

More Information Needed: Former Employee Dodges Trade Secrets Suit Brought by Interior Design Company

Proskauer on Trade Secrets on May 13, 2024

On May 1, 2024, in [Design Gaps, Inc. v. Hall, 23CV040664-590](#), North Carolina's business court dismissed an interior design company's trade secret claim for failure to sufficiently plead the existence of trade secrets. The business court found that the "vague and conclusory" list of trade secrets that plaintiffs pled was not precise enough to put the defendants on notice.

Plaintiff, Design Gaps, alleged that when a former employee began working at a competitor, she and her new employer misappropriated their trade secrets. However, in their complaint, Design Gaps only offered a generalized list of the trade secrets that Hall allegedly misappropriated. At the time of her resignation, Design Gaps claimed that their former employee, Jocelyn Hall, asked to keep her company laptop so she could help the new hire get acclimated. A few weeks later, Design Gaps discovered that Hall began working for a competitor, Peters Custom. According to Design Gaps, Hall and Peters Custom began to pilfer Design Gaps' trade secrets through use of their cabinetry designs, customer lists, and pricing information. In their complaint, Design Gaps alleged that Hall and Peters Custom misappropriated trade secrets related to their customer lists, formulas, plans, materials, methods, information, roadmaps, and strategies, but they did not provide more details around these categories.

In dismissing this misappropriation claim, the business court found that the list of alleged trade secrets— “customer lists, pricing formulas, and bidding formulas...product sources, products, price lists, advertising plans, designs and materials, technical drawings, services, pricing points, methods of sales and business contracts and training methods as well as...customers’ pricing programs, unit sales, dollar volume, models, financial information, product roadmaps, channelization and sales strategies” —was not specific enough for the trade secrets to be identifiable. The court stated, “this Court has routinely granted motions to dismiss claims for misappropriation of trade secrets based on similarly vague and generalized identifications of the alleged trade secrets.” Design Gaps had previously filed against Hall and Peters Custom in district court, where they asserted similar claims under the Defend Trade Secrets Act (“DTSA”). The district court also dismissed that claim for failing to adequately identify the alleged trade secrets.

In pleading the existence of a trade secret, a plaintiff must plead with sufficient particularity to allow the defendant “to delineate that which he is accused of misappropriating” and to allow the court to determine whether there was a trade secret that could have been misappropriated. In other words, a plaintiff needs to give enough information to give the defendant and the court an idea what the trade secrets could be. Merely defining trade secrets with broad, generalized categories, without substantive descriptions, will often subject a trade secret claim to dismissal, despite there being other plausible allegations that a company’s trade secrets had been stolen.

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