

# Are There Trade Secrets Hiding in Those Nooks and Crannies?

What one recent legal case says about protections for intellectual property such as formulas

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Recently, leading publications have run front page articles regarding the ongoing lawsuit between Bimbo Bakeries USA and a former employee, Chris Botticella. According to reports, Botticella is counted among a handful of people to have direct personal knowledge necessary to independently replicate Bimbo's popular line of Thomas' English Muffins—particularly the secret of the muffins' unique “nooks and crannies” texture. Thomas' English Muffins account for approximately \$500 million dollars a year of Bimbo's annual sales income. The stakes are obvious.

The case started when Botticella gave notice of his intention to leave the company, allegedly for retirement. Instead, he wound up in the employment of a competitor of Bimbo, Hostess Brands. Botticella accepted the Hostess position in October 2009 and agreed to begin in January 2010. However, even after officially accepting the position he did not disclose his plans to Bimbo for several months, continuing his work with full access to all of Bimbo's confidential and proprietary information. Beyond his knowledge of Thomas' English Muffins, Botticella also had access to code books containing formulas and process parameters for all of Bimbo's products. He also attended high level meetings with other key executives of the company to discuss national business strategy.

Bimbo's management learned that Botticella was leaving for Hostess, and following his departure Bimbo hired a computer forensics expert to investigate Botticella's use of his company laptop during December 2009 and January 2010. The testing revealed that Botticella had access to a number of confidential documents during the final weeks of his employment at Bimbo. It was also noted that his final access to company data occurred minutes after he was advised that his employment would be terminated immediately following his disclosure during a phone call to Bimbo management that he planned to work for Hostess. A number of the files accessed off his laptop were of a highly sensitive nature and their possession by a competitor could have been damaging to Bimbo.



As a result, Bimbo filed an action in US District Court, Eastern District of Pennsylvania, seeking to protect its trade secrets and moving for preliminary injunctive relief to prevent Botticella from starting his employment with Hostess and from divulging to Hostess any confidential or proprietary information belonging to Bimbo. The US District Court granted the motion and further ordered Botticella to return to Bimbo any of the company's confidential or proprietary information in his possession. The trial in the matter was postponed while an appeal was taken by Botticella to the Court of Appeal, Third Circuit.

On appeal, the Court of Appeal, Third Circuit, in a decision issued on July 27, 2010, upheld the decision of the US District Court in issuing the injunctive relief. The Third Circuit began by looking at the aspect of the ruling where the US District Court found that Bimbo was likely to prevail on the merits of its claim of misappropriation of trade secrets under the Pennsylvania Uniform Trade Secrets Act. Under Pennsylvania law, a person has misappropriated a trade secret when he or she acquires knowledge of another's trade secret and circumstances, thus giving rise to a duty to maintain its confidentiality, and then discloses or uses that trade secret without the other party's consent. Based upon its review of various cases decided at the state level in Pennsylvania, and the fact that Botticella did not dispute that the type of information involved qualified as trade secrets under Pennsylvania law, the Third Circuit ruled that the US District Court had the discretion to enjoin Botticella from working at Hostess to the extent that this proposed employment threatened to lead to the misappropriation of those trade secrets. The Third Circuit also found that the US District Court did not abuse its

<sup>a</sup>The thoughts expressed herein are the author's own.

discretion by making the preliminary determination that the position Botticella would hold at Hostess was substantially similar to the job responsibilities that he had while at Bimbo.

Furthermore, Botticella had also argued on appeal that the US District Court abused its discretion by determining that Bimbo had demonstrated a likelihood of success on the merits of its misappropriation of trade secrets claim. The Third Circuit found that the US District Court did not commit such an abuse of discretion. The Third Circuit noted that Botticella failed to testify at the preliminary injunction hearing. The Third Circuit also found Botticella's conduct—not disclosing to Bimbo his acceptance of a job offer from a direct competitor, remaining in a position to receive Bimbo's confidential information and in fact receiving such information after committing to take the Hostess job, and then copying trade secret information from his work laptop onto external storage devices—supported this finding by the District Court in favor of Bimbo.

The Third Circuit also affirmed the ruling that the US District Court did not abuse its discretion when, faced with evidence of Botticella's suspicious conduct, it found that stronger remedies were required in the interim to protect Bimbo from imminent and irreparable harm.

Lastly, the Third Circuit noted it agreed with the conclusion of the US District Court that granting the injunctive relief was consistent with protecting the public interest; meaning: there is a generalized public interest in upholding the inviolability of trade secrets and the enforcement of confidentiality agreements.

During the course of these proceedings, Hostess let it be known to the public, through a spokesperson, that it was no longer holding the position for Botticella.

The Uniform Trade Secrets Act has become law throughout much of the United States over the last 10–15 years. (Exceptions: Massachusetts, New York, New Jersey, Texas, District of Columbia and the US Virgin Islands.) As a result, these legislative enactments are creating a balance between the right of a person to seek gainful employment—even from the competitor of a current employer—versus the need for companies that make significant investments in research and development to protect trade secrets, especially those that are not protectable under patent law, such as formulas.

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