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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

LIVEPERSON, INC.,
Plaintiff,

v.

[24]7.AI, INC.,
Defendant.

Case No. 17-cv-01268-JST

**ORDER GRANTING IN PART AND
DENYING IN PART SUMMARY
JUDGMENT**

Re: ECF No. 411

Before the Court is Defendant [24]7.ai, Inc's ("[24]7") motion for summary judgment. ECF No. 411. For the reasons set forth below, the Court will grant the motion in part and deny it in part.¹

I. BACKGROUND

A. Factual Background

LivePerson, Inc. is a company that provides online chat engagement services through a digital platform that it sells to website operators. ECF No. 430-3. In brief, chat engagement allows website operators to initiate real-time text-based communications with website users directly on the website. *See* ECF No. 423-2 at 89. LivePerson's platform attempts to maximize the effectiveness of those chat engagements by identifying when initiating a chat with a particular user is most likely to produce a positive outcome, such as a sale. ECF No. 424-5 at 7-9. The platform uses "rules" that recommend initiating a chat based on variables such as the user's

¹ The Court has filed this order under seal because it contains material subject to sealing orders. Within seven days of the filing date of this order, the parties shall provide the Court a stipulated redacted version of this order, redacting only those portions of the order containing or referring to material for which the Court has granted a motion to seal and for which the parties still request the material be sealed. The Court will then issue a redacted version of the order.

1 navigation history on the website. *Id.*; ECF No. 424-2 at 4-6. LivePerson develops rules and
2 variables specific to each customer and combined that information into a Design Requirements
3 Document (“DRD”), which it shares with the customer. ECF No. 424-7 at 6-7; ECF No. 424-9 at
4 8-9. LivePerson’s chat platform also collects and analyzes data based on user’s visits to the
5 customer’s websites. ECF No. 424-2 at 22; ECF No. 430-3 at 80-81. LivePerson makes those
6 data reports accessible to its customers for use in their operations, ECF No. 430-3 at 79, and
7 LivePerson also uses that data to further develop its predictive models, ECF No. 424-2 at 18-19.

8 [24]7 also operates in the online chat industry. Founded in 2000, [24]7 provides customer
9 service agents to businesses. ECF No. 425-2 at 3, 21. Those agent services include “digital chat
10 agents,” meaning customer service agents that participate in the type of online chats initiated
11 through LivePerson’s chat platform. ECF No. 410 at 9.

12 In 2006 and 2007, [24]7 and LivePerson entered into a series of agreements to market and
13 provide services to mutual customers. At the time, [24]7 offered digital chat agents, but did not
14 have its own chat platform. Conversely, LivePerson offered a chat platform, but did not have
15 digital chat agents to staff that platform. The parties entered into a Co-Marketing and Referral
16 Agreement in 2006, which allowed either party to market their combined services. ECF No. 400-
17 5 (“LivePerson-[24]7 CMA”) §§ 4.1-4.11. In 2007, the two companies entered into a Master
18 Services Agreement to govern situations where they both provided their respective services to a
19 single customer. ECF No. 400-6 at 1-20 (“LivePerson-[24]7 MSA”), at 2. Pursuant to the
20 LivePerson-[24]7 MSA, the parties entered into individual Statement of Work (“SOW”)
21 agreements with two customers, Hoover’s and Adobe. ECF No. 400-6 at 21-29; ECF Nos. 400-7,
22 400-8. The Adobe SOW expired in May 2007. ECF No. 400-7.

23 On October 3, 2007, [24]7 notified LivePerson that it was terminating the CMA. ECF No.
24 411-5 at 3. [24]7 specified that it was not terminating any other agreement between the parties,
25 “including, without limitation, the [MSA] or any [SOW] entered thereunder.” *Id.* The Hoover’s
26 SOW expired in March 2008. ECF No. 400-8 ¶ 7.

27 Despite the end of [24]7 and LivePerson’s direct contractual relationship, the two
28 companies continued to provide their services to mutual customers. Three such arrangements –

1 with Capital One, Sears, and Optus – are relevant here.

2 The parties’ dealings with these customers followed the same general framework. In each
3 case, [24]7 initially provided the customer with telephone customer service agents. *See* ECF Nos.
4 401-7, 404-1, 406. Between 2006 and 2010, each customer subsequently signed an agreement
5 with LivePerson to use LivePerson’s chat platform. *See* ECF Nos. 401-8, 404-2, 407. Shortly
6 after each customer purchased LivePerson’s platform, the customer entered into a separate
7 agreement with [24]7 for the use of [24]7’s digital chat agents. *See* ECF No. 403-1 at 622; ECF
8 Nos. 404-3, 407-1.

9 Around 2013, [24]7 introduced its own digital chat platform. [24]7 touted the features of
10 its platform in a blog post by its CEO, ECF No. 430-2 at 7-8, and a white paper entitled “[24]7
11 Assist: Chat, Made Smarter,” *id.* at 11-14. These posts stated that [24]7’s platform was the “first
12 smart chat” platform, describing various predictive capabilities of the product. *Id.* at 7, 13. [24]7
13 promoted these same features through a video on its website. *Id.* at 4.

14 Between 2013 and 2014, all three customers switched to using [24]7’s chat platform. *See*
15 ECF No. 407-7; ECF No. 411-26 at 3: *cf.* ECF Nos. 405-12, 405-14, 405-15.

16 The parties agree that through these arrangements, [24]7 gained access to the rules and
17 data developed for Optus, Capital One, and Sears, which LivePerson claims as trade secrets in this
18 action. The parties sharply dispute both the factual details of this access and the governing legal
19 obligations. The Court addresses these disputes as relevant below. The general thrust of
20 LivePerson’s claims is that [24]7 used this trade secret information to develop its own competing
21 chat platform and take LivePerson’s customers (including Optus, Capital One, and Sears).
22 LivePerson further alleges that [24]7 continued to make use of LivePerson’s protected information
23 while providing chat platform services to those customers.

24 **B. Procedural History**

25 On March 6, 2014, LivePerson filed suit against [24]7 in the Southern District of New
26 York, asserting claims of trade secret misappropriation, unfair competition, and breach of contract,
27 among others. ECF No. 1. Judge Sweet denied in part and granted in part [24]7’s motion to
28 dismiss. ECF No. 47. On March 9, 2017, the case was transferred to this Court pursuant to 28

1 U.S.C. § 1404(a). ECF No. 288. The Court subsequently issued an order relating this case to two
2 consolidated patent infringement actions brought by [24]7 against LivePerson. *See* ECF No. 292;
3 Case No. 15-cv-02897, ECF No. 57; Case No. 15-cv-05585.

4 The parties agreed to conduct an initial bellwether trial covering up to fifteen alleged trade
5 secrets (“ATs”) and all of LivePerson’s non-trade-secret-claims. ECF No. 378, 386. LivePerson
6 has since stated that it will not pursue its claims for copyright infringement, intentional
7 interference with existing business relationships, or intentional interference with prospective
8 business relationships. ECF No. 412-13. On July 13, 2018, [24]7 moved for summary judgment
9 on the trade secret claims selected for the first trial and LivePerson’s remaining claims. ECF No.
10 410.

11 **II. JURISDICTION**

12 The Court has jurisdiction over LivePerson’s Lanham Act claims pursuant to 28 U.S.C.
13 § 1331 and 15 U.S.C. § 1121(a). The Court has jurisdiction over LivePerson’s related state
14 common-law claims under both 28 U.S.C. § 1332 and 1367.

15 **III. LEGAL STANDARD**

16 Summary judgment is proper when a “movant shows that there is no genuine dispute as to
17 any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a).
18 A dispute is genuine only if there is sufficient evidence for a reasonable trier of fact to resolve the
19 issue in the nonmovant’s favor, and a fact is material only if it might affect the outcome of the
20 case. *Fresno Motors, LLC v. Mercedes Benz USA, LLC*, 771 F.3d 1119, 1125 (9th Cir. 2014)
21 (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248-49 (1986)). The court must draw all
22 reasonable inferences in the light most favorable to the nonmoving party. *Johnson v. Rancho*
23 *Santiago Cmty. Coll. Dist.*, 623 F.3d 1011, 1018 (9th Cir. 2010).

24 Where the party moving for summary judgment would bear the burden of proof at trial,
25 that party “has the initial burden of establishing the absence of a genuine issue of fact on each
26 issue material to its case.” *C.A.R. Transp. Brokerage Co. v. Darden Rests., Inc.*, 213 F.3d 474,
27 480 (9th Cir. 2000). Where the party moving for summary judgment would not bear the burden of
28 proof at trial, that party “must either produce evidence negating an essential element of the

1 nonmoving party's claim or defense or show that the nonmoving party does not have enough
2 evidence of an essential element to carry its ultimate burden of persuasion at trial." *Nissan Fire &*
3 *Marine Ins. Co. v. Fritz Cos.*, 210 F.3d 1099, 1102 (9th Cir. 2000). If the moving party satisfies
4 its initial burden of production, the nonmoving party must produce admissible evidence to show
5 that a genuine issue of material fact exists. *Id.* at 1102-03. If the nonmoving party fails to make
6 this showing, the moving party is entitled to summary judgment. *Celotex Corp. v. Catrett*, 477
7 U.S. 317, 322-23 (1986).

8 **IV. DISCUSSION**

9 [24]7 seeks summary judgment on LivePerson's Lanham Act claim and its common-law
10 claims for trade secret misappropriation, breach of contract, and unjust enrichment. In the
11 alternative, [24]7 seeks summary judgment that disgorgement is not an available remedy for
12 LivePerson's trade secret misappropriation or unfair competition claims. The Court addresses
13 each issue in turn.

14 **A. Lanham Act**

15 The Court first considers LivePerson's Lanham Act claim. A false advertising claim under
16 the Lanham Act² requires the plaintiff to prove five elements:

- 17 (1) a false statement of fact by the defendant in a commercial
18 advertisement about its own or another's product;
- 19 (2) the statement actually deceived or has the tendency to deceive a
20 substantial segment of its audience;
- 21 (3) the deception is material, in that it is likely to influence the
22 purchasing decision;
- 23 (4) the defendant caused its false statement to enter interstate
24 commerce; and
- 25 (5) the plaintiff has been or is likely to be injured as a result of the

26 ² A Lanham Act false advertising claim arises under 15 U.S.C. § 1125(a)(1)(B), which renders
27 liable for damages:

28 (1) Any person who, on or in connection with any goods or services,
or any container for goods, uses in commerce any word, term, name,
symbol, or device, or any combination thereof, or any false
designation of origin, false or misleading description of fact, or false
or misleading representation of fact, which . . .

(B) in commercial advertising or promotion, misrepresents the
nature, characteristics, qualities, or geographic origin of his or her or
another person's goods, services, or commercial activities.

1 false statement, either by direct diversion of sales from itself to
2 defendant or by a lessening of the goodwill associated with its
3 products.

4 *Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105, 1110 (9th Cir. 2012).³ “To demonstrate falsity
5 within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false,
6 either on its face or by necessary implication, or that the statement was literally true but likely to
7 mislead or confuse consumers.” *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139
8 (9th Cir. 1997).

9 LivePerson’s Lanham Act claim is based on three statements in which [24]7 claimed that
10 its product was the “first” chat platform to incorporate real-time “smart” or “predictive” features:
11 (1) a blog post in which its CEO PV Kannan touted [24]7 Assist as “the industry’s first smart chat
12 that uses prediction and real-time decisioning with big data to drive customer experience,” ECF
13 No. 430-2 at 7; (2) a white paper that stated, “[24]7 Assist is the first predictive, real-time
14 customer assistance solution for chat,” *id.* at 13; and (3) an online video that included a voice-over
15 identifying the platform as the “world’s first smart chat platform powered by prediction in real-
16 time,” ECF No. 411-9 at 5.

17 [24]7 argues that is entitled to summary judgment for two independent reasons: (1) the
18 statements in question were non-actionable puffery and (2) even if actionable, the statements were
19 not material.

20 1. Puffery

21 The Court first addresses [24]7’s puffery defense. In the Ninth Circuit:

22 A statement is considered puffery if the claim is extremely unlikely
23 to induce consumer reliance. Ultimately, the difference between a
24 statement of fact and mere puffery rests in the specificity or
25 generality of the claim. The common theme that seems to run
26 through cases concerning puffery in a variety of contexts is that
27 consumer reliance will be induced by specific rather than general
28 assertions. Thus, a statement that is quantifiable, that makes a claim

³ The parties rely on both Second and Ninth Circuit caselaw in their briefing. Because this case was transferred to this Court under 28 U.S.C. § 1404(a), *see* ECF No. 288, Ninth Circuit precedent governs the Lanham Act claim to the extent Circuit precedent differs, *see Newton v. Thomason*, 22 F.3d 1455, 1460 (9th Cir. 1994) (“We therefore hold that, when reviewing federal claims [in an action transferred pursuant to 28 U.S.C. § 1404(a)], a transferee court in this circuit is bound only by our circuit’s precedent.”).

1 as to the specific or absolute characteristics of a product, may be an
2 actionable statement of fact while a general, subjective claim about a
product is non-actionable puffery.

3 *Newcal Indus., Inc. v. Ikon Office Sol.*, 513 F.3d 1038, 1053 (9th Cir. 2008) (internal citations and
4 quotation marks omitted) (citing *Cook, Perkiss, & Liehe v. N. Cal. Collection Serv.*, 911 F.2d 242,
5 245-46 (9th Cir. 1990)). “Puffing is exaggerated advertising, blustering, and boasting upon which
6 no reasonable buyer would rely.” *Southland Sod Farms*, 108 F. 3d at 1145 (internal quotation
7 marks omitted). Whether a statement constitutes puffery is a legal question that may be resolved
8 even at the motion to dismiss stage. *Newcal Indus.*, 513 F.3d at 1053.

9 Here, the allegedly false component of the challenged statements is that [24]7’s chat
10 platform was the “first” to incorporate smart or predictive technology. In other words, LivePerson
11 does not argue that [24]7’s statements were false because [24]7’s chat platform lacked this
12 technology. Rather, the implication of [24]7’s “first” claims is that LivePerson’s competing
13 platform lacks some element of smart or predictive technology, or at the very least, has a newer
14 and less reliable version.

15 These statements concern “specific or absolute characteristics of [the competing]
16 product[s],” *Newcal Indus.*, 513 F.3d at 1053 (citation omitted), namely, whether they possess
17 certain technological features. This case is thus distinguishable from those involving general
18 claims of product superiority or lower prices. See *Coastal Abstract Serv., Inc. v. First Am. Title*
19 *Ins. Co.*, 173 F.3d 725, 731 (9th Cir. 1999) (finding nonactionable “[t]he statement that [one
20 company] was ‘too small’ to handle [a customer’s] business, along with the implication or
21 statement that [another company] was large enough to handle that business”); *Cook, Perkiss &*
22 *Liehe, Inc. v. N. Cal. Collection Serv. Inc.*, 911 F.2d 242, 245 (9th Cir. 1990) (concluding that
23 statement implying that debt collection service provided “the same collection services as lawyers
24 at a lower or more competitive price” was puffery).

25 [24]7 argues that its statements are nonetheless mere puffery because there is no fixed
26 meaning of “smart” or “predictive” within the industry. ECF No. 400-4 at 26 (“‘Smart’ does not
27 indicate any particular feature or capability of a piece of software, and ‘predictive’ suggests the
28 use of a range of analytical techniques that could be applied in many different ways to a chat

1 platform.”). In other words, even if the statements compared the two products’ features, they did
2 so in terms that were not “specific and measurable,” *Southland Sod Farms*, 108 F.3d at 1145, or
3 “capable of being proved false,” *Coastal Abstract Serv.*, 173 F.3d at 731. LivePerson sharply
4 contests this characterization, arguing that its evidence demonstrates a sufficiently definite
5 meaning of the disputed terms. ECF No. 421-3 at 26-27.

6 The parties’ focus on an abstract inquiry into the meaning of “smart” and “predictive” is
7 misplaced. Neither consumers nor the Court construe [24]7’s statements in a vacuum. The
8 appropriate inquiry is whether, in the context of the challenged statements, a reasonable consumer
9 would perceive a message that the advertised product “is objectively and measurably” superior in
10 a specific way. *L.A. Taxi Coop., Inc. v. Uber Techs., Inc.*, 114 F. Supp. 3d 852, 861 (N.D. Cal.
11 2015); *see also Autodesk, Inc. v. Dassault Systemes SolidWorks Corp.*, 685 F. Supp. 2d 1001,
12 1017-18 (N.D. Cal. 2009) (“While it may well be true that the phrase ‘work easily’ is subjective
13 and not measurable in isolation, when viewed as a whole, [the] statement . . . can be viewed as
14 referring to specific and testable characteristics of a product – specifically, that a consumer can
15 work with files produced by ‘any version’ of AutoCAD.”). Here, [24]7’s blog post, white paper,
16 and video introduced particular features as “smart” or “predictive.” *See, e.g.*, ECF No. 430-2 at 13
17 (explaining that [24]7 Assist “provides the dynamic ability to predict and guide outcomes that
18 traditional, static rules-based systems simply cannot deliver” and “mines the results of 100% of
19 your customer interactions to make the service smarter over time”). A reasonable consumer could
20 understand [24]7’s “first” statements as implying that other products available at the time lacked
21 these features. Properly understood, this claim “is clearly one of fact, able to be proven true or
22 false.” *Coastal Abstract Serv.*, 173 F.3d at 732.

23 Accordingly, the Court concludes that [24]7 is not entitled to summary judgment on this
24 basis.

25 2. Materiality

26 The Court next considers whether these statements are material. To satisfy materiality, a
27 plaintiff must show that the challenged statements were “likely to influence purchasing decisions.”
28 *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 828 (9th Cir. 2011).

1 First, LivePerson argues that it is entitled to a presumption of materiality because [24]7's
 2 statements were literally false. ECF No. 421-3 at 27. The line of Ninth Circuit cases to which
 3 LivePerson refers, however, presumed consumer *deception* based on literally false or intentionally
 4 misleading statements. *See, e.g., William H. Morris Co. v. Group W, Inc.*, 66 F.3d 255, 258 (9th
 5 Cir. 1995) (explaining that if the defendant “intentionally misled consumers, we would presume
 6 consumers were in fact deceived and [the defendant] would have the burden of demonstrating
 7 otherwise”).⁴ But as the Ninth Circuit has made clear, consumer deception and materiality are
 8 distinct elements of a false advertising claim. *See Rice v. Fox Broadcasting Co.*, 330 F.3d 1170,
 9 1181 (9th Cir. 2003) (concluding that “any deception relating to advertisement of the videos” in
 10 question was “immaterial”); *accord Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*,
 11 299 F.3d 1242, 1250 (11th Cir. 2002) (“The materiality requirement is based on the premise that
 12 not all deceptions affect consumer decisions.”). Even if the Court were to presume that consumers
 13 were deceived into thinking that [24]7 developed the first smart or predictive chat platform, it does
 14 not necessarily follow that the Court should presume that the deception was material, i.e.,
 15 influenced their decision to purchase [24]7's product.

16 It appears that the majority of circuits, including the Ninth Circuit, require a separate
 17 showing of materiality for literally false statements. *See Skydive Arizona*, 673 F.3d at 1111
 18 (analyzing plaintiff's evidence of materiality for misleading and false advertisements); *Johnson &*
 19 *Johnson Vision Care*, 299 F.3d at 1250 (“[W]e stand with the First and Second Circuits [in]
 20 concluding that the plaintiff must establish materiality even when a defendant's advertisement has
 21 been found literally false.”); *Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302,
 22 312 (1st Cir. 2002) (“Thus, even when a statement is literally false or has been made with the
 23 intent to deceive, materiality must be demonstrated in order to show that the misrepresentation had
 24 some influence on consumers.”); *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d
 25

26
 27 ⁴ LivePerson relies on a single unpublished and non-citable Ninth Circuit decision, *Avid*
 28 *Identification Sys., Inc. v. Schering-Plough Corp.*, 33 F. App'x 854, 856 (9th Cir. 2002); *see* Ninth
 Circuit Rule 36-3(c); Civil L.R. 3.4(e). The Court cautions LivePerson against this practice in the
 future. Nonetheless, as explained above, neither *Avid* nor the published cases cited therein aid
 LivePerson here.

1 Cir. 1997); *cf. Obesity Research Inst., LLC v. Fiber Research Int'l, LLC*, 310 F. Supp. 3d 1089,
2 1125 (S.D. Cal. 2018) (acknowledging circuit split and Ninth Circuit's position); *but see Pizza*
3 *Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 497 (5th Cir. 2000) (suggesting that the
4 presumption that literally false "statements actually misled consumers" satisfies materiality).⁵ The
5 Court therefore declines to apply a presumption of materiality based on literal falsity.

6 Second, LivePerson points to a declaration from its Vice President Mariam Reza as
7 evidence of materiality, in which Reza states that the claim of being "first" to develop a product is
8 likely to influence purchasing decisions because "older technology that has been in the market
9 longer is viewed as having had more time for refinement and development based on data collected
10 over the years." ECF No. 430-2 ¶ 13. Based on her experience, Reza reasons that [24]7's claims
11 that it developed the "first" predictive chat would cause customers to view [24]7's chat platform
12 as likely to "produce better results" and LivePerson's platform as derivative and inferior, thus
13 influencing purchasing decisions. *Id.* LivePerson contends that this declaration at least raises a
14 triable issue of fact.

15 But LivePerson identifies no authority suggesting that untested, generalized assumptions
16 that a statement is likely to influence purchasing decisions are sufficient to demonstrate
17 materiality. As the Ninth Circuit has noted, materiality "is 'typically' proven through consumer
18 surveys," which provide direct evidence of a statement's impact. *Skydive Arizona*, 673 F.3d at
19 1110 (quoting *Southland Sod Farms*, 108 F.3d at 1140). While the *Skydive Arizona* court
20 explained that such surveys are not required in every case, the plaintiff there still presented "direct
21 evidence that [the challenged] statements were likely to influence consumer's purchasing
22 decisions." 673 F.3d at 1111. Specifically, the plaintiff provided a consumer's declaration that he
23 "personally bought" the products at issue "based on [the challenged] representations and
24 advertisements." *Id.* This direct evidence was corroborated by "evidence of numerous
25 consumers" who contacted the plaintiff's business "after having been deceived into believing there
26

27
28 ⁵ Because the Fifth Circuit takes a different approach to materiality, LivePerson's reliance on a
Western District of Texas case, *Kinetic Concepts, Inc. v. Bluesky Med. Grp. Inc.*, No. SA-03-CA-
0832-RF, 2005 WL 3068223, at *6 (N.D. Tex. Nov. 1, 2005), is unpersuasive.

1 was an affiliation” with the defendant’s business. *Id.* By contrast, LivePerson has produced no
2 evidence demonstrating how consumers reacted to [24]7’s statements.

3 To the contrary, the only record evidence suggests that consumers did not simply take
4 [24]7’s statements at face value in making purchasing decisions. This makes sense, given that the
5 parties were not selling disposable consumer goods, but rather entering into multi-year contracts
6 between companies to provide a chat platform to service a company’s entire website. *See Allen*
7 *Organ Co. v. Galanti Organ Builders, Inc.*, 798 F. Supp. 1162, 1169 (E.D. Pa. 1992), *aff’d*, 995
8 F.2d 215 (3d Cir. 1993) (reasoning that advertisements are less likely to be material where the
9 product is a large financial investment and the decision is made over months of consideration by a
10 multi-person committee). For example, Sears conducted an extensive head-to-head test between
11 [24]7’s and LivePerson’s chat platforms before switching to [24]7’s product. *See* ECF No. 405-
12 14.

13 Finally, the Court declines LivePerson’s invitation to infer materiality based on [24]7
14 tracking views of the whitepaper. ECF No. 421-3 at 27-28. Whether [24]7 tracked views of the
15 white paper in general is not probative as to whether the specific alleged falsehood within the
16 white paper was material.

17 The Court concludes that Reza’s general observations based on her sales experience,
18 without any evidence specific to any purchasing decisions by [24]7 customers, is insufficient to
19 raise a genuine dispute of fact as to materiality.⁶ Accordingly, the Court grants [24]7’s motion for
20 summary judgment on the Lanham Act claims.

21 **B. Trade Secret Misappropriation**

22 The parties agree that New York law applies to LivePerson’s trade secret misappropriation
23 claim. Under New York law, “[a] plaintiff claiming misappropriation of a trade secret must prove:
24 (1) it possessed a trade secret, and (2) defendant is using that trade secret in breach of an
25 agreement, confidence, or duty, or as a result of discovery by improper means.” *E.J. Brooks Co.*
26 *v. Cambridge Sec. Seals*, 31 N.Y.3d 441, 452 (2018) (citations omitted). New York courts have

27
28 ⁶ The Court therefore does not reach [24]7’s request to strike the Reza declaration. *See* ECF No. 436-4 at 18-19.

1 adopted the definition of “trade secret” found in the First Restatement of Torts: “any formula,
2 pattern, device or compilation of information which is used in one’s business, and which gives
3 him an opportunity to obtain an advantage over competitors who do not know or use it.” *Ashland*
4 *Mgmt. Inc. v. Janien*, 82 N.Y.2d 395, 407 (1993) (quoting Restatement (First) of Torts § 757 cmt.
5 b (Am. Law. Inst. 1939)).

6 **1. Possession of a Trade Secret**

7 To determine whether information qualifies as a trade secret, courts consult six factors
8 suggested by the Restatement:

9 (1) [T]he extent to which the information is known outside of [the]
10 business; (2) the extent to which it is known by employees and
11 others involved in [the] business; (3) the extent of measures taken by
12 [the business] to guard the secrecy of the information; (4) the value
13 of the information to [the business] and [its] competitors; (5) the
14 amount of effort or money expended by [the business] in developing
15 the information; (6) the ease or difficulty with which the information
16 could be properly acquired or duplicated by others.

17 *Id.* (quoting Restatement (First) of Torts § 757 cmt. b); *see also Schroeder v. Pinterest Inc.*, 17
18 N.Y.S.3d 678, 691 (N.Y. App. Div. 2015) (same). The “most important consideration” in this
19 analysis is the secrecy of the information. *Broker Genius, Inc. v. Zalta*, 280 F. Supp. 3d 495, 514
20 (S.D.N.Y. 2017) (quoting *Lehman v. Dow Jones & Co.*, 783 F.2d 285, 298 (2d Cir. 1986)). The
21 secrecy of an alleged trade secret generally presents a question of fact. *See Ashland Mgmt.*, 82
22 N.Y.2d at 407.

23 [24]7 does not argue that applying these six factors yields a conclusion that LivePerson’s
24 ATSS are not trade secrets. Instead, [24]7 argues that certain exceptions apply, such that particular
25 ATSS are categorically exempt from trade secret protection.

26 **a. Ownership of ATSS 3-8, 10, 13, 51**

27 First, [24]7 argues that LivePerson lacks standing to assert a misappropriation claim based
28 on trade secrets that, according to [24]7, are owned by Optus.⁷ ATSS 3-8, 10, and 13 are, in

⁷ Although [24]7’s motion argued that Capital One also owned certain trade secrets (ATSS 1, 48, and 62), [24]7 conceded in its reply that there are triable issues of fact as to ownership. *See* ECF No. 436-4 at 15 n.1.

1 general terms, rules LivePerson developed while providing services to Optus. ECF No. 401-4 at
2 3. ATS 51 consists of the XML data generated by LivePerson’s chat platform. *Id.* at 7.

3 LivePerson disagrees, arguing that it did in fact own those ATSs under its agreements with Optus.⁸

4 Both parties rely on the Optus-LivePerson MSA. *See* ECF No. 401-8 (“Optus-LivePerson
5 MSA”).⁹ The agreement’s cover page provides that [REDACTED]

6 [REDACTED] Optus-LivePerson MSA at 2. Rather, the Optus-LivePerson MSA [REDACTED]

7 [REDACTED]
8 [REDACTED] *Id.* It contemplates that [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED] that make up the body of the Optus-LivePerson MSA. *Id.* Clause 2.2, in turn,
12 provides that each such contract will [REDACTED]

13 [REDACTED]
14 [REDACTED]
15 [REDACTED] *Id.* § 2.2.

16 [24]7 interprets the Optus-LivePerson MSA as follows. The agreement assigns to Optus
17 all [REDACTED]

18 [REDACTED] *id.* § 26.1,

19 as well as [REDACTED]

20 [REDACTED] *id.* § 23.7. Under the MSA, [REDACTED]

21 [REDACTED] *id.* § 1, which LivePerson does not dispute encompasses the trade
22

23 The Court also notes that [24]7 does not challenge LivePerson’s Article III standing to sue
24 in federal court, but rather argues that New York law authorizes only the owner of a trade secret to
25 assert a misappropriation claim based on that secret. *See TrafficSchool.com, Inc. v. Edriver Inc.*,
653 F.3d 820, 824–25 (9th Cir. 2011) (distinguishing between Article III standing and state law
26 requirements).

27 ⁸ LivePerson does not contest [24]7’s position that ownership is a prerequisite for its trade secret
28 claim.

⁹ The parties agree that Engage Pty Limited, a party to the contract, is an entity of LivePerson. *See*
ECF No. 400-4 at 13 n.3.

1 secrets at issue. Further, the Optus-LivePerson MSA defines [REDACTED]
2 [REDACTED]
3 [REDACTED] under a subsequent contract. *Id.* Thus, Optus owns the rules and data-related trade
4 secrets if they were either (1) [REDACTED] or (2)
5 [REDACTED].

6 LivePerson offers a contrary interpretation. First, LivePerson urges the Court to look to
7 the relevant Statement of Work (SOW), which covers [REDACTED]
8 [REDACTED]
9 [REDACTED] ECF No. 423-2 at 85-105 (“Optus-
10 LivePerson SOW”) § 1.4. The SOW specifies that [REDACTED]
11 [REDACTED]
12 [REDACTED]

13 [REDACTED] *Id.* § 1.8.1(5). LivePerson argues that the ATs fall within those deliverables and that
14 the terms of the Optus-LivePerson SOW should prevail. *Opp.* at 20-21. Furthermore, LivePerson
15 points to clause 23.2 of the Optus-LivePerson MSA, which provides that LivePerson [REDACTED]
16 [REDACTED]
17 Optus-LivePerson MSA § 23.2. The MSA, in turn, defines [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 [REDACTED] *Id.* § 1. Under LivePerson’s
21 interpretation, therefore, LivePerson owns the rules and data-related trade secrets if they are either
22 (1) [REDACTED] or (2) [REDACTED].

23 The Court cannot grant summary judgment on this issue because there remain ambiguities
24 as to which category the ATs belong and therefore as to their ownership.

25 Under New York law, “[e]xtrinsic evidence of the parties’ intent may be considered only if
26 the agreement is ambiguous, which is an issue of law for the courts to decide.” *Greenfield v.*
27 *Philles Records, Inc.*, 98 N.Y.2d 562, 569-70 (2002) (citation omitted). “A contract is
28 unambiguous if the language it uses has ‘a definite and precise meaning, unattended by danger of
misconception in the purport of the [agreement] itself, and concerning which there is no

1 reasonable basis for.” *Id.* (alteration in original) (quoting *Breed v. Ins. Co. of N. Am.*, 46 N.Y.2d
2 351, 355 (1978)). “If the court deems a contract ambiguous, it may consult extrinsic evidence to
3 resolve the ambiguity.” *Chen v. Yan*, 971 N.Y.S.2d 519, 522 (N.Y. App. Div. 2013). “However,
4 where ‘the determination of the parties’ intent depends upon the credibility of extrinsic evidence
5 or a choice among inferences to be drawn from extrinsic evidence, then the issue is one of fact.”
6 *Id.* at 523 (quoting *Amusement Bus. Underwriters v. Am. Intl. Grp.*, 66 N.Y.2d 878, 880 (1985)).

7 The MSA does not define “material” and neither party offers anything more than
8 conclusory assertions as to whether clauses 23.7 or 26.2 cover the rules and data at issue. But if,
9 as [24]7 contends, [REDACTED]
10 themselves, ECF No. 436-4 at 15, it seems to create an internal conflict within the Optus-
11 LivePerson MSA. The agreement defines [REDACTED], *see* Optus-LivePerson MSA
12 § 1, and so clause 23.7 could assign Software rights to Optus, while clause 23.2 assigns those
13 same Software rights to LivePerson.

14 Nor does consulting the relevant SOW clarify matters. [24]7 notes that the SOW provides
15 that [REDACTED] Optus-
16 LivePerson SOW § 3.10. The SOW also states, however, that [REDACTED]
17 [REDACTED] *id.* § 1.8.1(5), and thus owned by
18 LivePerson. It is appropriate for the trier of fact to consider the parties’ extrinsic evidence to
19 resolve the ambiguity whether the ATs are materials under the MSA or services provided
20 pursuant to the SOW. Therefore, the Court denies summary judgment on this issue.

21 **b. Specificity of ATs 48, 49, and 51**

22 Next, [24]7 argues that LivePerson failed to describe certain ATs with sufficient
23 particularity. ECF No. 400-4 at 23-25.

24 “[N]either the New York Court of Appeals nor . . . the Second Circuit has expressly
25 required trade secrets to be identified with any particular degree of specificity . . .” *Broker*
26 *Genius, Inc. v. Zalta*, 280 F. Supp. 3d 495, 515 (S.D.N.Y. 2017). Nonetheless, district courts
27 applying New York law have generally required some degree of specificity, reasoning that “a
28 defendant must know what constitutes a plaintiff’s trade secret, so that it does not infringe upon

1 that trade secret and so that the defendant can defend itself at any trial.” *Big Vision Private Ltd. v.*
2 *E.I. DuPont De Nemours & Co.*, 1 F. Supp. 3d 224, 257 (S.D.N.Y. 2014) (collecting cases); *see*
3 *also Broker Genius*, 280 F. Supp. 3d at 515.

4 LivePerson describes the disputed ATSS (48, 49, and 51) as “XML data generated by
5 LivePerson’s smart chat platform analytics and reporting features” pursuant to LivePerson’s
6 provision of services to Capital One, Sears, and Optus, respectively. ECF No. 401-4 at 7. [24]7
7 contends that this description is insufficient because of the volume of XML data generated over
8 the multi-year service periods. ECF No. 400-4 at 23-24. According to [24]7, LivePerson has not
9 sufficiently demonstrated that all this data constitutes a valuable trade secret, particularly given
10 that LivePerson automatically deletes such data after thirteen months. *Id.* at 24-25. The Court
11 disagrees.

12 The cases on which [24]7 relies are inapposite. In *PaySys International, Inc. v. Atos Se*,
13 PaySys claimed as a trade secret “millions of lines of source code with diverse functionality” that
14 had been “written more than thirty years ago and licensed widely.” No. 14-CV-10105 (KBF),
15 2016 WL 7116132, at *11 (S.D.N.Y. Dec. 5, 2016). The court concluded that it was beyond
16 dispute that portions of PaySys’s code were widely known. *Id.* at 11-12. In this context, the lack
17 of specificity as to which elements of PaySys’s code remained secret and valuable impermissibly
18 shifted the burden onto defendants to discern the portions of the code on which PaySys could
19 plausibly base a trade secret claim. *Id.*

20 In *Big Vision*, the plaintiff asserted as a trade secret a five-element formula for producing
21 recyclable banners. 1 F. Supp. 3d at 230. The plaintiff alleged that this formula had been
22 disclosed to the defendant during a laboratory trial, but neither the defendant nor the court could
23 discern which formula within “70 pages of abstruse laboratory papers” embodied the trade secret
24 because the laboratory trial tested “a wide variety of structures and at-times contradictory ideas,”
25 including “varying structure compositions, a variety of different additives in differing
26 concentrations, an enormous range of Entira amounts, and a wide variety of substrates and
27 finishing treatments.” *Id.* at 265. The plaintiff exacerbated this difficulty by describing the five
28 elements in “hopelessly vague” terms. *Id.* at 266.

1 The key distinction is that in *PaySys* and *Big Vision*, the plaintiff could not plausibly claim
2 the entire set of information described as a trade secret. The *PaySys* plaintiff claimed millions of
3 lines of source code, but substantial portions had already been made public over thirty years of
4 licensing. 2016 WL 7116132, at *11-12. The *Big Vision* court made clear that “the entire field of
5 recyclable banners cannot be Plaintiff’s trade secret,” and so only some of the numerous formulas
6 described in the laboratory reports could represent the *Big Vision* plaintiff’s trade secret. 1 F.
7 Supp. 3d at 265. In both cases, the plaintiff failed to provide the information necessary for the
8 defendant to distinguish the protectable trade secret from the larger subset of information.

9 This distinction arises from the fact that *PaySys* and *Big Vision* concerned what are
10 essentially formulae. But New York’s definition of trade secret also expressly includes a
11 “compilation of information which is used in one’s business.” *Ashland Mgmt.*, 82 N.Y.2d at 407.
12 ATs 48, 49, and 51 are compilations of data generated pursuant to LivePerson’s rules, i.e.,
13 formulae. [24]7 points to no authority suggesting that the breadth of such a compilation is itself
14 disqualifying when the data is produced pursuant to the same processes and subjected to the same
15 treatment. *Cf. Paz Sys., Inc. v. Dakota Grp. Corp.*, 514 F. Supp. 2d 402, 404 (E.D.N.Y. 2007)
16 (holding that database of “data such as customer information, unit pricing, inventories, negotiated
17 prices, vendor information, bid histories and invoices” was a trade secret). Here, LivePerson is
18 claiming the entire set of data, and [24]7 cannot plausibly allege that it is unable to identify that
19 set. Rather, [24]7’s argument is premised on its unsupported assumption that only portions of the
20 XML can be protectable.

21 The Court therefore declines to grant summary judgment on this basis.

22 **c. Ephemeral Nature of ATs 48, 49, and 51**

23 [24]7 contends that ATs 48, 49, and 51 are not trade secrets as a matter of law because
24 they are merely information regarding ephemeral events. ECF No. 400-4 at 25.

25 “A trade secret is a process or device for continuous use in the operation of the business.”
26 *Lehman v. Dow Jones & Co.*, 783 F.2d 285, 298 (2d Cir. 1986) (quoting Restatement (First) of
27 Torts § 757 cmt. b). Therefore, “[c]onfidential proprietary data relating to pricing, costs, systems,
28 and methods are protected by trade secret law.” *In re Dana Corp.*, 574 F.3d 129, 152 (2d Cir.

1 2009). But this protection does not extend to “information as to single or ephemeral events in the
2 conduct of the business, as, for example, the amount or other terms of a secret bid for a contract or
3 the salary of certain employees, or the security investments made or contemplated, or the date
4 fixed for the announcement of a new policy or for bringing out a new model or the like.” *Lehman*,
5 783 F.2d at 297-98 (quoting Restatement (First) of Torts § 757 cmt. b).

6 Viewed within the context of LivePerson’s chat platform, the XML data constitutes more
7 than single or ephemeral events. Because the data reflects the application of LivePerson’s rules
8 and models to real world situations, it is more akin to “test data,” a protectable category of trade
9 secret. *Next Commc’ns, Inc. v. Viber Media, Inc.*, No. 14-CV-8190 (RJS), 2016 WL 1275659, at
10 *4 (S.D.N.Y. Mar. 30, 2016) (quoting *MedTech Prods. Inc. v. Ranir, LLC*, 596 F. Supp. 2d 778,
11 788 (S.D.N.Y. 2008)). This characterization is further supported by the fact that LivePerson uses
12 this data as part of “a process . . . for continuous use in the operation of [its] business,”
13 Restatement (First) of Torts § 757 cmt. b, by using the data to adjust the parameters of the chat
14 platforms that it provides to its customers. ECF No. 424-2 at 14-17; *see also Penrose Comput.*
15 *Marketgroup, Inc. v. Camin*, 682 F. Supp. 2d 202, 213 (N.D.N.Y. 2010) (recognizing viable
16 misappropriation claim based on plaintiff’s “customized and confidential computer services,
17 solutions or designs for its clients, as well as its cost structure, supply vendors, customer
18 relationships, sales strategies, customer files, customer lists and identities, and other confidential
19 and proprietary information not known to the general public”); *Paz Systems*, 514 F. Supp. 2d at
20 404, 406. Accordingly, LivePerson has raised a triable issue of fact whether the XML data
21 constitutes “confidential proprietary data relating to [its] systems . . . and methods.” *In re Dana*
22 *Corp.*, 574 F.3d at 152.

23 *Lehman*, on which [24]7 relies, is not to the contrary. In *Lehman*, a “finder” of corporate
24 acquisition deals asserted trade secret protection for information relating to whether a target
25 corporation’s officers would be receptive to a merger offer and the finder’s recommendation on
26 that opportunity. 783 F.2d at 297-98. The court concluded that, although information that
27 pertained to general methods of setting up acquisition deals might qualify, this deal-specific
28 information “was not used to run Lehman’s business but was its *product*: like the car that rolls off

1 the production line, this information was what Lehman had to sell.” *Id.* at 298.

2 [24]7’s remaining arguments similarly lack merit. [24]7 misapplies *PaySys* in arguing that
3 LivePerson must show that it continuously used every piece of XML data for the data set to
4 qualify as a trade secret. As discussed above, *PaySys* dealt with whether individual lines of code
5 were publicly known, and therefore precluded from trade secret protection on that basis. 2016 WL
6 7116132, at *11-12. No court has indicated that a trade secret plaintiff must affirmatively
7 demonstrate continuous use of each piece of information within a “compilation of information.”
8 For instance, a plaintiff need not prove that it will continuously contact or do business with every
9 customer on a customer list to invoke trade secret protection for the whole list. *Cf., e.g., N. Atl.*
10 *Instruments, Inc. v. Haber*, 188 F.3d 38, 44-46 (2d Cir. 1999).

11 Because continuous use of each piece of data is not the standard, LivePerson’s periodic
12 deletion of XML data does not defeat trade secret protection. It suffices that LivePerson
13 “continuously” makes use of that data compilation as a whole to refine its products.

14 Finally, LivePerson’s cited testimony suggests that, as a general practice, it used data from
15 prior visitor interactions on a particular website to develop its products for that customer. *See*
16 ECF No. 424-2 at 14-17. At summary judgment, the Court finds it is reasonable to infer that
17 LivePerson maintained this practice for the specific customers covered by ATs 48, 49, and 51.

18 2. [24]7’s Use of the ATs

19 [24]7 also argues that it did not use any “trade secret in breach of an agreement,
20 confidence, or duty, or as a result of discovery by improper means.” *E.J. Brooks*, 31 N.Y.3d at
21 452 (citations omitted). The Court addresses each theory in turn.

22 a. Breach of an Agreement

23 As an initial matter, LivePerson agrees that its breach-of-contract claim forms the basis for
24 this theory of misappropriation, and so the two rise and fall together. *See* ECF No. 421-3 at 11
25 n.4, 17-18. Moreover, LivePerson has limited its breach-of-contract theory to the LivePerson-
26 [24]7 MSA. *Id.* at 18-19; ECF No. 412-13 at 2.

27 [24]7 argues that the MSA governed services only “as . . . set forth in one or more
28 Statements of Work,” LivePerson-[24]7 MSA §§ 2(a), 7(a), 7(c), and that once all outstanding

1 SOWs expired, the MSA terminated. Consequently, [24]7 reasons, the parties' agreement
2 terminated on March 31, 2008, and no subsequent actions constitute a breach. ECF No. 400-4 at
3 17-18.

4 [24]7's argument is not supported by the facts. The LivePerson-[24]7 MSA does not state
5 that it will automatically terminate as soon as the parties lack an active SOW. Indeed, it seems
6 doubtful that the parties intended that any lapse in an active SOW, even if only for a few days,
7 would terminate the entire MSA. Certainly, the Court cannot infer that intent simply from the fact
8 that the MSA governed work performed pursuant to SOWs.

9 Instead, the agreement provides that it will automatically renew for successive one-year
10 terms unless one of the parties gives written notice to the contrary at least sixty days in advance.
11 LivePerson-[24]7 MSA § 10. The agreement also gives each party the right to terminate under
12 certain other conditions, such as an uncured breach. *See id.* § 11. In the absence of any evidence
13 that the parties terminated the MSA in accordance with its provisions, the Court presumes the
14 agreement remains in effect.

15 Nonetheless, the Court concludes that there is no triable issue of fact whether [24]7
16 breached the MSA. LivePerson agrees that its breach-of-contract theory is based on conduct and
17 information unrelated to any SOW governed by the MSA, but it argues that the MSA's
18 confidentiality provisions apply to any confidential information [24]7 obtained from LivePerson at
19 any point and in any manner. ECF No. 421-3 at 18-19. LivePerson stresses that various
20 provisions of the MSA refer to "LivePerson Intellectual Property" without explicitly stating that
21 they are limited to information obtained in the course of performing pursuant to a SOW. *See*
22 LivePerson-[24]7 MSA §§ 7(f), 17(a). LivePerson also relies on section 6 of the MSA, which
23 expressly incorporates the confidentiality protections contained in article 5 of the CMA. *Id.*
24 § 6(b). But while LivePerson emphasizes the broad definition of "Confidential Information" in
25 article 5.1, LivePerson overlooks that this definition refers to information that the parties "have
26 received or may receive . . . *in connection with the performance of this Agreement.*" LivePerson-
27 [24]7 CMA § 5.1 (emphasis added).

28 The Court concludes that the contract is not reasonably susceptible to LivePerson's

1 interpretation. *See Ellington v. EMI Music, Inc.*, 24 N.Y.3d 239, 244 (2014). The Court must
2 “read the document as a whole to ensure that excessive emphasis is not placed upon particular
3 words or phrases.” *S. Rd. Assocs., LLC v. Int’l Bus. Machines Corp.*, 4 N.Y.3d 272, 277 (2005).
4 The MSA establishes a framework of terms for work performed under SOWs, LivePerson-[24]7
5 MSA § 2(a), and its confidentiality and proprietary rights provisions must be read in that context,
6 *see, e.g., id.* § 7(a) (granting [24]7 a revocable license “for the sole purpose of performing the
7 Services in accordance with the relevant SOW”). Absent any indication within the text of the
8 agreements, it is not reasonable to assume that the parties’ agreement to terms for specific service
9 contracts was also intended to execute a universal agreement to safeguard each other’s intellectual
10 property rights under all future circumstances.

11 Accordingly, LivePerson’s trade secret misappropriation claim cannot proceed on a
12 breach-of-contract theory.

13 **b. Breach of a Confidential Duty**

14 The Court next considers whether [24]7 used LivePerson’s trade secrets in the breach of a
15 confidential duty to LivePerson.

16 “Under New York law, a duty of fidelity can in ‘rare instances’ arise from a relationship of
17 trust and confidence between two companies.” *Sci. Components Corp. v. Sirenza Microdevices,*
18 *Inc.*, No. 03 CV 1851 NGG RML, 2006 WL 6937123, at *16 (E.D.N.Y. July 11, 2006) (citation
19 omitted), *report and recommendation adopted*, No. 03-CV-1851(NGG)(RML), 2006 WL 2524187
20 (E.D.N.Y. Aug. 30, 2006). But “[a] conventional business relationship, without more, is
21 insufficient to create a fiduciary relationship. Rather, a plaintiff must show special circumstances
22 that transformed the parties’ business relationship to a fiduciary one.” *Big Vision*, 1 F. Supp. 3d at
23 273 n.57 (S.D.N.Y. 2014) (quoting *Legend Autorama, Ltd. v. Audi of Am., Inc.*, 954 N.Y.S.2d 141,
24 144 (N.Y. App. Div. 2012)).

25 An “important element” contributing to a confidential relationship is “an imbalance of
26 economic power, such that the party that disclosed its trade secrets did so because it was in a
27 position of weakness, dependence or vulnerability and the dominant party required the disclosure
28 as a condition of doing business.” *Sci. Components*, 2006 WL 6937123, at *17. In other words,

1 the duty arises from a relationship where “the plaintiff was completely or almost completely
2 dependent on the defendant corporation for its livelihood over a long period of time.” *Id.* Such
3 economic dominance may exist in manufacturer-distributor relationships, for instance, where
4 “sales of the [manufacturer’s] products constituted the bulk of [the distributor’s] revenues.”
5 *Abernathy-Thomas Eng’g Co. v. Pall Corp.*, 103 F. Supp. 2d 582, 604 (E.D.N.Y. 2000); *cf. Sci.*
6 *Components*, 2006 WL 6937123, at *18 (explaining that a manufacturer-distributor “designation
7 alone does not create a duty of trust and confidence” (citing *Medinol Ltd. v. Boston Sci. Corp.*, 346
8 F. Supp. 2d 575, 607 (S.D.N.Y. 2004)). Courts have found further evidence of dominance where
9 the manufacturer “dictated the size of [the distributor’s] territory, prices and commissions.”
10 *Zimmer-Masiello, Inc. v. Zimmer, Inc.*, 552 N.Y.S.2d 935, 937 (N.Y. App. Div. 1990). In these
11 cases, the manufacturer *contractually* required the distributor to disclose the confidential
12 information. *See Abernathy-Thomas Eng’g*, 103 F. Supp. 2d at 603; *A.S. Rampell, Inc. v. Hyster*
13 *Co.*, 3 N.Y.2d 369, 377 (1957); *Zimmer-Masiello*, 552 N.Y.S.2d at 365.

14 Unlike with manufacturers and distributors, LivePerson and [24]7 did not have a direct
15 sales relationship. Nonetheless, LivePerson argues that [24]7 economically dominated LivePerson
16 – albeit indirectly – “given the economics of chat platforms versus revenue-driving [digital chat
17 agents].” ECF No. 421-3 at 16. This claim is difficult to evaluate because LivePerson does not
18 cite any specific evidence regarding the parties’ respective positions in the marketplace, relying
19 solely on [24]7’s CEO’s statement that, in the parties’ dealings with Optus, LivePerson was [REDACTED]

20 [REDACTED]
21 [REDACTED] ECF No. 426-14 at 3. But neither the Court (nor a jury) could reasonably conclude based
22 solely on this evidence that LivePerson’s sales to customers who also used [24]7’s digital chat
23 agent services constituted “the bulk of [LivePerson’s] revenues.” *Abernathy-Thomas Eng’g*, 103
24 F. Supp. 2d at 604; *see also Sci. Components*, 2006 WL 6937123, at *18 (holding that evidence
25 that the trade secret plaintiff accounted for forty percent of the defendant’s revenues was
26 insufficient, as a matter of law, to establish a confidential relationship).

27 Similarly, LivePerson has not put forth evidence that [24]7’s market position prevented
28

1 LivePerson from imposing contractual limitations on [24]7's use of its ATSS.¹⁰ In other words,
2 LivePerson may have had to give access to [24]7 as a practical matter, but it did not necessarily
3 have to do so without the type of restrictions that would support a breach-of-contract
4 misappropriation theory. *Cf. Structured Capital Sols., LLC v. Commerzbank AG*, 177 F. Supp. 3d
5 816, 836 (S.D.N.Y. 2016) (holding that where plaintiff voluntarily disclosed trade secret under
6 one-year non-disclosure agreement, trade secret protection expired when agreement did). Thus,
7 this case further differs from those where a manufacturer leveraged its position to contractually
8 require a distributor to disclose trade secret information. *See Abernathy-Thomas Eng'g*, 103 F.
9 Supp. 2d at 603; *A.S. Rampell, Inc.*, 3 N.Y.2d at 377; *Zimmer-Masiello*, 552 N.Y.S.2d at 365.
10 *SimplexGrinnell LP v. Integrated Systems & Power, Inc.*, 642 F. Supp. 2d 167 (S.D.N.Y.
11 2009), on which LivePerson relies, does not counsel a different result. *SimplexGrinnell* bears
12 some resemblance to these facts, as one competitor manufactured a product – fire alarm systems –
13 while both competitors provided maintenance services for those systems. *Id.* at 175. There,
14 however, the parties had a much closer relationship, where defendant “operated effectively as a
15 branch office of [plaintiff] and served as plaintiff’s agent and representative in the New York City
16 area.” *Id.* Moreover, though defendant gained access to the trade secret through this relationship,
17 a stipulated bankruptcy settlement strictly limited defendant’s use. *Id.* at 176. Here, LivePerson’s
18 evidence, even viewed in its most favorable light, shows a far more attenuated relationship with
19 [24]7 than the agency relationship in *SimplexGrinnell*. *Cf. Restatement (First) of Torts § 757 cmt.*
20 *j* (“The chief example of a confidential relationship under this rule is the relationship of principal
21 and agent.” (citation omitted)). And the terms of [24]7’s access were not delineated by a
22 stipulation or other contract between the parties.¹¹

23
24 ¹⁰ To the extent that LivePerson premises its misappropriation claim on a breach of a contract
25 between LivePerson and [24]7 or a contract between LivePerson and a mutual customer, the Court
26 address those points under the breach-of-contract and improper-means theories.

27 ¹¹ LivePerson’s other cases are likewise distinguishable. In *Stewart v. World Wrestling*
28 *Federation Entertainment, Inc.*, the parties collaborated on the development of a single idea,
which defendant then used for its sole profit. No. 03 CV 2468 RLC, 2005 WL 66890, at *4
(S.D.N.Y. Jan. 11, 2005). Though *S.E.C. v. Singer* states that the general proposition that the
existence of a confidential relationship requires factual findings, 786 F. Supp. 1158, 1169
(S.D.N.Y. 1992), it addresses misappropriation under federal securities laws, not New York law.
Regardless, the factual question of a confidential relationship may be decided at summary

1 third person with notice of the fact that it was a secret and that the third person discovered it by
2 improper means or that the third person's disclosure of it was otherwise a breach of his duty to the
3 other." *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 718 (2d Cir. 1992) (quoting
4 Restatement (First) of Torts § 757(c)); *see also Fabkom, Inc. v. R.W. Smith & Assocs., Inc.*, No. 95
5 CIV. 4552 (MBM), 1996 WL 531873, at *12 (S.D.N.Y. Sept. 19, 1996) (same). But although
6 LivePerson suggests in passing that [24]7 knew or should have known that "LivePerson's
7 customers were breaching duties of confidentiality to LivePerson to the extent they provided
8 LivePerson's trade secrets to [24]7 for th[e] purpose" of building a competing chat platform, ECF
9 No. 421-3 at 15 n.10, it identifies no such breach by any of its customers. Indeed, in the
10 deposition testimony cited by [24]7, LivePerson witnesses said they were unaware of any instance
11 where LivePerson had concluded that Optus, Sears, or Capital One were in breach or so informed
12 those customers. *See* ECF No. 403-3 at 3 (Optus); ECF No. 405-1 at 3-4 (Sears); ECF No. 407-3
13 at 3-4 (Capital One). LivePerson does not refute this testimony, and neither its operative
14 complaint, ECF No. 50 ¶¶ 62-67, nor its opposition identify any specific breach.¹³

15 However, improper means also include those employed against a third person to procure
16 the secret. *See* Restatement (First) of Torts § 757, cmt. h. As relevant here, they encompass
17 "fraudulent misrepresentations to induce disclosure" and the like. *Big Vision*, 1 F. Supp. 3d at 273
18 (citation omitted); *see also BCG Partners, Inc. v. Avison Young (Canada) Inc.*, 160 A.D.3d 407,
19 408 (N.Y. App. Div. 2018) ("[W]rongful means include fraud or misrepresentation . . ." (internal
20 quotation marks and citation omitted)). LivePerson raises a triable issue of fact whether [24]7
21 knew that it was exceeding the scope of its authorized access by developing a competing chat
22 platform and using LivePerson's ATs to implement that platform for former LivePerson
23 customers. *See, e.g.*, ECF No. 423-1 at 2 [REDACTED]

24
25
26 ¹³ For example, LivePerson does not argue that Optus disclosed its ATs without ensuring that the
27 receiving personnel from [24]7 had "agreed to maintain the confidentiality of the Confidential
28 Information on terms no less stringent than those imposed by [the Optus MSA]." Optus-
LivePerson MSA § 19.1(b)(ii). Nor does LivePerson assert that Optus failed "to take all
reasonable precautions to ensure that [LivePerson's] Confidential Information [was] treated as
confidential and not disclosed or used other than for the purposes of the Supply Contract or [the
Optus MSA]" when it was provided to [24]7. *Id.* § 19.1(c).

1 [REDACTED]
2 [REDACTED] ECF No. 423-2 at 113 [REDACTED]
3 [REDACTED]
4 [REDACTED]; *id.* at 225 [REDACTED]
5 [REDACTED]
6 [REDACTED]; ECF No. 423-3 at 233-34 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]; *id.* at 236 [REDACTED]
11 [REDACTED]; *cf. SimplexGrinnell*, 642 F. Supp.
12 2d at 199 (misappropriation based on exceeding scope of authorization). Similarly, the parties
13 raise a dispute whether the customers providing the ATs to [24]7 knew that [24]7 was doing so,
14 *see, e.g.*, ECF No. 423-2 at 222 [REDACTED]
15 [REDACTED] *cf.*
16 ECF No. 423-3 at 178 [REDACTED]
17 [REDACTED] If
18 [24]7 misrepresented the nature of its use to those customers, that omission could well be material,
19 as it put customers at risk of liability for a breach without their knowledge. *See Lewis v. Wells*
20 *Fargo Bank, N.A.*, 22 N.Y.S.3d 461, 463 (N.Y. App. Div. 2015) (stating that fraudulent
21 misrepresentations include the “omission of a material fact”). Even if a jury did not find that
22 [24]7’s conduct rose to the level of an actionable misrepresentation, it could reasonably conclude
23 that this behavior fell below commercially reasonable standards of conduct.

24 Accordingly, the Court denies [24]7’s motion for summary judgment on LivePerson’s
25 trade secret misappropriation claims. Those claims may proceed, but solely on an improper-
26 means theory.

27 **C. Breach of Contract**

28 As discussed above, LivePerson fails to identify a breach covered by the MSA’s

1 unambiguous terms, let alone raise a triable issue of fact. Accordingly, [24]7 is entitled to
2 summary judgment on LivePerson’s breach of contract claim.

3 **D. Unjust Enrichment**

4 [24]7 argues that LivePerson’s common-law unjust enrichment claim should be dismissed
5 because it merely duplicates the other claims for relief. ECF No. 400-4 at 28.

6 Under New York law, “[a]n unjust enrichment claim is not available where it simply
7 duplicates, or replaces, a conventional contract or tort claim.” *Corsello v. Verizon N.Y., Inc.*, 18
8 N.Y.3d 777, 790 (2012). Rather, an unjust enrichment claim “is available only in unusual
9 situations when, though the defendant has not breached a contract nor committed a recognized
10 tort, circumstances create an equitable obligation running from the defendant to the plaintiff.” *Id.*
11 “Typical cases are those in which the defendant, though guilty of no wrongdoing, has received
12 money to which he or she is not entitled.” *Id.*¹⁴

13 LivePerson vaguely asserts that its unjust enrichment claim is premised on misconduct
14 independent of its other claims, but the interrogatory response on which LivePerson relies merely
15 incorporates by reference the documents and evidence proffered in support of its other claims. *See*
16 ECF No. 421-3 at 31; ECF No. 423-5 at 109. As best the Court can discern, the unjust enrichment
17 alleged is the benefit that [24]7 purportedly derived from the use of LivePerson’s trade secrets and
18 interfering with its business relationships, which are encompassed by LivePerson’s other causes of
19 action. LivePerson’s unsupported assertion that it may still be entitled to the increase in [24]7’s
20 digital chat agent revenue under an unjust enrichment theory, ECF No. 421-3 at 31, fails to
21 remedy this defect.

22 Because LivePerson has not explained how its unjust enrichment claim is not duplicative,
23 the Court grants summary judgment to [24]7 on the claim. *See Cont’l Indus. Grp., Inc. v.*
24 *Altunkilic*, No. 14CIV790ATJLC, 2018 WL 1508566, at *9 (S.D.N.Y. Mar. 27, 2018); *Nelson v.*
25 *MillerCoors, LLC*, 246 F. Supp. 3d 666, 679 (E.D.N.Y. 2017).

26
27 ¹⁴ LivePerson relies on a district court case allowing a duplicative unjust enrichment claim to
28 proceed along with a trade secret misappropriation claim, *see Member Servs., Inc. v. Sec. Mut. Life*
Ins. Co. of N.Y., 2010 WL 3907489, at *12 (N.D.N.Y. 2010), but *Member Services* conflicts with
later precedent from the highest state court and is therefore inapposite.

1 **E. Damages**

2 Finally, [24]7 seeks summary judgment on the issue whether LivePerson can seek
3 disgorgement as a remedy for its trade secret misappropriation and unfair competition claims,
4 arguing that disgorgement is unavailable as a matter of law.

5 The New York Court of Appeals recently addressed the appropriate measure of damages
6 for trade secret misappropriation in *E.J. Brooks*, 31 N.Y.3d 441. The court held “that damages in
7 trade secret actions must be measured by the losses incurred by the plaintiff, and that damages
8 may not be based on the infringer’s avoided development costs.” *Id.* at 454. Yet the court did not
9 foreclose all reliance on the defendant’s profits in calculating damages. In addressing the same
10 question for an unfair competition claim, the court explained that “a defendant’s gains may be
11 evidence of a plaintiff’s losses,” although “they will not be presumed to be the actual measure” of
12 those losses. *Id.* at 452. The court likewise agreed that a trade secret plaintiff is “entitled to
13 recover as damages the amount of loss sustained by it, including opportunities for profit on the
14 accounts diverted from it through defendants’ conduct.” *Id.* at 453 (quoting *Hertz Corp. v. Avis,*
15 *Inc.*, 485 N.Y.S.2d 51 (N.Y. App. Div. 1985)). And while the court suggested that “the plaintiff’s
16 costs of developing the product may be the best evidence of the (now-depleted) value that the
17 plaintiff placed on the secret,” it also acknowledged the possibility that in some instances “the
18 defendant’s sales would approximate those of the plaintiff.” *Id.* at 454 (citing *Michel Cosmetics,*
19 *Inc. v. Tsirkas*, 282 N.Y. 195, 202 (1940) (relying on cases where evidence demonstrated “that the
20 plaintiff lost sales of its product to the extent measured by defendant’s manufacture of its own”)).

21 *E.J. Brooks* thus establishes that [24]7’s profits are a relevant measure of damages only to
22 the extent that they show an “effect of the misappropriation on [LivePerson]” as evidence of
23 LivePerson’s lost profits or other damages. *Id.* Given this definitive statement of New York law,
24 LivePerson’s reliance on prior federal court cases permitting disgorgement is unavailing.
25 Therefore, Live Person is not entitled to disgorgement of [24]7’s profits, but it is not precluded
26 from offering [24]7’s profits as evidence to prove *compensatory* damages.

27 In this case, LivePerson’s damages expert, Dr. William Choi, produced his expert report on
28 April 5, 2018. ECF No. 429 ¶ 3. The New York Court of Appeals issued its *E.J. Brooks* decision


1 on May 3, 2018. 31 N.Y.3d at 441. Prior to *E.J. Brooks*, courts had “deemed an accounting of
2 defendant’s profits to be ‘an appropriate measure of damages under New York law’ for a
3 misappropriation of trade secrets claim.” *Shamrock Power Sales, LLC v. Scherer*, No.
4 12CIV8959KMKJCM, 2016 WL 7647597, at *12 (S.D.N.Y. Dec. 8, 2016), *report and*
5 *recommendation adopted*, No. 12CV8959KMKJCM, 2017 WL 57855 (S.D.N.Y. Jan. 4, 2017)
6 (quoting *Softel, Inc. v. Dragon Med. & Sci. Comme’ns, Inc.*, 118 F.3d 955, 969 (2d Cir. 1997)).
7 Dr. Choi reasonably based his expert report on the existing law at the time.¹⁵ The Court will
8 therefore grant LivePerson’s request to allow Dr. Choi to supplement his report. ECF No. 421-3
9 at 29 n.24.¹⁶

10 CONCLUSION

11 In sum, the Court grants summary judgment to [24]7 on the Lanham Act, breach of
12 contract, and unjust enrichment claims. The Court denies summary judgment on LivePerson’s
13 trade secret misappropriation claims. Finally, the Court grants LivePerson’s request for Dr. Choi
14 to supplement his report. The parties are ordered to submit a stipulation, or competing proposals,
15 by November 2, 2018 that address the due dates for Dr. Choi’s supplemental report and further
16 discovery, if any, concerning that report.

17 **IT IS SO ORDERED.**

18 Dated: October 26, 2018

19 
20 JON S. TIGAR
21 United States District Judge

22 ¹⁵ [24]7’s argument at the motion hearing that *Brooks* did not represent a change in the law is
23 flatly contradicted by prior New York cases and by the dissent in *Brooks* itself. *See Brooks*, 31
24 N.Y.3d at 773 (Wilson, J., dissenting (describing the rule permitting disgorgement in trade secret
25 cases as “ancient, settled law”); *Topps Co. v. Cadbury Stani S.A.I.C.*, 380 F. Supp. 2d 250, 269
26 (S.D.N.Y. 2005) (“The most commonly accepted measure of damages for trade secret
27 misappropriation is the defendant’s profits”) (quoting Michael A. Rosenhouse, *Proper*
28 *Measure and Elements of Damage for Misappropriation of Trade Secret*, 11 A.L.R.4th 12 § 2(a)
(2004)).

¹⁶ [24]7 also argues that regardless whether its profits may be considered as evidence of
LivePerson’s loss, [24]7’s digital chat agent revenues are not sufficiently related to the alleged
misconduct in developing and marketing its chat platform. As just explained, [24]7’s digital chat
agent revenues provide a basis for damages if, and only if, they measure LivePerson’s loss.
Consideration of this issue is premature, as Dr. Choi has yet to amend his report.