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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Tucson Embedded Systems Incorporated,

Plaintiff/Counter-
Defendant,

v.

Turbine Powered Technology LLC,

Defendant/Counter-
Plaintiff.

No. CV-14-01868-TUC-BGM

**AMENDED ORDER
(Amended at 3:11 pursuant to stipulation)**

Currently pending before the Court is Plaintiff/Counterdefendant Tucson Embedded Systems, Inc.’s Motion for Partial Summary Judgment Re Arizona Trade Secrets Claim [Counterclaim Count Four] (Doc. 89). Defendant/Counterplaintiff Turbine Powered Technology, LLC filed its Response (Doc. 95) and Supplemental Response (Doc. 117). Plaintiff/Counterdefendant has replied and supplemented as well (Docs. 101 & 123).¹ On March 24, 2016, oral argument was held. Minute Entry 3/24/2016 (Doc. 128).

...

¹ The parties’ supplemental briefs were properly filed pursuant to this Court’s February 11, 2016 Order (Doc. 114).

1 **I. FACTUAL BACKGROUND²**

2 **A. *The Initial Project***

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4 In the fall of 2012, Turbine Powered Technology, LLC (“Turbine” or “TPT”)
5 began to develop the concept of building turbine driven generators that would run on
6 field gas for placement at oil and gas wells in remote locations. First Amended
7 Counterclaim (“Counterclaim”) (Doc. 15) at ¶ 5; *see also* Def.’s Controverting and
8 Separate Statement of Facts (“Controverting SSOF”) (Doc. 96), McIntyre Decl. (Exh.
9 “A”) (Doc. 108) at ¶¶ 4–6 & Grow Decl. (Exh. “E”) (Doc. 96-5) at ¶ 7. Tucson
10 Embedded Systems, Inc. (“TES”) was tasked with building the engine control systems to
11 control the turbine engines, called Industrial Digital Engine Controllers (“IDECs”).
12 Counterclaim (Doc. 15) at ¶¶ 7, 9. Ted McIntyre is the Chief Executive Officer (“CEO”)
13 and Manger of Turbine. McIntyre Aff. 7/25/2014 (Doc. 53-3) at ¶ 1.

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16 On October 3, 2013, TES sent Turbine a proposal dated October 4, 2013. *Id.* at ¶
17 24. This was not the first proposal exchanged by the parties. *Id.* at ¶¶ 6–19. Mr.
18 McIntyre identified the October 4, 2013 Proposal as TPT EMAILS # 000155-159 (Terms
19 and Conditions attachment excluded). *Id.* at ¶ 24; *see also* Pl.’s Separate Statement of
20 Facts (“SOF”) (Doc. 90), TPT EMAILS # 000155-159 (Terms and Conditions
21 attachment excluded) (Exh. “B”). The October 4, 2013 Proposal reflects a total cost of
22 \$1,139,600.00; however, the addition is incorrect and the actual total is \$1,117,600.00.
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27 ² To the extent that the facts are undisputed, the Court relies primarily on Plaintiff’s
28 Statement of Facts. Where disputes occur, Defendant’s objections are either noted or its
clarification integrated as appropriate.

1 McIntyre Aff. 7/25/2014 (Doc. 53-3) at ¶ 26; *see also* Pl.’s SOF (Doc. 90), Exh. “B” at 2.
2 Turbine accepted the payment and delivery schedule set forth in the October 4, 2013
3 proposal, but did not accept the Terms and Conditions or otherwise alter its previous
4 express rejection of the same. McIntyre Aff. 7/25/2014 (Doc. 53-3) at ¶¶ 27–28.
5

6 TES delivered the IDEC Units 13-24 to TPT. Pl.’s SOF (Doc. 90), Turbine’s
7 Response to Pl.’s RFA (Exh. “C”) at ¶ 8. Turbine asserts that TES delivered the number
8 of IDEC Units described in the October 4, 2013 Proposal, but further asserts that the
9 IDECs did not function as Turbine needed. McIntyre Decl. 6/1/2015 (Doc. 82-1) at ¶ 27.
10 Turbine accepted the IDEC Units described in the October 4, 2013 Proposal. Pl.’s SOF
11 (Doc. 90), Exh. “C” at ¶ 9. Turbine asserts that it has paid \$740,894.82 of the
12 \$1,117,600.00 agreed to by the parties. Order 3/11/2015 (Doc. 67) at 10:9–10.
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15 ***B. The Instant Litigation***
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17 On February 26, 2014, TES filed this lawsuit alleging, *inter alia*, a breach of
18 contract based on Turbine’s alleged failure to pay amounts owed for the IDECs. *See*
19 Compl. and Jury Trial Demand (Doc. 1). On March 21, 2014, Turbine filed its
20 counterclaim alleging, *inter alia*, that TES misappropriated Turbine’s trade secrets. *See*
21 Answer and Counterclaim (Doc. 11).
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23 ***C. Turbine’s Alleged Trade Secrets***
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25 In its First Amended Counterclaim, Turbine alleges that its trade secrets include:

26 (a) “. . . the use of the T-53 as a driver for a power generator, including
27 obtaining access to the Turbine Power’s dyno, equipment, manufacturing
28 and development facilities and Turbine Power’s engineers and
technicians[;]” and

1 (b) “. . . the timing temperatures, flow rates, horsepower settings, and
2 pressures at which the T-53 optimally operated, all of which TES learned
3 from Turbine Power and its engines, equipment and people.”

4 Turbine’s First Amended Counterclaim (Doc. 15) at ¶¶ 50–51. Turbine “affirmatively
5 alleges that its trade secrets are a compilation consisting of the parameters and settings,
6 including timing, temperatures, flow rates, horsepower settings, pressures, warning
7 protocols, and shutdown protocols, necessary to make a T-53 engine run on field gas
8 drive a one megawatt (1 mw) generator in oil and gas industry applications in remote
9 locations where personnel cannot be constantly on sight monitoring it to prevent
10 catastrophic failures.” Def.’s Controverting SSOF (Doc. 96) at ¶ 13; *see also* McIntyre
11 Decl. 9/25/2015 (Doc. 108) at ¶ 11. TES propounded non-uniform interrogatories upon
12 Turbine, one of which sought Turbine to “[d]escribe in detail each and every trade secret
13 TES allegedly misappropriated to support TPT’s claims in Count Four of TPT’s First
14 Amended Counterclaim.” Pl.’s SOF (Doc. 90), Turbine Powered Technology, LLC’s
15 Responses to Plaintiff/Counterdefendant’s Non-Uniform Interrogatories (Exh. “D”) at 6.
16 TPT’s response was as follows:

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21 TPT objects to the Interrogatory in that it asks TPT to reveal
22 proprietary, trade secret information without adequate protective measures.
23 Namely, TPT and TES have yet to agree on a form of protective order.
24 Subject to and without waiving the aforementioned objections, TPT
25 responds as follows:

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28 TPT did have trade secrets in the information that was conveyed to
TES. Ted McIntyre, unlike anyone else, possessed specific knowledge
about controlling T-53 turbine engines for industrial uses. The Honeywell
manual TES refers to is a FLIGHT engine manual, not an industrial engine
use manual. The specialized knowledge is knowing how to convert an
aircraft engine to industrial use (without any manual on that for the T-53
engine). An engine in a helicopter does not operate the same as a generator

1 producing 1000 Kw of power. The controls must be configured differently
2 for these very different applications. Some baselines were the same, but
3 many were different. TPT did make reasonable efforts to keep these secret,
4 by just telling the TES engineers the set-points at which to perform certain
5 actions. TPT further sought to keep the trade secrets secret by so stating in
6 every email from TPT's Electrical Manager Jimmie Growe [sic] to David
7 Crowe. This was more than a reasonable effort to maintain secrecy of the
8 trade secret, as the software was supposed to be owned by TPT. TPT
9 purchased it for that purpose. TPT was not paying TES to come train for
10 free at TPT's facility so that TES could then take that trade secret and
11 attempt to sell it to other companies. If TPT had known that TES would try
12 to steal the trade secrets of how to control a T-53 engine for industrial use,
13 much more effort at secrecy would have been made. Finally, the
14 circumstances that required TES to protect the secret from disclosure were
15 the ongoing negotiations between TES and TPT as to the nature of their
16 relationship. TES represented to TPT that TES wanted an exclusive
17 relationship with TPT for the T-53 engine powered generators and wanted
18 to be a partner. (See TES Motion for Protective Order page 10 lines 11/12
19 where TES alleges a "Turbine and TES Joint Venture[.]" TPT at some
20 point declined, and at that point TES really began behaving in bad faith.
21 Again, at all times in email correspondence between TPT's Electrical
22 Manager and TES personnel, the TPT emails stated that the information
23 contained therein constituted trade secrets and gave the recipient notice of
24 the same.

17 Pl.'s SOF (Doc. 90), Exh. "D" Interrogatory No. 7 Answer. In response, Turbine
18 reasserts "that its trade secrets are a compilation consisting of the parameters and settings,
19 including timing, temperatures, flow rates, horsepower settings, pressures, warning
20 protocols, and shutdown protocols, necessary to make a T-53 engine run on field gas
21 drive a one megawatt (1 mw) generator in oil and gas industry applications in remote
22 locations where personnel cannot be constantly on site monitoring it to prevent
23 catastrophic failures. Def.'s Controverting SSOF (Doc. 96) at ¶ 14; *see also* McIntyre
24 Decl. 9/25/2015 (Doc. 108) at ¶ 11.

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1 **D. Public Availability**

2 TES asserts that “[t]he ‘timing, temperatures, flow rates, horsepower settings, and
3 pressures at which the T-53 optimally operated,’ identified in Turbine’s Counterclaim is
4 publicly available information.” Pl.’s SOF (Doc. 90), Crowe Aff. (Exh. “E”) at ¶ 4. TPT
5 disagrees, asserting “[u]nlike aviation-engine information, [the specific] information [it
6 uses] is not publicly available information and is known only to TPT due to TPT and Ted
7 McIntyre’s extensive experience and experimentation with the T-53 engine.” Def.’s
8 Controverting SSOF (Doc. 96), Exh. “A” at ¶¶ 2–15 & Exh. “E” at ¶¶ 8–15. In support
9 of its contention, TES cites several documents that it believes demonstrate the public
10 availability of Turbine’s purported trade secrets. First, Turbine’s engineer, Thomas
11 Leonard, sent an e-mail to TES with the subject line, “T53 IGV Information out of
12 Training Manual” and an electronic excerpt of the Honeywell T53 Series Intermediate
13 Maintenance Training Manual attached. Pl.’s SOF (Doc. 90), Leonard E-mail (Exh. “1”)
14 TES000976–983. TES further asserts that the Honeywell Training Manual excerpt
15 contains the optimal settings for the T53 guide vane. *Id.*, Exh. “1” at TES000982.
16 Second, TES states that the United States Army Aviation Report on the T53 contains
17 relevant specifications, and is further evidence that Turbine’s alleged trade secrets are
18 publicly available.³ Pl.’s SOF (Doc. 90) at ¶ 18. Specifically, TES point to “graphs at p.
19 89 and 90 (Figures 52 and 53 that contain the IGV Guide Vane Schedules.” *Id.* at ¶ 19.
20 “These graphs – and other portions of the document – contain the relevant T53
21 performance information that Tom Leonard located and then provided to TES as an input
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³ The Court only has the e-mail exchange between counsel regarding this document.

1 in TES’s code.” *Id.* Third, TES proffers “multiple vendors offering the T-53 training
2 manual (and other information such as mechanics’ manuals) for as little as \$30.” *Id.* at ¶
3 21.
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5 Turbine asserts that the “Honeywell Training Manual contains information about
6 the appropriate settings for the T-53 engine [and the optimal settings for the T53 guide
7 vane] *for use in aircraft purposes and using liquid fuel.*” Def.’s Controverting SSOF
8 (Doc. 96) at ¶¶ 16–17 (emphasis in original), Exh. “A” at ¶ 13, Exh. “E” at ¶ 9. Turbine
9 further points out that “[t]he settings necessary to power the T-53 engine for use in
10 aircraft purposes and using traditional liquid fuel are not the same as the settings
11 necessary to successfully use a T-53 engine transformed to run on field gas to drive a one
12 megawatt (1 mw) generator in oil and gas industry applications in remote locations where
13 personnel cannot be constantly on site monitoring it to prevent catastrophic failures.” *Id.*,
14 Exh. “A” at ¶¶ 6–9, 13–14 & Exh. “E” at ¶¶ 9–15. Turbine states that the settings
15 referenced in the Honeywell Training Manual were a starting point, not and end point.
16 *Id.*, Exh. “A” at ¶¶ 6–15 & Exh. “E” at ¶¶ 9–15. Ultimately, the optimal settings were
17 derived through extensive experimentation by Turbine. *Id.*, Exh. “A” at ¶ 14, Exh. “E”
18 9–15. Similarly, Turbine states that “[t]he referenced US Army Aviation Report contains
19 information about the appropriate settings for the T-53 engine *for use in aircraft*
20 *purposes and using liquid fuel.*” Def.’s Controverting SSOF (Doc. 96) at ¶ 18–20
21 (emphasis in original). Turbine reasserts the unique nature of the settings required for the
22 T-53 engine in the oil and gas industry applications in which Turbine works. *Id.* Finally,
23 while Turbine “agrees that there are publicly available manuals regarding settings for the
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1 T-53 engines[,]” it argues against “the compilation of settings that are its trade secrets
2 [being] reflected in those manuals or any other publicly available source.” *Id.* at ¶ 21.
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4 Turbine alleges that “its trade secrets are something other than the publicly
5 available settings for T-53 engines in aircraft applications and affirmatively alleges that
6 its trade secret information, a compilation consisting of the parameters and settings,
7 including timing, temperatures, flow rates, horsepower settings, pressures, warning
8 protocols, and shutdown protocols, necessary to successfully use a T-53 engine
9 transformed to run on field gas to drive a one megawatt (1 mw) generator in oil and gas
10 industry applications in remote locations where personnel cannot be constantly on site
11 monitoring it to prevent catastrophic failures, is fundamentally different from the publicly
12 available information regarding appropriate settings for use in aircraft applications and
13 was discovered by TPT through a process of experimentation.” Def.’s Controverting
14 SSOF (Doc. 96) at ¶ 22, Exh. “A” at ¶¶ 2–15, Exh. “E” at ¶¶ 9–15. TES states that
15 Turbine has never identified the compilation or the precise numerical settings it claims
16 are its trade secrets.⁴ *See* Pl.’s SOF (Doc. 90), Exh. “D.”
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21 ***E. Secrecy Maintenance***

22 In response to TES’s interrogatory requesting details regarding the precautions
23 Turbine took to preserve the secrecy of each alleged trade secret, Turbine stated:

24 Each email sent from Jimmie Grow, the electrical manager for TPT, to
25 David Crowe and other employees and representatives of TES contained
26 the following language: “This document and the information, writing,

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28 ⁴ Turbine argues that it is not under a duty to do so in light of the lack of protective order.
Def.’s Controverting SSOF (Doc. 96) at ¶ 23–24. A protective order was subsequently agreed to
by the parties and entered by the Court. *See* Order 10/9/2015 (Doc. 99).

1 formula, drawing process, technique and/or data contained herein is the
2 proprietary and intellectual property and/or trade secret of Turbine Powered
3 Technology, LLC and may only be used with the express, written consent
4 of Turbine Powered Technology, LLC.” Therefore, TES had express
5 notice that all turbine engine data conveyed via this email source was
6 proprietary, protected, and constituted trade secrets. In violation of that
7 notice, TES misappropriated TPT’S proprietary data and attempted to then
8 charge TPT for the use of its own data, and the source code which TPT co-
developed. TES further violated TPT’s trade secret rights by
misappropriating turbine engine control values for commercialization
outside of the TPT project.

9 Pl.’s SOF (Doc. 90), Exh. “D” NUI No. 8 Response. In addition to this written
10 confidentiality clause, Turbine further asserts that it made efforts to verbally inform
11 vendors “that the information it learns from working with TPT on a turbine project is
12 confidential and proprietary to TPT and is to be used only for the benefit of TPT, limiting
13 access to such information to only those few TPT employees, and fewer vendor
14 employees, who need to know the information to create the final product, and avoiding
15 communicating information about its T-53 trade secrets in written form, most frequently
16 relying on private oral communications.” Def.’s Controverting SSOF (Doc. 96), Exh.
17 “A” at ¶ 21. Moreover, Turbine states that despite its inability to agree on or execute a
18 final, written non-disclosure and confidentiality agreement with TES, both parties
19 “understood and agreed that TES would keep TPT’s proprietary information confidential
20 and use it only for the purposes of the T-53 project.” *Id.*, Exh “A” at ¶ 22. Turbine
21 maintains that it has produced e-mails from Jimmie Grow to Eldon Crom and other TES
22 employees which contain technical information regarding the turbine operations/controls.
23 Def.’s Controverting SSOF (Doc. 96) at ¶ 28. TES counters that such e-mails have not
24 been sufficiently identified as containing trade secrets. Pl.’s SOF (Doc. 90) at ¶ 28.
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1 ***F. Alleged Misappropriation***

2 TES’s president, David Crowe, admitted that TES incorporated “the timing,
3 temperatures, flow rates, horsepower settings, and pressures at which the T-53 optimally
4 operated[.]” Crowe Decl. 5/13/205 (Doc. 79-1) at ¶ 14. Turbine affirmatively alleges
5 that Mr. Crowe “has consistently and wrongly maintained that those particular settings
6 are the type of settings for the T-53 for aircraft applications.” Def.’s Controverting SSOF
7 (Doc. 96) at ¶ 31. Turbine did grant TES access to its “dyno, equipment, manufacturing
8 and development facilities and Turbine Power’s engineers and technicians” “to produce
9 TPT-owned industrial digital engine controllers for TPT products.” Pl.’s SOF (Doc. 90),
10 Exh. “C” Response to RFA No. 24 & Exh. “D” Response to Interrogatory No. 24 at
11 16:16–18. Turbine “does not specifically allege that TES acquired TPT’s trade secrets by
12 improper means” as defined by A.R.S. § 44-401(1). Pl.’s SOF (Doc. 90), Exh. “D”
13 Response to Interrogatory No. 12. Rather Turbine alleges that TES “disclosed” Turbine’s
14 alleged trade secrets as defined in A.R.S. § 44-401(2)(b). *See id.*, Exh. “D” Response to
15 Interrogatory No. 13. Turbine further alleges that TES “used” Turbine’s alleged trade
16 secrets as described in A.R.S. § 44-401(2)(b). *See id.*, Exh. “D” Response to
17 Interrogatory No. 14. In response to TES’s request for specific identification of what
18 trade secret information was “disclosed” or “used,” as described in A.R.S. § 44-
19 401(2)(b)) and how such information was disclosed and/or used, Turbine stated:
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26 TPT does allege that TES disclosed and used Turbine’s trade secrets
27 without authorization. TES disclosed and used the trade secrets by
28 misappropriating Turbine’s trade secrets for use in TES product offerings to
the public. TES further misrepresented itself as the sole source of the
Turbine engine control data as entered into the source code. TES so

1 misrepresented to a company named Energy New Technologies
2 International Corporation, LLC (“ENTI”). Any disclosure, marketing, or
3 sale other than to TPT of the source code also represents a disclosure of
TPT’s trade secrets.

4 *See* Pl.’s SOF (Doc. 90), Exh. “D” Response to Interrogatory Nos. 13 & 14.

5 On April 11, 2014, Ted McIntyre sent an e-mail to Terry Dailey with ENTI in
6 response to questions ENTI had “on the frac pumper units” and ENTI’s intention to visit
7 the TPT facilities for a face-to-face meeting. Pl.’s SOF (Doc. 90), McIntyre Email to
8 Daily 4/11/2014 (Exh. “H”). McIntyre’s e-mail stated as follows:
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10 Terry,
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12 Don’t waste your time making the trip, we’ve already told you we can
13 supply the TF 40s and the controls will be superior to the current TES
14 system. That’s all we intend to say, you can’t buy 20 Caterpillar engines
15 today no matter how much money you have. We’ve been trying to close a
16 deal with ENTI for over a year. We have two other Chinese companies
17 besides ENTI who now want to discuss buying frac equipment. I’ve agreed
to spend the \$25K to get the special allowance for the State Department
approval for the T-55. Regardless of the outcome we intend to sell
equipment in China.

18 *Id.*, Exh. “H.” This e-mail does not reflect a discussion between ENTI and Turbine
19 related to the T-53 engines. *See id.* Turbine’s trade secret claim, as alleged, relates to
20 specialized knowledge about the T-53 engine. *See* First Amended Counterclaim (Doc.
21 15) ¶¶ 43–56; Pl.’s SOF (Doc. 90), Exh. “D” Response to Interrogatory No. 7.
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23 David Crowe stated that “TES has not developed, marketed, or sold any products
24 related to the T-53 engine outside of its work with Turbine.” Pl.’s SOF (Doc. 90), Exh.
25 “E” at ¶ 11. He further asserts that “TES will gladly agree to never develop, market, or
26 sell products for industrial use of a T-53 engine[,] . . . [and that] [t]he information
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1 Turbine provided to TES has never been used for any other purpose except to be
2 incorporated into the software for the IDECs developed for Turbine’s T-53 engines.” *Id.*,
3 Exh. “E” at ¶¶ 12 & 14. Turbine disagrees. Turbine asserts that Crowe approached it
4 and “indicated a desire to form a partnership [between TES and] TPT in the turbine
5 generator business[,]” which Turbine declined to do. Def.’s Controverting SOF (Doc.
6 96), Exh. “A” at ¶ 23. Turbine further asserts that “[f]rom this point forward, TPT’s
7 relationship with TES deteriorated rapidly[,] with David Crowe stat[ing] that he intended
8 to be TPT’s biggest competitor in the turbine generator market.” *Id.*, Exh. “A” at ¶¶ 24–
9 25. Turbine points to TES and Crowe’s recently formed entity, Arizona Turbine
10 Technology, Inc. as evidence that they are using the trade secret information they learned
11 from TPT. *Id.*, Exh. “A” at ¶¶ 26–28.

15 Turbine provided the information for the T-53 to TES “for the purpose of [it]
16 being used in the software for the IDECs.” Pl.’s SOF (Doc. 90), Exh. “C” Response to
17 RFA No. 23.

19 **G. Alleged Damages**

21 TES asserts that Turbine has not produced documents that describe its damages
22 related to TES’s alleged violation of Arizona’s Trade Secrets Act. Pl.’s SOF (Doc. 90) at
23 ¶¶ 50–51. Turbine asserts that it has disclosed the expert opinion of Keegan, Linscott &
24 Kenon, P.C. (“KLK”) which indicates that Turbine would be entitled to “a typical royalty
25 rate paid in the Energy Machine/Tool industry is 5% of gross revenue” for their
26 technology utilized by TES. Def.’s Controverting SSOF (Doc. 96), KLK Analysis
27 1/16/2015 (Exh. “B”) at 2. Turbine further asserts that it “lost (at a minimum) the sale of
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1 6 frac units, valued at \$1,400,000 each for a total of \$8,400,000.” Def.’s Controverting
2 SSOF (Doc. 96), Turbine’s Eighth Suppl. Discl. Statement (Exh. “C”) at ¶ 3(b).
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5 **II. STANDARD OF REVIEW**

6 Summary judgment is appropriate when, viewing the facts in the light most
7 favorable to the nonmoving party, *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255
8 (1986), “there is no genuine issue as to any material fact and the movant is entitled to a
9 judgment as a matter of law.” Fed. R. Civ. P. 56(a). A fact is “material” if it “might
10 affect the outcome of the suit under the governing law,” and a dispute is “genuine” if “the
11 evidence is such that a reasonable jury could return a verdict for the nonmoving party.”
12 *Anderson*, 477 U.S. at 248. Thus, factual disputes that have no bearing on the outcome of
13 a suit are irrelevant to the consideration of a motion for summary judgment. *Id.* In order
14 to withstand a motion for summary judgment, the nonmoving party must show “specific
15 facts showing that there is a genuine issue for trial,” *Celotex Corp. v. Catrett* in , 477 U.S.
16 317, 324 (1986). Moreover, a “mere scintilla of evidence” does not preclude the entry of
17 summary judgment. *Anderson*, 477 U.S. at 252. The United States Supreme Court has
18 also recognized that “[w]hen opposing parties tell two different stories, one of which is
19 blatantly contradicted by the record, so that no reasonable jury could believe it, a court
20 should not adopt that version of the facts for purposes of ruling on a motion for summary
21 judgment.” *Scott v. Harris*, 550 U.S. 372, 380, 127 S.Ct. 1769, 1776, 167 L.Ed.2d 686
22 (2007).
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1 **III. ANALYSIS**

2 TES seeks partial summary judgment as to Turbine’s trade secret claim, in part,
3 because Turbine “has failed to sufficiently identify its purported ‘trade secrets[.]’” Pl.’s
4 Mot. for Partial Summ. J. (Doc. 89) at 4. TES further asserts that even if Turbine does
5 have a protectable trade secret, it has failed to adduce any evidence of misappropriation
6 or damages. *Id.* at 11–13.

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9 **A. Trade Secrets—Generally.**

10 “To establish a claim for misappropriation of a trade secret, the claimant must first
11 prove a legally protectable trade secret exists.” *Calisi v. Unified Financial Services,*
12 *LLC*, 232 Ariz. 103, 106, 302 P.3d 628, 631 (Ct. App. 2013). “Like the majority of
13 states, Arizona has adopted the Uniform Trade Secrets Act (“USTA”), which codifies the
14 basic principles of common-law trade-secret protection, to govern the resolution of trade-
15 secret issues. *Enterprise Leasing Co. of Phoenix v. Ehmke*, 197 Ariz. 144, 148, 3 P.3d
16 1064, 1068 (Ct. App. 1999) (citations omitted). Pursuant to the Arizona Trade Secrets
17 Act, a “trade secret” is defined as:
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20 [I]nformation, including a formula, pattern, compilation, program, device,
21 method, technique or process, that both:

22 (a) Derives independent economic value, actual or potential, from not being
23 generally known to, and not being readily ascertainable by proper means
24 by, other persons who can obtain economic value from its disclosure or
25 use[;] [and]

26 (b) Is the subject of efforts that are reasonable under the circumstances to
27 maintain its secrecy.

28 A.R.S. § 44-401(4). “Accordingly, matters that are public knowledge are not

1 safeguarded as trade secrets.” *Ehmke*, 197 Ariz. at 149, 3 P.3d at 1069 (citations
2 omitted). Furthermore, “[a]lthough the subject-matter of a trade secret need not rise to
3 the level of novelty to the degree that it does in patent law, the information must be
4 sufficiently novel such that it is not readily ascertainable to the competitors in an
5 industry.” *Id.* (citations omitted). This does not preclude, however, “a combination of
6 elements[,] even though each individual component may be a matter of common
7 knowledge[,]” from amounting to a trade secret. *Id.* (citations omitted).
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10 ***B. Identification of Trade Secret***

11 TES argues that Turbine’s description of its trade secret as “‘specialized
12 knowledge’ about ‘how to convert an aircraft engine to industrial use’” is insufficient as a
13 matter of law. Pl.’s Mot. for Partial Summ. J. (Doc. 89) at 6. In response, Turbine more
14 specifically identifies its trade secrets as “a compilation consisting of the parameters and
15 settings, including timing, temperatures, flow rates, horsepower settings, pressures,
16 warning protocols, and shutdown protocols, necessary to make a T-53 engine run on field
17 gas drive a one megawatt (1 mw) generator in oil and gas industry applications in remote
18 locations where personnel cannot be constantly on sight monitoring it to prevent
19 catastrophic failures.” Def.’s Controverting SSOF (Doc. 96) at ¶ 13; *see also* McIntyre
20 Decl. 9/25/2015 (Doc. 108) at ¶ 11.
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24 “When a party fails to identify its trade secrets with particularity, summary
25 judgment is appropriate.” *W.L. Gore & Assocs., Inc. v. GI Dynamics, Inc.*, 872
26 F.Supp.2d 883, 899 (D. Ariz. 2012) (citing *Imax Corp. v. Cinema Techs., Inc.*, 152 F.3d
27 1161, 1166 (9th Cir. 1998)). In *Imax Corp.*, the manufacturer sought “to protect its
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1 interests in large format motion picture projectors, generally known as ‘rolling loop’
2 projectors[.]” 152 F.3d at 1162. Imax, the manufacturer, sued a competitor alleging
3 “misappropriation of trade secrets and unfair competition.” *Id.* at 1163. Imax identified
4 the trade secrets embodied in its projector system and allegedly misappropriated as, in
5 relevant part:

7 bb. the design of the cam unit, *including every dimension and tolerance*
8 *that defines or reflects that design;*

9 * * *

10 *bd. the manner of operation of the cam unit;*

11 *be. the manner in which the cam unit is lubricated;*

12 *bf. the design of the film arms, including every dimension and tolerance*
13 *that defines or reflects that design[.]*

14
15 *Imax Corp.*, 152 F.3d at 1166 (emphasis in original). The Ninth Circuit Court of Appeals
16 noted that:

17 [B]ecause Imax’s trade secrets claim involves a sophisticated and highly
18 complex projector system, it is unlikely that the district court or any trier of
19 fact would have expertise in discerning exactly which of the projector
20 system’s many “dimensions and tolerances” were trade secrets. Moreover,
21 CTI could not be expected to prepare its rebuttal to Imax’s trade secrets
22 claim without some concrete identification of exactly which “dimensions
and tolerances” Imax alleged were incorporated into CTI’s own projector
system.

23 *Id.* at 1167. As such, the court “reject[ed] Imax’s contention that use of the catchall
24 phrase ‘including every dimension and tolerance that defines or reflects that design’
25 achieved the level of specificity necessary to identify the numerical dimensions and
26 tolerances as trade secrets” and affirmed summary judgment against Imax’s
27 misappropriation of trade secrets claim. *Id.* at 1167, 1170 (citations omitted).
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1 Turbine cites to *Joshua David Mellberg LLC v. Will*, 96 F.Supp.3d 953 (D. Ariz.
2 2015), in support of its contention that “[a]ll that is required is that the trade secret
3 information as defined [is] sufficient to show that the information has economic value
4 from not being generally known.” Turbine’s Response (Doc. 95) at 8. Turbine’s reliance
5 on *Mellberg* is misplaced. The issue before the *Mellberg* court was a motion to dismiss
6 brought pursuant to Rule 12(b)(6), Federal Rules of Civil Procedure. *See Joshua David*
7 *Mellberg, LLC*, 96 F.Supp.3d 953. As such, the court was considering what was
8 sufficient to state a claim, not whether a party could survive summary judgment. *See id.*

11 Turbine also attempts to distinguish *Imax, Corp.* from the instant case, as *Imax*
12 was based upon California law. Turbine highlights Section 2019.210, California Civil
13 Code, which requires “before commencing discovery relating to the trade secret, the party
14 alleging the misappropriation shall identify the trade secret with reasonable
15 particularity[.]” Turbine states that Arizona law does not have this particular
16 requirement. Turbine is correct that the Arizona statute does not contain the same
17 section; however, the same issue arises in the context of discovery, especially where
18 courts have recognized as a matter of policy that “requiring the plaintiff to sufficiently
19 identify its trade secrets prior to allowing discovery on the defendant’s trade secrets helps
20 the court to determine the outer permissible bounds of discovery and prevents needless
21 exposure of the defendant’s trade secrets.” *BioD, LLC v. Amnio Tech., LLC*, No. 2:13-
22 CV-1670-HRH, 2014 WL 3864658 (D. Ariz. Aug. 6, 2014). In the context of such a
23 discovery dispute, the court in *BioD, LLC* observed:
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1 Plaintiffs cannot claim that a method or process is a trade secret without
2 identifying the steps in the process and explaining how those steps make
3 their method or process unique. *See Switch Commc'n Group v. Ballard*,
4 Case No. 2:11-cv-00285-KJD-GWF, 2012 WL 2342929, at *5 (D.Nev.
5 June 19, 2012) (“In order to meet its burden of describing its alleged trade
6 secrets with reasonable particularity,” for purposes of discovery, “Switch
7 must specifically describe what particular combination of components
8 renders each of its designs novel or unique, how the components are
9 combined, and how they operate in unique combination”). Plaintiffs must
10 explain how the combination of much of what appears to be generally
11 known information can constitute a trade secret. It is simply not sufficient
12 for plaintiffs to identify a trade secret as a “method” without some
13 explanation of why that “method” could be considered a legally protectable
14 trade secret. Plaintiffs must provide some basis for their contention that
15 their methods and processes are unique and thus legally protectable.
16 Contrary to their contention, plaintiffs are not being asked to prove their
17 trade secret claim prior to being able to take discovery. But, they must
18 provide enough detail about their alleged trade secrets to at least suggest
19 that the alleged trade secrets might be legally protectable. To date, they
20 have not done so. In short, plaintiffs must identify their trade secrets with
21 more specificity than they have done so far.

15 *Id.* at *6.

16 Here, Turbine discusses retrofitting the original fuel system; modifying
17 operational and control parameters including the use of BASLER equipment; modifying
18 manifold and nozzle designs; and modifying starting, warning, and shutdown protocols as
19 necessary changes to the T-53 for its purposes and that this information is Turbine’s
20 protectable trade secret. *See* Def’s Controverting SSOF, Exh. “A” at ¶¶ 5, 8 & 9, Exh.
21 “E” at ¶¶ 7, 10, 11, 12, 13, 14; Def.s’ Suppl. Opp. (Doc. 117) Greene Decl. (Exh. “A”) at
22 ¶ 7. Based upon the evidence put forth by Turbine, it would appear that it has invested
23 significant time and resources to develop the T-53 for oil and gas industry applications;
24 however, Turbine has failed to provide enough detail about the alleged trade secrets for
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1 TES or this Court to adequately discern what might be legally protectable.⁵ Because the
2 Court finds that Turbine has not met its burden to prove a legally protectable trade secret
3 exists, partial summary judgment in favor of TES is appropriate.
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5 **C. TES's Remaining Arguments Regarding Trade Secrets**

6 In light of the Court's evaluation regarding Turbine's identification of its legally
7 protectable trade secrets, the Court declines to reach TES's other arguments.
8

9 **D. Attorneys' Fees**

10 TES seeks attorneys' fees because it asserts that "Turbine lacked a good faith,
11 reasonable basis to sue TES for trade secret violations." Pl.'s Mot. for Partial Summ. J.
12 (Doc. 89) at 14. The Court disagrees with TES's assessment. The Court finds that
13 Turbine did not bring this claim in bad faith, and as such, TES is not entitled to an award
14 of attorneys' fees. See *Universal Engraving, Inc. v. Metal Magic, Inc.*, 602 Fed.Appx.
15 367, 370 (9th Cir. 2015).
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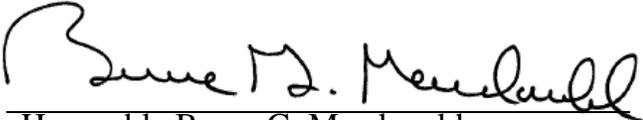
27 ⁵ The Court acknowledges that Mr. Greene sets forth Turbine's purported trade secrets in
28 a spreadsheet attached to his declaration; however, any potential secret is embedded in software
code and as such its identity is undecipherable.

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IV. CONCLUSION

For the reasons discussed, *supra*, Plaintiff/Counterdefendant Tucson Embedded Systems, Inc.'s Motion for Partial Summary Judgment Re Arizona Trade Secrets Claim [Counterclaim Count Four] (Doc. 89) is GRANTED.

Dated this 8th day of April, 2016.



Honorable Bruce G. Macdonald
United States Magistrate Judge