entice him away from BMI in order to get a market advantage as the latter claims. BMI concedes as much when it argues that Hill "was interested enough to spend his own money to fly to California" to interview with Accuray. (Doc. No. 148 at 11-12.) The lack of any evidence to support the tortious interference claim is even more telling when one takes into account the fact that under the Stipulated Order of March 25, 2008, BMI had access to any correspondence between Hill and Accuray for the period July through October 2007, when one could expect any acts which might constitute interference to have occurred. (*See* Doc. No. 8, ¶ 5.)

Finally, the Court has been unable to identify any evidence whatsoever to indicate Hill was in contact with any of the other three BMI employees before they joined Accuray, and BMI has failed to address this claim in its brief opposing summary judgment. (Doc. No. 128 at 7.) Unlike the facts of Bro-Tech Corp. v. Thermax, Inc., *supra*, a case on which BMI relies heavily, there is no evidence that Hill recommended that Accuray hire the other three BMI employees or that the Individual Defendants were in contact with Hill before or after he left BMI. Since under the terms of the Stipulated Order of November 4, 2008, BMI had access to all correspondence between Defendants and Accuray while they were employed by BMI/NOMOS (*see* Spellman Case, Doc. No. 15, ¶ 6), BMI should have been able to readily identify any correspondence from Accuray employees, including Hill, which reflected an intent to

interfere with any employment contracts with BMI/NOMOS.[26]

Summary judgment is granted in favor of Accuray and Hill on Count I.

E. Count VI -- Aiding and Abetting Breach of Fiduciary Obligations by Accuray

1. BMI's claims: BMI contends that Accuray and John Does 1 through 5 aided and abetted the breach by the Individual Defendants of the latter's fiduciary duty of loyalty to act in the best interests of BMI regarding all matters relating to their employment, in particular their duty to protect BMI's Confidential Information. The Individual Defendants violated their fiduciary duty by misappropriating BMI's Confidential Information and providing it to Accuray. Accuray aided and abetted this violation by "providing money, expenses and stock options as an inducement and award" to the Individual Defendants to (1) terminate their employment with BMI; (2) encourage them to "disclose and divulge" BMI's Confidential Information; (3) allow Accuray to take advantage of the information divulged; and (4) permit Accuray to obtain an unfair competitive market advantage against BMI and intentionally harm it. (Accuray Case, Complaint, ¶¶ 147-154.)

2. Accuray's arguments: Accuray argues that since

[26] One could also argue that this claim, insofar as it applies to Hill, is barred by the gist of the action doctrine since his employment agreement with NOMOS prohibited him from interfering with the relationship between NOMOS and any of its employees or attempting to induce them to terminate their employment and become employed by others in the same or similar business as NOMOS. (Doc. No. 156, ¶ 6(d).)

Bittman, Scherch, and Spellman were computer programmers, not managers or executives bound by fiduciary duties, it stands to reason that Accuray cannot have aided and abetted breach of a duty which did not exist. Moreover, BMI has raised no claims of breach of fiduciary duty against those Defendants. Even in the case of Hill, who was a vice president of BMI and therefore could have been considered a fiduciary, the breaches identified by BMI pertain only to actions he took related to the Alleged Trade Secrets, i.e., copying and retaining the information and using or intending to use it on his own behalf or for the benefit of Accuray. Therefore, insofar as this claim is based on breach of fiduciary duty by Hill, any aiding and abetting claim is pre-empted by the PUTSA claim. (Doc. No. 119 at 23-24; Doc. No. 132 at 17-18.)

3. Relevant law: Pennsylvania recognizes a cause of action for aiding and abetting a breach of a fiduciary duty. Laufen Int'l, Inc. v. Larry J. Lint Floor & Wall Coverings, CA No. 10-199, 2010 U.S. Dist. LEXIS 41173, *14 (W.D. Pa. Apr. 27, 2010). The Restatement (2d) of Torts, § 876, sets out the elements of a claim for civil aiding and abetting: one is subject to liability for harm to a third person from the tortious conduct of another when he:

> (a) Does a tortious act in concert with the other or pursuant to a common design with him, or
>
> (b) Knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other to so conduct himself,

or

(c) Gives substantial assistance to the other in accomplishing a tortious result and his own conduct, separately considered, constitutes a breach of duty to the third person.

See Bancorp Bank v. Isaacs, CA No. 07-1907, 2010 U.S. Dist. LEXIS 28282, *20 (E.D. Pa. Mar. 25, 2010).

In order for the plaintiff to establish a breach of the duty of loyalty on the part of the defendant, the plaintiff must first establish that a fiduciary or confidential relationship existed. Baker v. Family Credit Counseling Corp., 440 F. Supp.2d 392, 414 (E.D. Pa. 2006). The plaintiff must also establish that (1) "the defendant negligently or intentionally failed to act in good faith and solely for the benefit of plaintiff in all matters for which he or she was employed; (2) that the plaintiff suffered injury; and (3) the defendant's failure to act solely for the plaintiff's benefit was a real factor in bringing about plaintiff's injuries." Baker, 440 F. Supp. 2d at 414-15.

4. Discussion and conclusion: BMI argues that the duty of an employee to an employer is "separate and apart from any trade secret issue," but does not identify any duty other than to protect BMI's Confidential Information and the breach of that duty by misappropriating and providing such information to Accuray. It states flatly that Accuray "assisted and encouraged the Defendant's [sic] in their breach of Fiduciary Duty to Best Medical," but fails

to identify a single such act of assistance or encouragement. (*See* Doc. No. 128 at 9-10, Doc. No. 148 at 14-15.) BMI contends that Hill's breach of his fiduciary duty to BMI/NOMOS was "not contractual in nature but rather tortuous [sic]" and that BMI may "recover from tortuous [sic] activity by Mr. Hill that is outside the scope of a contractual relationship." (Doc No. 148 at 14.) The problem with BMI's argument is that it fails to identify any breach by Hill other than his purported misappropriation of the Alleged Trade Secrets. That is, BMI has not alleged, much less provided evidence of, any other instance in which Hill failed to act in good faith and solely for the benefit of BMI while he was employed there.[27]

As Accuray argues, in the absence of any evidence that any of the Individual Defendants breached his fiduciary duty to BMI, it necessarily follows that Accuray cannot be held liable for aiding and abetting a breach which did not occur. We therefore grant summary judgment to Accuray on Count IV.

F. Count II - Conspiracy by Accuray and the Individual Defendants

1. *BMI's claims:* BMI alleges that Accuray, in a conspiracy with John Does 1 through 5 and the Individual Defendants, established an office in the Pittsburgh, Pennsylvania,

[27] We also agree with Hill that this claim, as applied to him, is barred by the gist of the action doctrine discussed in Section V.E.3 below since the duty of confidentiality arose from the agreement he had with NOMOS.

area for the purpose of marketing and developing products and services that compete with its own. (Accuray Case, Complaint, ¶ 115.) The scope of the conspiracy was basically co-extensive with the plan to unfairly compete with BMI, that is, Accuray and the Individual Defendants conspired for the latter to leave BMI and go to work for Accuray; for them to steal BMI's Confidential Information and turn it over to Accuray; and to use that information in a scheme to inflict financial harm on BMI. (Id., ¶¶ 125-129.)

2. Defendants' arguments: Accuray contends that the record is wholly devoid of facts establishing any alleged act in furtherance of the conspiracy or suggesting that Accuray acted with actual malice. Moreover, the claim is unsupported by evidence which suggests it is based on anything other than the alleged misappropriation of BMI's trade secrets; thus, once again PUTSA preemption of this claim is appropriate. (Doc. No. 132 at 16.)

Hill argues that the conspiracy claim must fail because, at a minimum, BMI has not come forward with evidence of any underlying unlawful acts or lawful acts done by unlawful means. In addition, BMI has failed to introduce evidence of a common purpose among Defendants or damages arising from the purported conspiracy. (Doc. No. 137, ¶ 10; Doc. No. 138 at 18-20.) Bittman, Scherch, and Spellman raise essentially the same arguments as Hill. (Doc. No. 140 at 6-7; Doc. No. 157 at 8-9.)

3. Relevant law: To succeed on a claim of civil conspiracy, the plaintiff must show:

> (1) a combination of two or more persons acting with a common purpose to do an unlawful act or to do a lawful act by unlawful means;
>
> (2) an overt act done in pursuance of the common purpose; and
>
> (3) actual legal damage.

Gen. Refractories Co. v. Fireman's Fund Ins. Co., 337 F.3d 297, 313 (3d Cir. 2003), *quoting* Strickland v. Univ. of Scranton, 700 A.2d 979, 987-988 (Pa. Super. Ct. 1997).

The plaintiff must also come forward with proof of malice, i.e., an intent to injure. Thompson Coal Co. v. Pike Coal Co., 412 A.2d 466, 472 (Pa. 1979); *see also* Doltz v. Harris & Assocs., 280 F. Supp.2d 377, 389 (E.D. Pa. 2003) (there must be proof of malice, i.e., evidence to support the claim that "that the sole purpose of the conspiracy was to injure the plaintiff.") Finally, the plaintiff must identify the independent, underlying wrong or tort about which the defendants conspired. Levin v. Upper Makefield Twp., No. 03-1860, 2004 U.S. App. LEXIS 4457, *39 (3d Cir. Mar. 8, 2004) (citations omitted); *see also* Ideal Aerosmith, 2008 U.S. Dist. LEXIS 33463 at *18 (claim of unfair competition supported civil conspiracy claim); Binary Semantics Ltd. v. Minitab, Inc., No. 07-1750, 2008 U.S. Dist. LEXIS 28602, *37 (M.D. Pa. Mar. 20, 2008) (claims of fraudulent inducement and conversion supported

civil conspiracy claim.)

4. Discussion and conclusion: Although not discussed in its opposition to Accuray's motion except to point out that its conspiracy allegations "have nothing to do with trade secrets" (*see* Doc. No. 128 at 7-9), BMI does address the conspiracy claim in opposing the motion for summary judgment in the Spellman Case. BMI claims that the "sequence of events" described in the Scherch Declaration (*see* Doc. No. 142, Exh. 10) raises material facts about the "coincidence of taking trade secret material that did not belong to him and within four days of resigning from employment with [BMI], being employed by Accuray and with his co-Defendant Mr. Hill." (Doc. No. 146 at 6.) In addition, Hill "pretended to be on vacation" when he was actually in California interviewing for employment with Accuray[28] and was offered employment on October 18, 2007. The e-mails and contacts between Hill and Accuray were a "precursor to the resignation of the Defendant's [sic] herein and ultimately their employment by Accuray within a very short period

[28] BMI denies that Hill was "on vacation," and states that he was conducting a job interview in California with Accuray, actions BMI describes as "nefarious" and material. (Doc. No. 149, ¶ 18.) However, BMI provides no evidence to support the argument that Hill did not take vacation days for his interview travel (as opposed to being paid for working on those days.) We also disagree that conducting a job interview while still employed by another is "nefarious;" at most, it is an act which falls under the category of making "arrangements to compete." *See* Cornerstone Sys. v. Knichel Logistics, Nos. 06-4114 and 06-4200, 2007 U.S. App. 27807, *7-*8 (3d Cir. Nov. 30, 2007), discussing permissible acts an employee may take prior to terminating his employment without breaching his fiduciary duties.

of time." These actions create genuine issues of material fact about the conspiracy among the Defendants. (Id. at 7.)

BMI fails entirely to develop its conspiracy theory based on Scherch's Declaration and the fact that he went to work for Accuray as an independent contractor immediately after leaving BMI. We need not address BMI's second argument, i.e., that Accuray and the Individual Defendants conspired for the latter to leave BMI, taking confidential information that was subsequently used by Accuray to compete with BMI because, as we have concluded above, no such acts constituting unfair competition have been established. With regard to the first part of the claim, i.e., that Accuray and the Individual Defendants conspired to establish an office in Pittsburgh for the purpose competing with BMI, without some evidence to support it, we soundly reject the argument that such an act is evidence of malice or unlawful actions. The record shows that both Accuray and Best Medical provide goods and services on a nationwide basis. There is no evidence to show Accuray was acting for other than professional business reasons when it decided to open an office in Pittsburgh where, the Court notes, there is a substantial and sophisticated medical presence. Nor is there any evidence that the Individual Defendants decided to leave BMI for any reason other than to advance their own careers, especially when it was obvious that after the Acquisition, BMI's intent was to reduce the number of engineering and development employees and to

outsource much of the computer programming previously done in that department. *See* Festa v. Jordan, CA No. 09-2240, 2011 U.S. Dist. LEXIS 80617, *17 (M.D. Pa. July 25, 2011) ("a showing that a person acted for professional reasons, and not solely to injure the plaintiff, negates a finding of malice"); *see also* Bro-Tech Corp., 651 F. Supp.2d at 419 (if the acts alleged were done for "professional or business benefit," rather than intent solely to injure the plaintiff, no showing of malice has been made.)

In the absence of evidence to support BMI's conspiracy claim,[29] summary judgment is granted to Accuray and the Individual Defendants on Count II.

V. ANALYSIS: THE HILL CASE

In this case, we have a motion for summary judgment on the question of whether BMI breached its severance agreement with Hill by failing to pay benefits when he left the company in October 2007. In addition, BMI raised four counterclaims, some of which overlap with those discussed in the previous sections; Hill has moved for summary judgment on those claims as well. We begin with the issue of Hill's severance benefits.

A. Breach of Contract by BMI

1. Hill's claim and arguments: As noted in Section I above, the severance agreement between Hill and NOMOS provided that

[29] BMI's brief in opposition again simply reiterates the allegations of the Complaint without reference to the evidence of record. (Doc. No. 128 at 7-9.)

certain benefits would be triggered by Hill's "involuntary termination," a situation which included, among other events, his voluntary resignation "within sixty (60) days following (A) a change in [his] position at [NOMOS] which materially reduce[d] [his] duties and responsibilities." (Doc. No. 1, and Exh. B thereto.) The severance agreement does not define the term "materially reduce" or provide examples of what would constitute a material reduction.

Hill alleged that after the BMI Acquisition on September 11, 2007, he was told he would be moved from his position as Vice President for Engineering & Development to Director of Software for a new entity to be formed. In addition, his staff was cut by at least three and the remaining staff would no longer be charged with developing products but only "defining" them. These events materially reduced his duties and responsibilities, thus entitling him to severance benefits when he resigned on October 4, 2007, well within the 60-day period following announcement of this change. BMI's refusal to pay the benefits constituted a breach of the severance agreement.

According to Hill's brief in support of his motion for summary judgment, BMI has admitted that the reorganization of his department cut his staff by at least 50%. (*See* Doc. No. 138, Exh. 13, Cernica Depo. at 122, stating that he had been told BMI "had fired or let go of half of [Hill's] staff.") As evidence of a

material reduction in this area of his managerial duties after the Acquisition, Hill notes the immediate termination of three employees in his department on September 27, 2007, and an e-mail from his direct supervisor, Michael Ryan, to Mr. Suthanthiran, the president of BMI, stating that before the Acquisition, NOMOS had planned to reduce the headcount by 15 people. (Doc. No. 138, Exh. 6.) On September 30, 2007, Mr. Ryan also wrote that if Mr. Suthanthiran's desire was to "form a design team nucleus and then farm out much of the code writing, etc., I would reduce the headcount to 10 people, including the manager." (Id., Exh. 7.)

Second, Hill's job description at the time he became Vice President for Engineering & Development included four broadly defined duties: (1) helping to develop the company's research, development, and implementation of products; (2) defining and executing processes to conceive, define, develop, and deliver complex software-driven, electromechanical medical products; (3) working with the NOMOS marketing department on all phases of product design, development, characterization, and transfer to the manufacturing effort; and (4) attracting, retaining, and developing department staff engineers and others, a total of 30-40 employees. (Doc. No. 138, Exh. 2.) Hill argues the material reductions in his personal responsibilities as a result of his move from Vice President to Director were also admitted by Dr. Cernica when he testified that Tom Rowden, a BMI employee who had worked for Hill,

had told him Hill's duties had been diminished. (Doc. No. 138 at 3-4 and Exh. 13, Cernica Depo. at 122.)

2. BMI's arguments: BMI points out that the job description relied upon by Hill to show that his duties and responsibilities had been materially reduced following the Acquisition also includes an acknowledgment that he knew the description would be "subject to modification at any time." (Doc. No. 148 at 3.) Relying on an affidavit from Ruth Bergin, BMI's Senior Vice President and General Counsel, BMI further argues that Hill's new duties as Director of Research[30] were not materially different from those he had as Vice President for Engineering & Development. (Id. at 3, *see also* Doc. No. 150, Exh. 9.) A third reason Hill was not entitled to severance benefits is that he did not "execute and deliver to the Company, at the time of such Involuntary Termination, a general release" as required by the severance benefits agreement. (Id. at 3, Doc. No. 150, Exh. 3 at 3 and Exh. 9.) In sum, BMI argues, Hill voluntarily resigned to take a new job with Accuray; such a voluntarily resignation does not entitle him to severance benefits; and therefore, BMI, as successor to NOMOS, did not breach the severance agreement by refusing to provide the benefits Hill seeks. (Doc. No. 148 at 2-5.)

3. Relevant law: To prevail on a breach of contract

[30] We note for the record that Hill's new title was not intended to be Director of Research but rather Director of Software.

claim under Pennsylvania law, the plaintiff must establish: "(1) the existence of a contract, including its essential terms, (2) a breach of a duty imposed by that contract; and (3) resultant damages." Williams v. Nationwide Mut. Ins. Co., 750 A.2d 881, 884 (Pa. Super. Ct. 2000) (internal quotation omitted.) To withstand summary judgment on a claim for breach of contract, the non-moving party must demonstrate the existence of a genuine issue of fact regarding at least one of those three elements. Harry Miller Corp. v. Mancuso Chems. Ltd., 469 F. Supp.2d 303, 322 (E.D. Pa. 2007).

4. Discussion and conclusion: The evidence is clear that the parties did in fact have a contract which both agree was binding at the time Hill resigned his position with BMI. Hill has quantified his damages for unpaid salary and bonus. (Doc. No. 138, Exh. 15, ¶ 11.) Thus, the first and third elements of a breach of contract claim have been established. BMI has admitted that after the reorganization, product development - one of Hill's major duties - was to be substantially outsourced. (Doc. No. 149, ¶ 28.) BMI has also admitted that although his "title remained the same following the acquisition, Mr. Hill's job responsibilities were diminished and half of his staff were fired or let go by Best Medical following the Best Medical acquisition of NOMOS." (*See* Doc. No. 120, ¶ 22 and Doc. No. 129, ¶ 22.)[31]

[31] This is one of the instances referred to above where BMI admits a critical statement of fact by Hill or another Defendant, yet goes on to argue in its brief that summary judgment cannot be granted on this claim.

Hill's duties as Vice President for Engineering & Development are clearly spelled out in the record; the duties he would have had as Director of Software are not. As a vice president, Hill reported to a Senior Vice President of NOMOS; his place in the BMI management hierarchy as Director of Software and member of a medical advisory board for the new entity is not explained. Although Accuray and Hill provided evidence that some 20 NOMOS employees were terminated after the BMI Acquisition (Doc. No. 138, Exhs. 8 and 9), it is unclear from that evidence how many reported to Hill. However, the evidence shows that the intent of the restructuring of his department was to outsource all product development functions, retaining only product definition to be done by in-house staff.

BMI argues that the affidavit from its general counsel, Ruth Bergin, states that after the reorganization, Hill's duties were not "materially reduced." (Doc. No. 148 at 3.) However, we note that Ms. Bergin's affidavit does not state that Hill's duties were not "materially reduced," only that he was "not demoted." To trigger payment of the severance benefits, the agreement requires only a change in position which materially reduces the employee's duties and responsibilities, not a demotion. It is clear his position was to be changed, i.e., from Vice President of Engineering & Development to Director of Software, and it appears from the evidence that his direct supervisory and managerial duties

were being displaced by a position as a member of an advisory board. Moreover, Ms. Bergin's affidavit is not supported by concrete evidence, e.g., a copy of the job description for Director of Software which would allow the Court to determine if the duties, responsibilities, and other aspects of his former and proposed positions were comparable or at least had not been materially reduced. Despite BMI's argument that Hill failed to fully describe the extent of his proposed duties and thus cannot show that they were materially reduced (Doc. No. 149, ¶¶ 14, 28), it would seem to the Court that since BMI would have created the new job description, BMI should have the burden of proof on this question.

Ms. Bergin's affidavit notes the "importance" Hill had to the company at the time he resigned and her awareness that Mr. Suthanthiran had "made it clear that he valued Rob Hill and did not want him to leave NOMOS." This statement is undercut by contemporaneous documents from which one can readily infer that Hill was also destined to be let go. In the September 30, 2007 e-mail to Mr. Suthanthiran, Mr. Ryan referred to "Rob Hill or Replacement," and stated: "I know your feelings about Rob Hill; however, I would keep him in place for a short period of time to ensure an orderly transition; then take whatever steps you feel necessary." (Doc. No. 138, Exh. 7.)

Finally, we reject BMI's argument that Hill was not entitled to severance benefits because he failed to provide a general

release. Logically, Hill would have signed a release concurrently with payment of the benefits, an event which never occurred.

BMI has failed to support with record evidence its argument that it did not breach the severance agreement. Hill has come forward with evidence that his position, managerial responsibilities, and most likely supervisory responsibilities were going to be decreased as the result of the reorganization of his department. He has provided an affidavit establishing the amount of his damages (Doc. No. 138, Exh. 15); BMI has failed to respond to the affidavit in any of its pleadings, thus opening the door to an award in the stated amount. *See* QVC, Inc., v. MJC Am., Ltd., CA No. 08-3830, 2011 U.S. Dist. LEXIS 77289, *19 (E.D. Pa. July 18, 2011) (granting summary judgment in favor of plaintiff and awarding monetary damages established by an unrebutted affidavit.) In the absence of any genuine issues of material fact to refute Hill's argument that he was entitled to severance benefits, summary judgment is granted in favor of Hill on his breach of contract claim and he is awarded damages in the amount of $135,000.

B. Counterclaim I - Breach of Contract by Hill

1. BMI's claims: In Count I of the Counterclaims, BMI alleged that it is entitled to enforce the confidentiality obligations contained in a February 9, 2001, agreement between NOMOS and Hill.[32] Under that agreement, Hill was obligated to keep

[32] Curiously, although the Hill-NOMOS Agreement contained a two-year non-

all BMI proprietary business information and trade secrets confidential and to return all of this information upon termination of his employment. Hill allegedly breached these confidentiality obligations by (1) copying and retaining BMI's Confidential Information and (2) using or intending to use that Confidential Information for his own benefit or the benefit of Accuray. (Doc. No. 3, ¶¶ 79-86.)

2. Hill's arguments: Hill raises essentially the same arguments as above, that is, not only has BMI failed to identify any protectable trade secrets or confidential information, it has failed to come forward with evidence of any damages from Hill's purported breach. (Doc. No. 137, ¶ 6.)

3. Relevant law: *See* Section V.A.3 for the elements of a breach of contract claim under Pennsylvania law.

4. Discussion and conclusion: The Hill-NOMOS agreement contained a non-disclosure provision which required Hill, both during his employment or any time thereafter, "not to communicate or divulge to any person, firm or corporation, either directly or indirectly, and to hold in strict confidence for the benefit of [NOMOS] all Confidential Information. . .[and] not to use any [C]onfidential Information for any purpose or for his or her personal benefit other than in the course and within the scope of

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compete provision, neither in the Hill Case Counterclaims nor in the claims against Hill in the Accuray Case did BMI attempt to enforce this clause. (*See* Doc. No. 156, ¶ 6.)

Employee's employment." (Doc. No. 156, ¶ 7.)

BMI has not come forward with any evidence that Hill shared with Accuray any of the files alleged to be Confidential Information that were found on his computer(s) and storage media. Moreover, in the March 25, 2008, Stipulated Order (Doc. No. 8), Hill agreed to (1) refrain from using, sharing or disclosing any BMI Confidential Information and (2) return all BMI documents in his possession. BMI has failed to show that Hill violated the Stipulated Order in either regard at any time. Therefore, any damages arising from Hill's possession of BMI's Confidential Information could only have occurred between October 4, 2007, when he left BMI and March 25, 2008 or the date thereafter on which he signed the Stipulated Order. BMI has known about some 17,000 files allegedly on Hill's computer and storage media since early 2008, but has not identified one example of Confidential Information that was communicated to any other person or entity or used for Hill's own benefit or the benefit of anyone else. Summary judgment is therefore granted in Hill's favor on Counterclaim I.

C. Counterclaim III - Violation of PUTSA

1. BMI's claims: BMI alleges that prior to leaving BMI, Hill "copied and retained Best Medical's Confidential and proprietary business information and trade secrets" which he used or will use for his own benefit or that of Accuray in violation of the PUTSA. (Doc. No. 3, ¶¶ 95-106.)

2. Hill's arguments: Hill argues simply that this claim must fail because BMI has failed to come forward with any evidence that the Confidential Information he took with him on his computer when he went to Accuray was ever shared with Accuray, much less used by his new employer. Moreover, as discussed above, the Alleged Trade Secrets - the only information which could be the basis of a PUTSA claim - have been shown not to be trade secret material. (Doc. No. 137, ¶ 5.)

3. Relevant law: See Section IV.A.3 above.

4. Discussion and conclusion: BMI's brief in opposition to Hill's motion for summary judgment discusses at length the issue of PUTSA pre-emption as part of its argument that genuine issues of material fact exist as to Hill's violation of the PUTSA (Doc. No. 148 at 5-10), but fails to point to the issues and facts which would preclude granting summary judgment on this counterclaim. In the conclusion of the brief, BMI reiterates its argument that the source code Hill took with him to Accuray was treatment planning system ("TPS") source code and "was hard deliverable source code that Accuray expected him to produce." (Doc. 148 at 17.) BMI also repeats its argument, discussed at length in the introduction to Section IV above, that "the court has prohibited" it from examining Accuray TPS source code. (Id.)

The evidence shows that the two Alleged Trade Secrets identified by BMI came from computers or storage media retained by

Hill. (Doc. No. 121, Bryant Report, Exhs. 2-A and 2-B.) This could potentially support the claim that Hill had violated the PUTSA by misappropriating BMI's trade secrets. However, as discussed in Section IV.A.4 above, BMI has failed to establish that the source code found in Hill's possession did, in fact, rise to the level of trade secrets.

Finally, regarding the claim that Accuray expected Hill to provide TPS source code, i.e., "hard deliverables," as a *quid pro quo* for his new employment, this argument is apparently based on an exchange of e-mails among Accuray employees just after Hill had accepted the employment offer from the company on October 24, 2007. Theresa Dadone, whose title appears to be senior vice president for human resources, wrote:

> Congratulations. Now, may I preach for a moment, PLEASE be sure he has very clear objectives not only for his specific job but for his role as well. What are not just the **hard deliverables** you want from him but the competencies he needs to demonstrate and the behaviours he needs to exhibit. Paul and I are happy to partner with you to put that into a "job profile" form you can hand him when he walks in the door, along with his first six months objectives (tied clearly to revenue generation or gross margin or net income, etc.)

(Doc. No. 150, Exh. 6, emphasis added by the Court.)

The term "hard deliverables" is business jargon for specific quantifiable goals to be accomplished in a given timeframe as opposed, e.g., to skills acquired. The idea that the phrase refers to purloined source code is not supported anywhere else in the

record as far as the Court can determine. Dr. Cernica was asked about the phrase in his deposition and stated that "Accuray had asked from Mr. Hill for hard deliverables on top of his job duties. . .in an e-mail communication." (Doc. No. 138, Exh. D, Cernica Depo. at 186.) This is clearly an erroneous conclusion if Dr. Cernica was relying on the e-mail from Ms. Dadone because Hill was not listed among the recipients of that message. Dr. Cernica understood the phrase to refer to source code, but admitted he had never used the term "hard deliverables" before. However, he also stated, as the Rule 30(b)(6) representative, that this speculation reflected BMI's position. (Id. at 186-187.) Again, such speculation does not establish a genuine dispute of material fact. Summary judgment is therefore entered in favor of Hill on the PUTSA claim.

D. Counterclaim IV - Conversion

1. BMI's claims: Again, BMI alleges that during his employment, Hill had access to Best Medical's Confidential Information, including but not limited to source code. Prior to leaving BMI, Hill "copied and retained Best Medical's confidential and proprietary business information and trade secrets" without authorization. (Doc. No. 3, ¶¶ 109-116.)

2. Discussion and conclusion: The relevant law, Hill's arguments in opposition to this claim (*see* Doc. No. 137, ¶ 8, Doc. No. 138 at 16-17), and the analysis are essentially the same as those in Section IV.B above. In short, despite its arguments that

Hill illegally transferred BMI's source code or any other confidential or proprietary business information to Accuray, BMI has failed to identify even one example of such a transfer. BMI does point to the fact that in an e-mail dated October 4, 2007, an Accuray employee reminded Hill that "TPS is a big component of our system."[33] (Doc. No. 150, Exh. 6.) BMI argues that the Treatment Planning System is a major component of its CORVUS cancer treatment system and that the "illegal transfer of TPS source code from Best Medical to Accuray via Mr. Hill and others is the very subject of this action." (Doc. No. 148 at 13.) This argument would be more compelling if a search of reported opinions did not show that the phrase "treatment planning system" or "TPS" is commonly used in connection with radiotherapy and applied to equipment manufactured by companies other than BMI/NOMOS or Accuray. *See*, e.g., Johnston v. Multidata Sys. Int'l Corp., 523 F.3d 602, 605 (5th Cir. 2008) (referring to a device designed and manufactured by Theratronics International Ltd., a Canadian corporation); GE v. County of Cook, CA No. 00-6587, 2001 U.S. Dist. LEXIS 4993, *53 (N.D. Ill. Apr. 4, 2001) (equipment manufactured by Adac); and Chandler v. Multidata

[33] An equally valid interpretation of this statement, based on context, is that TPS was a reference to the Accuray division Hill would be heading. In the offer of appointment letter, his title is identified as Senior Director, Treatment Planning Systems. (Doc. No. 150, Exh. 8.) The e-mail cited by BMI states the writer's belief that "TPS is a big component" of the Accuray system, as "reflected in the organization structure so this position would be reporting to [senior management] and not to others." (Id., Exh. 6.)

Sys. Int'l Corp., 163 S.W. 537, 542 (Mo. Ct. App. 2005) (computer-operated treatment system manufactured by Multidata.)

For the reasons set forth in Section IV.B granting summary judgment in favor of Accuray on the conversion claim, summary judgment is also granted in favor of Hill on this counterclaim.

E. Counterclaim II - Breach of Fiduciary Duty

1. BMI's claims: According to BMI, Hill breached his fiduciary duty of loyalty, i.e., his duty to act in interest of BMI with respect to all matters related to his employment. Specifically, this duty obligated Hill to keep all BMI's confidential, proprietary business information and trade secrets confidential. Copying and retaining BMI's Confidential Information was a breach of that duty. (Doc. No. 3, ¶¶ 87-94.)

2. Hill's arguments: Hill offers three reasons why summary judgment should be granted in his favor on this claim: BMI has failed to identify any protectable trade secrets or confidential or proprietary information; the claim is pre-empted by the PUTSA to the extent it is based on the Alleged Trade Secrets; and because the tort claim arises from a contractual obligation to maintain confidentiality of all BMI Confidential Information, it is barred by the gist of the action doctrine. (Doc. No. 137, ¶ 7; Doc. No. 138 at 13-15.)

3. Relevant law: "An agent has a fiduciary duty to act loyally for the principal's benefit in all matters connected with

the agency relationship." Frontier Constr. Co. v. Mazzella, CA No. 09-794, 2009 U.S. Dist. LEXIS 106042, *12 (W.D. Pa. Nov. 13, 2009), *citing* Restatement (Third) of Agency, § 8.01 (2006). In most cases, an alleged breach of the duty of loyalty occurs when an employee, while still employed by his first employer, "makes improper use of [that] employer's trade secrets or confidential information, usurps a business opportunity from the employer, or, in preparing to work for a rival business, solicits customers for such rival business." Frontier Constr. Co., id. at *12, *quoting* Bro-Tech Corp., 651 F. Supp.2d at 414.

4. Discussion and conclusion: It is clear from the above statement of the law regarding an employee's fiduciary duty to his employer that Hill, as an employee of NOMOS/BMI, would be subject to such obligations. However, BMI's claim rests solely on allegedly copying, retaining, and using BMI's Confidential Information. As has been noted before, this claim, to the extent it applies to the Alleged Trade Secrets, has been pre-empted by the PUTSA. In all other aspects of the claim, we conclude it is barred by the gist of the action doctrine.

This Court has previously summarized the gist of the action doctrine in Partners Coffee Co., LLC v. Oceana Servs. & Prods. Co., CA No. 09-236, 2009 U.S. Dist. LEXIS 113209, *7-*11 (W.D. Pa. Dec. 3, 2009). Briefly stated, the doctrine is a common law theory[34]

[34] The Pennsylvania Supreme Court has not expressly adopted the gist of

"designed to maintain the conceptual distinction between breach of contract claims and tort claims" by precluding "plaintiffs from recasting ordinary breach of contract claims into tort claims." eToll, Inc. v. Elias/Savion Adver., 811 A.2d 10, 14 (Pa. Super. Ct. 2002) (internal citation omitted); *see also* Werwinski v. Ford Motor Co., 286 F.3d 661, 680, n.8 (3d Cir. 2002). The doctrine bars tort claims:

> (1) arising solely from a contract between the parties;
>
> (2) where the duties allegedly breached were created and grounded in the contract itself;
>
> (3) where the liability stems from a contract; or
>
> (4) where the tort claim essentially duplicates a breach of contract claim or the success of which is wholly dependent on the terms of a contract.

Hart v. Arnold, 884 A.2d 316, 340 (Pa. Super. Ct. 2005) (citations omitted).

> To be construed as a tort rather than breach of a contract,
>
> the [tortious] wrong ascribed to the defendant must be the gist of the action with the contract being collateral. . . .The important difference between contract and tort actions is that the latter lie from the breach of duties imposed as a matter of social policy while the former lie for the breach of duties imposed by mutual consensus.

Bohler-Uddeholm America, Inc. v. Ellwood Group, Inc., 247 F.3d 79,

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the action doctrine. However, both the United States Court of Appeals for the Third Circuit and the Pennsylvania Superior Court have predicted it would do so. *See* Williams v. Hilton Group PLC, No. 03-2590, 2004 U.S. App. LEXIS 4980, *3 (3d Cir. Mar. 17, 2004), and eToll, 811 A.2d at 14; *see also* Woods v. ERA Med LLC, CA No. 08-2495, 2009 U.S. Dist. LEXIS 3965, *24, n.11 (E.D. Pa. Jan. 21, 2009), citing other cases.

103-104 (3d Cir. 2001), *quoting* Redevelopment Auth. of Cambria County v. International Ins. Co., 685 A.2d 581, 590 (Pa. Super. Ct. 1996) (*en banc*). Succinctly stated, "if the duties in question are intertwined with contractual obligations, the claim sounds in contract, but if the duties are collateral to the contract, the claim sounds in tort." Sunburst Paper, LLC v. Keating Fibre Int'l, Inc., CA No. 06-3959, 2006 U.S. Dist. LEXIS 78890, *7 (E.D. Pa. Oct. 30, 2006); eToll, 811 A.2d at 14. Whether the doctrine applies is a question of law. Knit With v. Knitting Fever, Inc., CA No. 08-4775, 2009 U.S. Dist. LEXIS 98217, *13 (E.D. Pa. Oct. 20, 2009).

Although styled as a breach of the duty of loyalty, the only subject BMI identifies in its Complaint is breach of the confidentiality provisions of the Hill-NOMOS employment agreement. That is, although other fiduciary duties could be inferred from Hill's position as an officer of NOMOS, BMI fails to allege any breaches of such duties. Therefore, this claim is barred by the gist of the action doctrine. *See* Knit With, 2009 U.S. Dist. LEXIS 98217 at *11 (the doctrine forecloses pursuit of a tort action for mere breach of contractual duties if there is no separate event giving rise to the tort.) Summary judgment is entered in favor of Hill on Counterclaim II.

VI. ANALYSIS: THE SPELLMAN CASE [35]

Bittman, Scherch, and Spellman argue that they are entitled to summary judgment in their favor on all remaining confidentiality claims because BMI failed to identify any protectable trade secrets and failed to establish that Defendants misused any of BMI's Confidential Information. (Doc. No. 140 at 8-12.) With regard to the non-compete clauses of their agreements with NOMOS/BMI, they should be granted summary judgment because there is no evidence BMI and Accuray are competitors, that they worked on competing products and services while at Accuray, or that they have violated the November 4, 2008 Order of Court defining the permissible scope of their work at Accuray. (Id. at 13-15.)

A. Background

We begin our analysis by providing additional facts pertinent to the claims against these Defendants.

1. *John David Scherch:* According to the Complaint, Scherch was responsible for strategic planning and hands-on product development at NOMOS. In his position, he had access to source code and data files regarding NOMOS's products and services, product development documents and information, sales information, marketing projections, and product planning strategies and initiatives. (Spellman Case, Complaint, ¶¶ 26 and 41.) On May 30,

[35] In this Section, the word "Defendants" refers to Bittman, Scherch, and Spellman collectively.

1996, in consideration for certain stock options, Scherch and NOMOS entered into a Key Employee Non-Disclosure, Inventions, and Non-Competition Agreement ("the Scherch-NOMOS Agreement.") The agreement contained the following provision:

> 14. I agree that while I am employed by the Company [i.e., NOMOS] and for a period of two years after termination or cessation of such employment for any reason whatsoever, I shall not, without the Company's prior written consent, directly or indirectly, as a principal, employee, consultant, partner or stockholder of, or in any other capacity with any business enterprise . . .(a) compete in any way whatsoever with NOMOS in the design, manufacture, or sale of any device, computer hardware, software, accessories or other products, used in conformal radiation therapy, that are in competition with similar NOMOS products disclosed to me during the term of my employment with NOMOS ("Competing Products and Services"), (b) conduct a business that produces or supplies the Competing Products and Services,. . . (c) develop Competing Products and Services, [or] (d) become employed by any entity which manufactures, sells or provides the Competing Products and Services.

(Spellman Case, Complaint, ¶ 30, and Exh. B.)

The Scherch-NOMOS Agreement also contained provisions that required him to notify NOMOS of any subsequent employment and made the agreement assignable to and enforceable by a successor in connection with a merger, consolidation, or sale of all or substantially all of NOMOS's business or assets. (Spellman Case, Complaint, ¶¶ 31-32, and Exh. B, ¶¶ 17 and 21.)

Soon after the Acquisition, on October 2, 2007, in consideration for his new employment with BMI, Scherch entered into an Employee's Agreement as to Proprietary Information and Confidentiality (the "Scherch-BMI Agreement.") The non-compete

provision in that agreement stated:

> 5. Employee acknowledges that it would be impossible for him or her to avoid disclosing, revealing or using Proprietary Information in violation of Paragraph 4 hereof in the event that he or she went into competition with Company [i.e., Best Medical], or worked for, or had any ownership interest in, any of Company's competitors. Accordingly, Employee shall not, during the term of his or her employment with Company and for three (3) years after termination of such employment, (a) directly or indirectly go into competition with Company, or (b) accept any job, employment or consulting work directly or indirectly with or for any of Company's present or future competitors. . . .

(Spellman Case, Complaint, ¶ 35, and Exh. C.)[36]

As he had in his agreement with NOMOS, Scherch agreed to advise BMI of his new employment and to return all of BMI's Confidential Information upon request or upon termination of his employment. (Spellman Case, Complaint, ¶¶ 38-39, and Exh. C, ¶¶ 3 and 6.) Finally, Scherch agreed that BMI would suffer "immediate and irreparable harm" if he breached any of his obligations in the agreement. (Id., ¶ 40, and Exh. C, ¶ 7.) One significant difference between the Scherch-NOMOS Agreement and the Scherch-BMI Agreement was that the latter allowed Scherch to work "in an area or in a position with a competitor that is entirely unrelated to or not competitive with Company." (Exh. C, ¶ 5.)

Scherch left his employment with BMI on December 7, 2007.

[36] The omitted provisions(c) through (f) relate to inducing BMI employees to leave BMI, interfering with the relationship of BMI and any of its employees, employing former BMI employees, or inducing BMI customers, suppliers, etc., to cease doing business with BMI. Defendants are not alleged to have taken any actions breaching those provisions.

After working as an independent contractor for Accuray for a short period of time, he was employed by the company in June 2008 as a senior software engineer. He concedes he did not advise BMI about his new employment and did not return any confidential or proprietary materials when he left BMI.

2. *David Spellman:* As a software engineer for NOMOS and as a project manager for BMI after the Acquisition, Spellman was responsible for product development and for interacting with existing and potential customers at trade shows. In his positions, Spellman had access to source code and data files regarding NOMOS/BMI products and services, product development documents and information, sales information, and marketing projections. On February 26, 2001, Spellman entered into a Confidentiality and Proprietary Rights Agreement (the "Spellman-NOMOS Agreement") which contained exactly the same non-compete provision as that in the Scherch-NOMOS Agreement. (Spellman Case, Complaint, ¶ 48, and Exh. D.) The post-employment notification and enforceability by a successor-in-interest provisions were also identical to those Scherch had agreed to.

On September 26, 2007, Spellman entered into an agreement similar to that between Scherch and BMI, i.e., containing the same three-year non-compete provision, requirements that he return all BMI Confidential Information upon terminating his employment and notify BMI of his new employer, and language regarding "immediate

and irreparable harm" if he were to breach any of his obligations thereunder. (Spellman Case, Complaint, ¶¶ 57-59 and Exh. E.) Spellman was also allowed under his agreement with BMI to work for a competitor in an area or position unrelated to BMI's products and services. (Exh. E, ¶5.)

Spellman resigned on January 4, 2008, and a few weeks later entered into a written Consulting and Confidentiality Agreement with BMI. (Spellman Case, Complaint, ¶¶ 60-61, and Exh. F.) That agreement did not contain a non-compete provision, but did have a five-year prohibition against divulging any BMI information he acquired during the course of his consulting agreement. (Exh. F, ¶ 6.) In April 2008, Spellman began working for Accuray.

3. *Marcus Bittman:* Bittman began working with NOMOS in March 2001 as an associate software engineer, then moved to various other positions including engineering manager and marketing manager, where he was responsible for interacting with existing and potential NOMOS customers. In those positions, he also had access to BMI Confidential Information, e.g., source code and data files regarding the company's products and services, product development documents and information, sales information, marketing projections, and marketing strategies. On May 30, 2001, Bittman and NOMOS entered into a Confidentiality and Proprietary Rights Agreement (the "Bittman-NOMOS Agreement") which contained the same non-compete, notification, enforceability and "irreparable harm"

provisions as in the Scherch and Spellman agreements with NOMOS. (Spellman Case, Complaint, ¶¶ 65-72, 74-75, and Exh. G.)

Bittman resigned his employment with Best Medical on October 4, 2007, without having signed an agreement with BMI after the Acquisition. He started working for Accuray at its Pittsburgh office in February 2008.

4. General: While working for BMI, Defendants, like other employees, regularly performed work on their own personal computers both at the office and at home. As noted above, Dr. Cernica testified that it was common for staff to do this and NOMOS management never objected to the practice. All three Defendants have stated in sworn declarations that when they left BMI, no one requested them to return documents they might have had on their computers or reminded them of their obligation to provide information about their future employment or the non-compete and confidentiality provisions of their agreements with NOMOS and/or BMI. (Doc. No. 142, Exhs. 10, 11 and 12.) All three Defendants also assert that since they left BMI, they have not used or shared any BMI materials with other persons or entities. (Id.)[37]

[37] These points are all disputed by BMI (*compare* Doc. No. 142, ¶¶ 45-47, with Doc. No. 147, ¶¶ 45-47), but BMI fails to identify record evidence to support its denial, contrary to Local Rule 56(C)(1)(b) and (B)(1), which requires citation "to a particular pleading, deposition, answer to interrogatory, admission on file or other part of the record supporting the party's statement, acceptance or denial of the material fact." *See* Laymon v. Bombardier Trans. (Holdings) USA, Inc., CA No. 05-169, 2009 U.S. LEXIS 24403, *2-*3 (W.D. Pa. Mar. 23, 2009), noting that the penalty for failing to comply with Local Rule 56(C)(1)(b) is that the facts

As noted above, BMI sued Bittman, Scherch, and Spellman on October 6, 2008, when it learned, purportedly through discovery in the Hill Case, that the three former employees had begun working for Accuray some four to eight months earlier in violation of the non-compete clauses in their employment agreements. On November 4, 2008, the parties agreed to a Stipulated Order which enjoined Defendants from using or sharing any BMI "confidential and proprietary information and trade secrets."[38] However, Defendants were permitted to continue their employment with Accuray as long as they were not working

> on any existing products or products in development at Accuray, Inc., or any other company or employer, which are equivalent in form, fit and function to any products which were in existence or in development at Best Medical and/or [NOMOS] while Defendants were employed at Best Medical and/or NOMOS, and on which Defendants worked, had access, and/or were involved with.

(Spellman Case, Doc. No. 15, ¶ 4.)

The term "equivalent in form, fit and function" was described in terms of specific software, serial tomotherapy delivery, ultrasound imaging delivery, and optical tracking systems.[39] (Id.)

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stated in the opposing party's statement of material facts are "deemed admitted unless specifically denied or otherwise controverted by a separate concise statement of the opposing party."

[38] The definition of "confidential and proprietary information and trade secrets" was identical to that in the Stipulated Order to which Hill agreed on March 25, 2008, quoted at note 8 above. (Spellman Case, Doc. No. 15, ¶ 3.)

[39] The products on which Defendants could not work were explicitly spelled out, i.e., "(i) software systems used in the generation of intensity modulated radiation therapy ("IMRT") treatment plans for delivery by

The November 4, 2008 Stipulated Order also required Defendants to turn over to BMI's computer forensics examiner their computers and electronic storage media for the same type of review, cataloguing, and deletion as Hill's equipment had undergone. (Id., ¶¶ 5-11.)

We turn now to each of the claims raised by BMI in the Spellman Case, beginning with the PUTSA claim.

B. Count VII - Violation of PUTSA

BMI alleged that during their employment, Bittman, Scherch, and Spellman had access to the company's "confidential and proprietary business information and trade secrets, including but not limited to source code, data files and marketing materials." (Spellman Case, Complaint, ¶ 145.) Due to the discovery of "thousands of files" in Hill's possession, BMI alleged that Defendants could also possess its trade secrets which they used or might use in the future for their own benefit or that of Accuray. (Id., ¶¶ 154-155.)

We need not dwell on this issue more than a sentence or two. As noted above, BMI stipulated that there were only two remaining

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gantry based medical linear accelerators using a multi-leaf collimator ("MLC") to collimate the radiation fields (i.e., compete with the Best Medical CORVUS treatment planning system); (ii) systems that deliver serial tomotherapy on gantry based medical linear accelerators (i.e., compete with the Best Medical nomosSTAR product); (iii) systems that provide ultrasound imaging to aid in treatment guidance/localization (i.e., compete with the Best Medical BAT product); and (iv) systems that employ optical tracking systems with passive markers to aid in patient localization during treatment delivery (i.e., compete with the Best Medical nTrak product.)" (Spellman Case, Doc. No. 15, ¶ 4.)

trade secrets at issue in this case. The evidence shows that both Alleged Trade Secrets were recovered from Hill's computer or storage media. (Doc. No. 122, Exhs. A and B.) BMI has offered no evidence to contradict this conclusion in its brief opposing summary judgment in favor of Defendants. Rather, relying on a number of cases discussing PUTSA violations at the stage of a motion to dismiss,[40] BMI argues only that "the question still present for the court to decide as the trier of fact is whether or not the confidential material possessed by Defendants constituted a trade secret under PUTSA." (Doc. No. 146 at 3-5, 8.) As discussed at length above in Section IV.A, BMI has failed to establish that either of the Alleged Trade Secrets did, in fact, constitute a trade secret as that term is defined in the PUTSA or that it suffered any damages as a result of the purported misappropriation. Therefore, summary judgment on Count VII must be entered in favor of Bittman, Scherch, and Spellman.

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[40] BMI cites to Roger Dubois N. Am., Inc., v. Thomas, CA No. 05-2566, 2006 U.S. Dist. LEXIS 65674, *10 (M.D. Pa. Sept. 14, 2006); Stone Castle Fin., Inc., v. Friedman, Billings, Ramsey & Co., Inc., 191 F. Supp.2d 652, 659 (E.D. Va. 2002) (applying Virginia version of the Uniform Trade Secrets Act); Cenveo Corp., *supra*, 2007 U.S. Dist. LEXIS 9966 at *8-*11; Ideal Aerosmith, *supra*, 2008 U.S. Dist. LEXIS 33463 at *17-*18 (motion for judgment on the pleadings); Weiss v. Fiber Optic Designs, Inc., CA No.06-5258, 2007 U.S. Dist. LEXIS 83585, *3 (E.D. Pa. Nov. 9, 2007); Firstrust Bank v. DiDio, No. 200, 2005 Phila. Ct. Com. Pl. LEXIS 376 (Pa. Com. Pl. July 29, 2005); and EXL Labs., *supra*, 2011 U.S. Dist. LEXIS 25295 at *18-*20. The only case cited by BMI which pertained to a motion for summary judgment was Bro-Tech Corp., 651 F. Supp.2d at 411, in which the court denied the defendants' motion for summary judgment because there were genuine issues of material fact as to whether the information they took qualified as trade secret information.

C. Breach of Confidentiality Provisions in Contracts with BMI and NOMOS - Counts I through VI

In the Spellman complaint, BMI organized its allegations according to the agreements Defendants signed with either itself or with NOMOS. The allegations fall into two distinct groups - breach of confidentiality provisions and breach of non-compete provisions. Because there is almost complete duplication of the allegations against each Defendant, we have addressed BMI's claims according to the type of breach to simplify the discussion and begin with the allegations regarding the confidentiality provisions.

1. BMI's claims: BMI first alleges that Scherch and Spellman violated confidentiality clauses in their employment agreements with BMI. (Spellman Case, Complaint, Counts I and III, respectively.) Second, Spellman breached the confidentiality provisions of the consulting agreement he signed with BMI on January 25, 2008. (Id., Count V.) Third, Defendants breached the confidentiality provisions of their agreements with NOMOS which BMI, as a successor-in-interest, is entitled to enforce. (Id., Counts II, IV, and VI.)

2. Defendants' arguments and relevant law: As noted above, to prevail on a breach of contract claim under Pennsylvania law, the plaintiff must establish the existence of a contract, breach of a duty imposed by that contract, and damages. Williams v. Nationwide Mut. Ins. Co., *supra*. Defendants argue that BMI has

failed to satisfy these elements because there is no evidence that they divulged BMI Confidential Information to any third party, including Accuray. (Doc. No. 140 at 8-11.)

3. Discussion and conclusion: As indicated above, BMI has conceded that neither of the Alleged Trade Secrets was found on the computers or storage media of any Defendant. Now, however, it argues that although no trade secret materials were found when the computers were searched by its forensic computer expert, there is no evidence they did not contain trade secret information when Defendants left BMI. (Doc. No. 146 at 5.) While this may be true, there is no evidence to support this hypothesis. At this stage, BMI's allegation in its complaint that Defendants misappropriated its trade secrets does not create an issue of material disputed fact. As the Third Circuit Court of Appeals has succinctly stated, "[S]ummary judgment is essentially 'put up or shut up' time for the non-moving party: the non-moving party must rebut the motion with facts in the record and cannot rest solely on assertions made in the pleadings, legal memoranda, or oral argument." Berckeley Inv. Group, Ltd. v. Colkitt, 455 F.3d 195, 201 (3d Cir. 2006) (Fisher, J.) BMI's speculation that *there might have been* trade secrets on Defendants' computers at some point in time does not create a genuine dispute sufficient to withstand summary judgment.

As for other BMI documents and information, Defendants note that in its May 27, 2011, amended discovery responses (Doc. No.

142, Exh. 9 at 3-4), BMI identified for the first time 33 allegedly misappropriated computer files which, while not trade secrets, were purported to contain proprietary or confidential information ("the Alleged Confidential Materials.") However, BMI failed to explain why or how these documents were in fact confidential, stating in its response only that each item was designated by its originator as "confidential." (Id. at 4.)

According to Defendants' declarations, when copies of the documents themselves were actually produced by BMI on July 21, 2011 (one day before Defendants' motion for summary judgment was to be filed), they determined that of the 33 documents, none were found on Spellman's computers or storage devices. Seven documents were found on Scherch's devices, but, according to the records prepared by BMI's own forensic computer specialist, none of them were accessed or modified after he left BMI in December 2007 and, in fact were last accessed some nine months prior to the date on which he resigned from BMI. Of the 26 Alleged Confidential Materials found on Bittman's computers, only two were accessed after he resigned from BMI. According to a declaration submitted by Bittman, his original computer "crashed" in June 2008 and he copied all the documents on his hard drive to a new computer. As a result, the metadata for those two documents show that they were "accessed" as of the date the transfer was made. (Doc. No. 140 at 11-12 and Doc. No. 142, Exh. 12, ¶ 32.)

BMI acknowledges these statements in its brief in opposition to Defendants' motion for summary judgment (Doc. No. 146 at 7-8), but fails to establish damages from Defendants simply retaining these Alleged Confidential Materials. Allowing a claim for breach of the confidentiality provisions of a contract to proceed solely on the fact that the author designated a particular document as confidential would theoretically allow a claim to arise if the defendant copied, for example, the Christmas shopping list of a co-employer, that is, a document that had no economic value to BMI. Without evidence to support this bare allegation of confidentiality, and without a hint to the Court of what these Alleged Confidential Materials might be, to the extent the breach of contract claim rests on these documents or files, that claim must fail.

We agree that, technically, Defendants breached the confidentiality provisions of their agreements with BMI and NOMOS by failing to return documents and computer files when they left BMI. However, BMI has not come forward with any evidence that Defendants shared that information with any entity, including Accuray, nor has BMI shown that Defendants' failure to return the information prior to their departure resulted in any damages. Summary judgment is therefore granted to Defendants on the breach of the confidentiality provisions of their contracts with BMI and NOMOS.

D. Breach of Non-Competition Provisions in Contracts with BMI and NOMOS - Counts I through IV and VI

1. BMI's claims: BMI alleged that pursuant to the non-compete provisions in their employment agreements, Scherch and Spellman were prohibited from working for a competitor of BMI for three years following termination of their employment. (Spellman Case, Complaint, Counts I and III, respectively.) Scherch and Spellman also breached a provision of those contracts requiring them to inform BMI in writing of their new employment. Finally, as successor-in-interest to NOMOS, BMI is entitled, by virtue of the Purchase Agreement, to enforce the two-year non-compete clauses in those agreements. (Id., Counts II, IV, and VI.)

2. Defendants' arguments: Defendants contend that BMI's arguments regarding breach of the non-compete provisions are fatally flawed because BMI has, in effect, conceded that the work they have done for Accuray does not constitute "competition" with BMI. In addition, BMI has once again failed to come forward with any evidence of harm, e.g., lost sales, as a result of the alleged breaches of the non-compete provisions. (Doc. No. 140 at 13-15.)

3. Relevant law: Restrictive covenants prohibiting an employee from competing with his former employer are recognized under Pennsylvania law. Zambelli Fireworks Mfg. Co. v. Wood, 592 F.3d 412, 424 (3d Cir. 2010.) While such covenants are disfavored as a restraint on trade, they are enforceable to the extent that

they are "incident to an employment relationship between the parties; the restrictions imposed by the covenant are reasonably necessary for the protection of the employer; and the restrictions imposed are reasonably limited in duration and geographic extent." Victaulic Co. v. Tieman, 499 F.3d 227, 235 (3d Cir. 2007); *see also* Hess v. Gebhard & Co., 808 A.2d 912, 917 (Pa. 2002) (non-compete and other restrictive covenants "are not favored in Pennsylvania and have been historically viewed as a trade restraint that prevents a former employee from earning a living.") "Generally, American courts insist that an employer may not enforce a post-employment restriction on a former employee simply to eliminate competition *per se*; the employer must establish a legitimate business interest to be protected." Hess, 808 A.2d at 918.

4. Discussion and conclusion: Defendants all assert under penalty of perjury that after they left employment with BMI - even before they agreed to the Stipulated Order of November 4, 2008 -- they did not work on any existing products or products in development with Accuray or any other employer that are equivalent in form, fit and function to any products which were in existence or in development at BMI or NOMOS while they were employed there. BMI responds only that other than these "self-serving declarations," it does not have sufficient knowledge to admit or deny these statements. (Compare Doc. No. 142, ¶¶ 66-71 and Exhs. 10-12, with Doc. No. 147, ¶¶ 66-71.)

As noted above, the November 4, 2008 Stipulated Order agreed to by BMI allowed Defendants to continue working at Accuray as long as they did not work on a precisely described set of products. (See note 39, *supra*.) The specificity with which that restriction was set out would seem to imply that the four products described in the Stipulated Order were and are the only areas in which Accuray and BMI saw themselves as competitors. Defendants have declared that they have not worked on these products at any time, even before the Stipulated Order was entered, and BMI has presented no evidence which would cast doubt on those sworn statements.

Defendants further assert that BMI and Accuray are not competing companies because each services a different segment of the health care industry, sells different types of equipment under different pricing plans, and the equipment each provides requires different types of support, facilities, and operating software. (Doc. No. 142, Exhs. 10-12.) BMI denies this statement but provides no citation to the evidence of record supporting its argument that they are in fact competitors, contrary to Local Rule 56(C)(1)(b). It would appear to be a simple matter for BMI to identify products and services in which the two companies compete, assuming such areas exist, since the market for such specialized products is most likely quite small. Dr. Cernica, for example, apparently knew a great deal about how the Accuray Cyberknife system worked (*see* Doc. No. 121, Exh. 2, Cernica Depo. at 237, 246,

278-279, 287-288), and would seem to be capable of giving examples of competing BMI products.

As we have repeatedly noted, a party opposing summary judgment "cannot rest on mere pleadings or allegations; rather it must point to actual evidence in the record on which a jury could decide an issue of fact its way." El v. SEPTA, 479 F.3d 232, 238 (3d Cir. 2007). BMI did not identify any damages it incurred between the time Defendants left its employ through the date of the Stipulated Order. BMI agreed in November 2008 to allow Defendants to continue to work for Accuray in any capacity except four very specific areas. In the intervening three years, BMI has failed to identify a single breach of that Order by any of the Defendants. It cannot now simply rest on the existence of non-compete provisions which it agreed to suspend, especially in the absence of damages. Summary judgment is granted to Bittman, Scherch and Spellman on this issue.

VII. CONCLUSION

In the absence of any genuine issues of material fact on any claim or counterclaim raised by BMI in the three cases addressed herein, summary judgment is granted in favor of Accuray, Hill, Bittman, Scherch and Spellman. An appropriate Order follows.

October 24, 2011

William L. Standish
United States District Judge