed by law that are not dependent upon the existence of competitively significant secret information.”²⁴⁶ Judge St. Eve in *Luminate Technologies* (2013) framed the question in slightly different terms: “whether Luminate’s tortious interference claim against IDS would stand even if the information that the Individual Defendants allegedly misappropriated from [Luminate] does not constitute trade secrets.”²⁴⁷

Why did these district courts flounder so much? I’d say it’s because *Composite Marine Propellers* and *Hecny Transportation* skipped traditional statutory construction principles and offered no public policy justifying preemption or non-preemption. *Composite Marine Propellers* simply declared that “[u]nless defendants misappropriated a (statutory) trade secret, they did no legal wrong”²⁴⁸—with no further explanation. *Hecny Transportation*, in turn, was concerned with physical asset theft and pre-resignation fiduciary duty claims that had nothing to do with stolen information. In its attempt to justify its “intuition” about such claims escaping preemption, the Court of Appeals in *Hecny Transportation* did reference the UTSA (“The dominant view is that claims are foreclosed only when they rest on the conduct that is said to misappropriate trade secrets.”²⁴⁹) and the Uniform Law Commissioners’ comments (“The [provision] does not apply to duties imposed by law that are not dependent upon the existence of competitively significant secret information, like an agent’s duty of loyalty to his or her principal.”), but these were asides divorced from the facts of the case. The Seventh Circuit in *Hecny Transportation* didn’t actually say it was adopting these UTSA standards, if they can be called standards in the first place. Moreover, the Seventh Circuit did not offer uniformity with other states as a policy consideration in *Hecny Transportation*.²⁵⁰ To be sure, *Composite Marine*

245. *Del Monte*, 616 F. Supp. 2d at 822-23 (quoting *Combined Metals*, 985 F. Supp. at 830).

246. *Fire ‘Em Up*, 799 F. Supp.2d at 852 (quoting *Hecny Transportation*, 430 F.3d at 404-05).

247. *Luminate Technologies*, 2013 WL 5974731 at *7.

248. *Composite Marine Propellers*, 962 F.2d at 1265.

249. *Hecny Transportation*, 430 F.3d at 404-05.

250. *Id.* at 404. The Seventh Circuit in *Hecny Transportation* made the partially true but incomplete statement that “the Illinois Trade Secrets Act is based on the Uniform Trade Secrets Act of 1985,” without noting the ITSA’s many departures from the UTSA—departures that required the ITSA to omit the uniformity clause. See Melvin F. Jager, *Illinois Returns to the Mainstream of Trade Secret Protection*, CHI. B. REC. 18, 18-21 (Oct. 1988) (discussing ITSA’s numerous departures from the Uniform Trade Secrets Act in order to maintain, restore and codify Illinois common law).

Propellers and *Spitz* offered no policy grounds for favoring or disfavoring preemption in any particular case, nor did the Illinois Appellate Court in *Pope*, upon which *Spitz* relied.

VI. CONCLUSION

This punishing exercise reflects a reality. With no clearly articulated public policy to follow, the Northern District of Illinois (and the Central District of Illinois, too) ended up ruling in every direction until *Spitz*, sometimes citing *Composite Marine Propellers*, sometimes citing *Hecny Transportation*, sometimes citing both, and sometimes citing neither. The inevitable result was *ad hoc* adjudication, despite the conscientious efforts of all the district court judges surveyed here.

Their opinions teach a deeper truth: Illinois law has long accommodated a far wider range of claims than just trade secret misappropriation in cases involving sharp dealing. Many of those I illustrated in my earlier piece, and many more were on display in the cases examined here, whether from the Northern District of Illinois or the Central District of Illinois. All presented close relationships come undone, and all presented claims cognizable under Illinois law—at least absent ITSA preemption.

The Seventh Circuit in *PepsiCo* rightly held that Section 8(a) of the ITSA abolishes common law claims for trade secret misappropriation and replaces them with statutory trade claims for secret misappropriation. With the exception of *PepsiCo*, the remaining Seventh Circuit preemption decisions are a house of cards, as are the Illinois Appellate Court's ITSA preemption decisions. None of them recites Illinois' long history of common law claims, none of them engages in proper statutory construction analysis, and none of them offers a public policy for or against preemption. After over thirty years of silence, it's time for the Illinois Supreme Court to speak.