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LEGAL UPDATES

Federal Circuit Reverses Preliminary Injunction for Trade Secret Misappropriation

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In a rare Federal Circuit decision under the Defend Trade Secrets Act (DTSA), 18 U.S.C. § 1836 et seq., the court reversed the grant of a preliminary injunction by the U.S. District Court for the District of Massachusetts.

The district court granted a temporary restraining order and preliminary injunction in favor of Insulet Corp. against EOFlow Co., Ltd., and other named defendants. The case involved claims of misappropriation of trade secrets related to wearable insulin pump products. EOFlow appealed the preliminary injunction order to the Federal Circuit, rather than the First Circuit, because Insulet also asserted infringement of several patents The Federal Circuit has exclusive jurisdiction over appeals in cases that include patent claims.

In the early 2000s, Insulet began developing wearable insulin pump technology. Insulet's first generation wearable insulin pump—OmniPod—received FDA approval in 2005. The next-generation product hit the market in 2007, with new iterations following in 2013.

In 2011, EOFlow began developing its own wearable insulin pump product, called the EOPatch, and received regulatory approval in South Korea in 2017. Around the same time, EOFlow began developing its next-generation product and four former Insulet employees joined EOFlow. In the years that followed, the next-generation product—EOFlow 2—received regulatory approval in South Korea and Europe.

In 2023, reports surfaced that Medtronic had started a due diligence process to acquire EOFlow, which seemingly prompted Insulet to sue EOFlow and several former Insulet employees for trade secret misappropriation under the DTSA, patent infringement, as well as other federal and state law claims. Insulet sought a temporary restraining order and preliminary injunction to enjoin all technical communications between EOFlow and Medtronic in view of the trade secret claims. The preliminary injunction, granted in October 2023, led to EOFlow's appeal.

To establish a preliminary injunction, the court must find that "(1) the plaintiff has a likelihood of success on the merits of his claim; (2) the plaintiff does not have an adequate remedy at law such that it will suffer irreparable harm without the injunction; (3) this harm is greater than the injury the defendant will suffer if the

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injunction is granted; and (4) the injunction will not harm the public interest." *Concrete Mach. Co. v. Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 611 (1st Cir. 1988).

In a scathing opinion by Judge Lourie, the Federal Circuit reversed the grant of a preliminary injunction on the grounds that the district court failed to sufficiently analyze or consider each requirement for injunctive relief. Specifically, the Federal Circuit admonished the district court for:

1. Failing to discuss EOFlow's argument that the trade secret misappropriation claim was barred by the three-year statute of limitations under the DTSA.

2. Failing to identify the alleged trade secrets with sufficient particularity.

3. Failing to adequately analyze whether Insulet took reasonable steps to protect specific information alleged to be a trade secret.

4. Failing to adequately assess whether the alleged trade secret information was generally known or reasonably ascertainable through other proper means, such as reverse engineering, or from the plaintiff's published patent disclosures.

5. Failing to sufficiently evaluate whether the alleged trade secret information had independent economic value.

6. Failing to properly analyze whether the plaintiff established irreparable injury.

7. Failing to "meaningfully engage with the public interest prong."

The Federal Circuit opinion is significant because DTSA cases are relatively rare in any circuit, but especially the Federal Circuit. This opinion, written by the well-respected Judge Lourie, ought to serve as a guide when seeking a preliminary injunction for trade secret misappropriation under the DTSA. In particular, the opinion reaffirms that establishing the existence of a trade secret is a demanding task that requires the alleged trade secret to be "specifically defined" and identified with "particularity," and the secrecy (and resulting independent economic value) of the information to be demonstrated by specific evidence.

It also serves as a reminder of the trade-off between trade secrets and patents. In exchange for obtaining the exclusive rights inherent in patent protection, inventors must disclose their invention to the public. Doing so necessarily curtails their ability to claim trade secret protection over their invention because public disclosure is the antithesis of secrecy. As one example of the district court's failure to adequately weigh facts concerning the secrecy of the alleged trade secret, the Federal Circuit focused on Insulet's publicly-filed patent applications relating to its OmniPod product. Inventors would do well to consider the potential ramifications of filing for patent protection, including that doing so may prevent them from successfully establishing trade secret protection.

If you have questions or need counsel for actions involving the misappropriation of trade secrets or any other intellectual property-related issues, contact your Lathrop GPM attorney or the attorneys listed above. Lathrop GPM can help you navigate pursuing or defending claims of trade secret misappropriation.