

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

AIR PRODS. AND CHEM., INC.,	:	
	:	CIVIL ACTION
Plaintiff,	:	
	:	
v.	:	
	:	
INTER-CHEMICAL LTD., et al.,	:	NO. 03-CV-6140
	:	
Defendants.	:	

**MEMORANDUM AND ORDER**

I. Introduction

Plaintiff Air Products and Chemicals, Inc. (“Air Products” or “Plaintiff”) alleges in this action that Inter-Chemical Ltd., and its President, Zou Qian, a/k/a Mack Chou (“Chou”) (collectively, “Defendants”), in concert with former Air Products’ employee Karandeep Singh Sandhu, a/k/a Kevin Sandhu (“Sandhu”), are using Air Products’ trade secrets to interfere with Air Products’ customer relationships and to sell and distribute a line of surfactant chemicals called Geminol, which are replicas of Air Products’ Surfynol® 104 line of surfactant chemicals. The activities of Sandhu and his company, Inter-Chemical USA LLC (“Inter-Chemical USA”), the United State and European partner of Inter-Chemical Ltd., are already enjoined by this Court’s June 6, 2003 Joint Consent Order in Air Prods. & Chems., Inc. v. Sandhu, Civ. A. No. 03-CV-3087 from, among other things, using Air Products’ trade secrets and confidential information and contacting Air Products’ Surfynol® 104 customers. (Dkt. No. 14).

Presently before the Court is Plaintiff’s Petition for a Temporary Restraining Order and Preliminary Injunction (Dkt. 2), in which Plaintiff seeks an order (1) directing

Defendants to return all documents reflecting Air Products' trade secrets and confidential information; (2) enjoining Defendants from using Air Products' trade secrets and confidential information; (3) barring Defendants from contacting or soliciting Air Products' surfactant customers; and (4) enjoining Defendants from marketing and selling their Geminol line of surfactant chemicals. For the reasons discussed below, Plaintiff's Motion is **GRANTED**.

## II. Procedural History

On June 6, 2003, this Court entered a Joint Consent Order (the "Order") in Air Prods. & Chems., Inc. v. Sandhu, Civ. A. No. 03-CV-3087 enjoining Sandhu and Inter-Chemical USA from, among other things, using Air Products' trade secrets and confidential information and contacting Air Products' Surfynol® 104 customers. Air Products' Petition for a Temporary Restraining Order and Preliminary Injunction ("Pet."), Ex. 2. By letter dated July 1, 2003, Air Products' counsel notified Defendants that the Order is applicable to and binding upon them, as they are acting in concert and participation with Sandhu and Inter-Chemical USA.<sup>1</sup> Pet., Ex. B.

On August 30, 2003, Defendants sent an e-mail to an Air Products' customer stating that "only Inter-Chemical USA LLC has an injunction" and "Inter-Chemical Ltd. has no . . . legal problem for manufacturing and selling [Geminol] anywhere in the world." Pet., Ex. C. The email further stated, "our competitor has told most of the USA and European customers that Inter-chemical's Geminol should not be trusted because they have an injunction against them, don't do any business with them. They are telling you lies!!!" Id. On October 18, 2003, Defendants sent emails to Air Products' customers publicizing that Defendants would be

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<sup>1</sup> Following the entry of the Order, Sandhu and Inter-Chemical USA filed for bankruptcy.

displaying their Geminol line of surfactant chemicals at the International Coatings Expo (the “Expo”) in Philadelphia, Pennsylvania from November 12-14, 2003, and inviting those customers to visit Inter-Chemical Ltd.’s stand at the Expo. Pet., Ex. E.

By letter dated November 4, 2003, Air Products’ counsel again notified Defendants that the Order is applicable to and binding upon them, demanded that Defendants cease and desist their misappropriation of Air Products’ trade secrets and halt their plans to attend the Expo, and warned that Air Products would pursue legal action against Defendants unless they communicated their intention to abide by the Order. Pet., Ex. F. Defendants did not respond to the November 4, 2003 letter. As a result, Air Products’ counsel notified Defendants, by letter dated November 6, 2003, of Air Products’ intention to file a lawsuit and seek injunctive relief on November 10, 2002. Pet., Ex. G.

On November 10, 2003, Air Products filed a Complaint (Dkt. No. 1) and a Petition for a Temporary Restraining Order and Preliminary Injunction. On the same day, Judge Robert F. Kelly granted Plaintiff’s Petition for a Temporary Restraining Order and scheduled a hearing on the preliminary injunction. (Dkt. No. 5). On November 13, 2003, the Court held a hearing on the Motion for a Preliminary Injunction. Although Defendants received notice of the hearing pursuant to Rule 65(a)(1) of the Federal Rules of Civil Procedure, they did not appear at the hearing. Exs. 23-25 to Testimony of Kelly Boyer (“Test. of Boyer”).

We shall now set forth findings of fact and conclusions of law based on evidence presented at the hearing and the written submissions of the Plaintiff:

### III. Findings of Fact

1. Air Products is a corporation organized under the laws of the State of Delaware, with its

principal place of business at 7201 Hamilton Boulevard, Allentown, Pennsylvania. Air Products serves customers in technology, energy, healthcare and industrial markets worldwide, offering a unique portfolio of gas and chemical products and solutions. Surfynol® 104 is an integral part of Air Products' chemical business. Pet., Ex. 1 ¶¶ 4-7; Transcript of November 13, 2003 Hearing ("Tr.") at 34. The number of Surfynol® 104 customers is "a little over 1,000, but . . . roughly 80 percent of [Air Products' Surfynol® 104] business is maintained through about a hundred customers." Id.

2. Inter-Chemical Ltd. is a Chinese manufacturer and supplier of specialty chemicals maintaining its principal place of business at B-1108/1109, Tian An International Building, Renming Nan Road, Shenzhen, China 518005.

3. Chou, President and Senior Chemical Engineer at Inter-Chemical Ltd., is believed to be a Chinese citizen.

4. Surfynol® 104 is a surfactant. Surfactants are important in water-based formulations, such as coatings, inks and adhesives which have higher surface tension than solvent-based formulations, because they allow for the wetting of substrates the surface tension of which is typically less than that of water. Surfactants lower the surface tension of the formulation thereby making the water act like a solvent. Pet., Ex. 1 ¶ 5; Tr. at 29.

5. Surfynol® 104 is a unique surfactant. Most surfactants cause foam and, therefore, require the addition of a "defoamer," which typically results in more wetting problems. Surfynol® 104, however, provides the required surface tension reduction while controlling or eliminating foam. Surfynol® 104 also reduces surface tension under the high speed conditions, such as spraying, roll coating and printing, that most application methods occur. Id. at ¶ 6; Tr. at 29-30.

6. Air Products devoted many years of research, testing and capital to refine and hone the steps involved to commercially manufacture Surfynol® 104. Although the ingredients in Surfynol® are discoverable, its manufacturing process is highly confidential. This process includes a number of non-public details, such as the temperature and pressure at which the product is manufactured, the methods of purification, the ratio of reactants used in the manufacturing process, the order and placement of various equipment used and the recycling of reagents used to produce the product. Id. at ¶ 7; Tr. at 30-31.

7. Surfynol® 104 purchasers are a small subset of the universe of surfactant purchasers. Their identities are only known to Air Products. Surfynol® 104 purchasers are not discernable simply from industry knowledge, nor is there any publically available list of costumers in need of surfactants, like Surfynol® 104, that perform well under dynamic conditions. Id.; Tr. at 31-37.

8. Air Products has invested many years and significant resources cultivating relationships with, and solving problems for, customers who use Surfynol® 104. Id.; Tr. at 32-33.

9. Typically, new customers do not simply call to order a drum of Surfynol® 104. Instead, new customers generally go through a “qualification” process during which they work together with Air Products to find a product that will solve their formulating problems. Id.; Tr. at 31-32.

10. Because surfactants are not a “one size fits all” product, determining which surfactant is right for each client often involves some level of assistance from Air Products. In some cases, customers or prospective customers sends their materials to Air Products. Air Products screens the materials in its laboratory, runs various tests and determines in its judgment whether Surfynol® 104 will solve the particular problem. Air Products then sends a sample of the recommended product to the customer or prospective customer who, in turn, will occasionally

perform its own tests. This process takes time and requires a dialogue between Air Products' employees and the customer. Id. at ¶¶ 9-10; Tr. at 31-32.

11. The names of each customer and prospective customer for Surfynol® 104 is maintained on the following Air Products' databases (the "Databases"): (1) Sales Account Management Database; (2) Current Pricing Database; (3) Leads Tracking Database; (4) Power Play Database; and the Contact Report Database. The Databases contain, among other things, customer names, offices, addresses, job titles, telephone numbers and email addresses of key contacts, unpublished pricing offered to individual customers, names of customers and prospective customers who have requested samples of Surfynol® 104, customer sales information and customer contact reports. They are a highly valuable resource that Air Products uses to generate "repeat" business. Id. at ¶ 11; Tr. at 32-33.

12. Air Products employs several security measures to safeguard the confidential information contained in the Databases. Air Products requires employees to sign an Employee Patent, Copyright and Confidential Information Agreement not to divulge any confidential information. Air Products also restricts access to the Databases on a need-to-know basis; they are password protected. Id. at ¶ 15; Tr. at 33-34; Ex. 1 to Test. of Boyer.

13. Sandhu, who has a B.S. in Chemical Engineering from the University of Texas, was Air Products' North American Coating and Adhesives Market Manager from September 2001 until he left the company, in April 2002. He was responsible for marketing existing products, including Surfynol® 104, to Air Products' customers. His duties required him to prepare sales and promotional tools, manage day-to-day market activities, visit customers and attend trade shows. Id. at ¶¶ 13, 31; Tr. at 26-27. Sandhu later solicited some of

those customers for Inter-Chemical USA and Chou is now soliciting them for Inter-Chemical Ltd. Pet., Ex. J ¶ 38; Tr. at 44.

14. Sandhu signed an Employee Patent, Copyright and Confidential Information Agreement which, as noted above, is a standard agreement that each Air Products' employee is required to sign as a condition of his or her employment. Pet., Ex. 1 ¶ 14; Ex. 1 to Test. of Boyer. By signing the Agreement, Sandhu agreed as follows:

Except as the Company may otherwise authorize in writing, [I agree] not [to] use or disclose to others, reproduce or copy at any time, except as my company duties may require, either during or subsequent to my employment, any private information of the Company or of others as to whom the Company has an obligation of confidentiality which may come to my attention or be developed by me during the course of my employment other than information which is or becomes public knowledge in a lawful manner.

Following termination of my employment, [I will] honor and abide by my continuing obligation of confidentiality. I agree that, in any situation which arises and involves a question of my freedom to disclose particular information to a subsequent employer or anyone else, I will contact the Company in writing and elicit its opinion on my freedom to make such a disclosure.

Ex. 1 to Test. of Boyer.

15. While in Air Products' employ, Air Products entrusted Sandhu with confidential customer and prospective customer information, as well as confidential information regarding Surfynol® 104's manufacturing process. Sandhu also had access to the Databases and used the information contained on therein on a regular basis. Pet., Ex. 1 ¶ 15; Tr. at 33-36.

16. After roughly five months of employment, Sandhu notified Air Products that he was leaving the company because his wife was unable to find work in he area. Id. at ¶ 17. Upon terminating his employment, Sandhu signed a Security Statement for Separation from Active Employment, whereby he recognized Air Products’ property right in its “private Company Information, whether or not classified with a security marking and in whatever form recorded,” which was covered by his Employment Patent, Copyright and Confidential Information Agreement. Id. at ¶ 18; Tr. at 35, 41; Ex. 2 to Test. of Boyer.

17. While still employed at Air Products, however, Sandhu embarked on a campaign to gather confidential information and documents regarding Surfynol® 104's manufacturing process, which he intended to use for his personal benefit. Id. at ¶¶ 27, 29-30; Pet., Ex. K ¶¶ 5-7; Pet., Ex. L ¶¶ 3-4; Pet., Ex. M ¶ 2; Tr. at 41-42, 55-57, 59-60.

18. Sandhu approached Air Products’ employees requesting confidential technical information regarding the Surfynol® manufacturing process. After receiving an overview of the process, Sandhu requested more detailed information. Sandhu sought out various employees until he obtained the information for which he was searching. Id. at ¶¶ 27, 29-30; Pet., Ex. K ¶¶ 5-7; Pet., Ex. L ¶¶ 3-4; Pet., Ex. M ¶ 2; Tr. at 41-42, 55-57, 59-60.

19. Sandhu obtained detailed information regarding how to manufacture Surfynol® 104 from Mark Hutcheon (“Hutcheon”), an Air Products’ engineer. Sandhu, who was responsible for marketing Surfynol® 104, told Hutcheon that he wanted to learn as much as possible about the manufacturing process. Believing that Sandhu wanted the information to better perform his job marketing the product, Hutcheon provided Sandhu with detailed, technical information regarding the process. The information Hutcheon shared with Sandhu included

specific temperatures, pressures, reagents and recycling efficiencies. He also provided Sandhu with a confidential flowchart showing the various chemicals, equipment and the arrangement of the equipment in the process. Sandhu asked a number of questions and took notes during the meeting with Hutcheon. Sandhu understood that the information he received was confidential, proprietary and constituted valuable trade secrets and, therefore, should not be disclosed to anyone outside Air Products. Ex. K ¶¶ 5-7; Tr. at 42, 59-60.

20. When Sandhu left Air Products, he brought with him the detailed notes he took during his meeting with Hutcheon regarding the Surfynol® 104 manufacturing process. Sandhu also took customer information with him when he left Air Products and used that information to contact Surfynol® 104 customers for whom Sandhu was responsible while at Air Products to solicit sales of Geminol. Pet., Ex. J. ¶ 3; Tr. at 42, 45-46, 60.

21. Within one or two months of leaving Air Products, Sandhu formed Value Additives, a California company with its principal place of business having the same address as Sandhu's residence: 255 S. Rengstorff Avenue, Suite 100, Mountain View, California 94040. The purpose of Value Additives was to obtain a source from India or the Far East to manufacture specialty chemicals identical to those produced by companies like Air Products and then to offer those products in the domestic and international market. Indeed, prior to his leaving Air Products, Sandhu told some Air Products employees that he believed Surfynol® 104 was a "profitable business," that it would be easy for a "new company" to enter the market, especially with "contacts" in "India and China," that he had such contacts, and that a least one of Air Products' customers would "be easy to get." Id. at ¶¶ 9-10; Tr. at 41-42, 55-57.

22. During the Summer of 2002, Sandhu began communicating with Chou. In August 2002,

Sandhu met with Chou. Id. at ¶ 12.

23. On December 9, 2002, Navjot Sidhu, Sandhu's college classmate, filed to do business as "Inter-Chemical USA LLC" in Oakland County, Michigan, and stated "Surfactant Marketing" as the business purpose. Id. at ¶ 13.

24. On December 12, 2002, Inter-Chemical USA filed a trademark registration for the name "Geminol" with the United States Patent and Trademark Office. Id. at ¶ 14; Ex. 14 to the Test. of Boyer. On or about January 30, 2003, Navjot Sidhu or Sandhu incorporated Inter-Chemical USA in Michigan. Ex. 13 to Test. of Boyer. In February 2003, Sandhu filed a fictitious business name for Inter-Chemical USA in Santa Clara County, California, stating that he had done business under this name since January 2003. Pet., Ex. J ¶ 13.

25. Further, on December 12, 2002, Sandhu, doing business as Value Additives, and Inter-Chemical Ltd. entered into a Business Agreement (the "Business Agreement"), which provided, *inter alia*: (1) "Value Additives will create and operate a separate company Inter-Chemical USA, in the USA, and market it as the sales/marketing partner to Inter-Chemical Ltd. Of China;" (2) Value Additives is appointed by Inter-Chemical Ltd. As the exclusive distributor of its "TetraMethyl-5-Decyne-4,7-Diol" chemicals, also referred to as "TMD Chemicals," in the United States, Mexico, Canada and Europe; and (3) Inter-Chemical Ltd.'s "TMD Chemicals" will be sold by Inter-Chemical USA "under the Geminol trade name registered to Inter-Chemical USA." Pet., Ex. 6.

26. In January 2003, various customers and distributors began notifying Air Products that a company called "Inter-Chemical" was contacting them and offering for sale a product called "Geminol." The customers and distributors also notified Air Products that, according to "Inter-

Chemical,” Geminol could be used to replace Air Products’ Surfynol® 104. Prior to their affiliation with Sandhu, neither Defendants, Inter-Chemical USA, nor Navjot Sidhu had ever contacted Air Products’ customers regarding a line of surfactant chemicals called Geminol or produced or offered for sale a competing product to Air Products’ Surfynol® 104. Pet., Ex. J ¶¶ 16-18; Tr. at 35; Exs. 3-4 of Test. of Boyer.

27. Upon learning from various customers and distributors were being contacted by a company called “Inter-Chemical” about a product called “Geminol,” Air Products’ Global Marketing Manager, Kelly Boyer (“Boyer”), searched the internet in an attempt to learn more about “Inter-Chemical”, Geminol and other products sold by “Inter-Chemical.” Although Boyer was unable to locate a website for Inter-Chemical USA, as it was not yet functioning, she did locate the Inter-Chemical Ltd. website on January 7, 2003. The website detailed every product manufactured by Inter-Chemical Ltd. The products manufactured included pharmaceuticals, hormones, intermediates and other chemicals, but not Geminol. It was not until sometime after January 2003, that Inter-Chemical Ltd.’s website contained information regarding a line of surfactant chemicals called Geminol. *Id.* at ¶¶ 19-20; Tr. at 39-40; Exs. 5-6, 8 to Test. of Boyer.

28. Some Air Products’ customers forwarded to Air Products the email solicitations they received from Inter-Chemical USA. For example, on January 10, 2003, someone named “Ken Santos” of Inter-Chemical USA sent a solicitation email to the key contact at an Air Products’ customer. The customer forwarded the message to Air Products. As reflected in the e-mail string, the customer did not “now where the note originated or where they got my name.” Sandhu acknowledged using the names Ken Santos and Navjot Sidhu as an alias. *Id.* at ¶¶ 21-22; Tr. at 36-37.

29. Attached to the January 10, 2003 email was a document which stated that “Inter-Chemical Ltd. is a Chinese manufacturer and supplier of specialty chemicals . . . and is located in Hong Kong and Michigan USA.” The document further stated that “[i]n January 2003, Inter-Chemical introduced TMD surfactants under the Geminol brand name into the North American market, thereby ending Air Product’s (sic) 35 year monopoly of the Acetylenic Diol (Surfynol®) surfactant market.” Id. at ¶ 23.

30. From January to May 2003, Inter-Chemical USA, in coordination with Defendants, aggressively contacted Air Products’ customers and distributors by phone, fax, email and by scheduling personal meetings and presentations. The solicitations were addressed to individuals whose names, numbers and addresses could only be known by reviewing Air Products’ password protected Databases. Moreover, samples of Geminol were supplied to Air Products’ customers and, in some instances, those customers placed orders for Geminol. Id. at ¶ 24; Tr. at 36-37; Exs. 5-6, 11, 18-20.

31. Sandhu and other Inter-Chemical USA representatives regularly refer to Geminol products as “exactly the same,” “identical to” and/or “an exact drop-in for” Air Products’ Surfynol® 104 products in their solicitations and presentations. Id. at ¶ 25. For example, Inter Chemical USA provided marketing materials to an Air Products’ distributor in January 2003, which stated “[o]ur acetelynic diol Geminol™ Surfactants are exactly the same as Air Product’s (sic) acetylenic diol Surfynol® Surfactants.” Pet., Ex. 8. Also, in a report documenting a visit made to an Air Products’ customer on April 1, 2003 by Sandhu and Sam Morell (“Morell”), an Inter-Chemical USA distributor and partner, Morell stated “[w]e had communicated the fact that Geminol 25EG will be an exact drop-in for the Surfynol 104H and assured them that they would

see a minimum of 15% savings considering the volume involved.” Pet., Ex. 9; Tr. at 45; Ex. 15 to Test. of Boyer. Finally, Sandhu copied Air Products’ Material Safety Data Sheets for Surfynol® 104 products, removed the same Surfynol® 104 and replaced it with the name Geminol. Sandhu then used those Material Safety Data Sheets for Geminol and distributed them to Air Products’ customers. Pet., Ex. J ¶ 26.

32. Defendants have exploited Sandhu’s knowledge of Air Products’ customers and its trade secrets and confidential information. See Ex. 16 to Test. of Boyer. For instance, Sandhu reviewed Air Products’ patents in order to advise Chou which of Air Products’ specialty chemicals Inter-Chemical Ltd. could manufacture. Pet., Ex. 10 (“[W]e have nearly completed our patent review of Air Product’s (sic) patents and will tell you which products are OK to manufacture; like some EOX products. Please wait for my confirmation.”). He also advised Defendants when to begin manufacturing the Geminol line of surfactants. Pet., Ex. 11 (“[W]e need to get feedback on our samples ASAP such that we can give the plant in China the green light to begin manufacturing.”).

33. Defendants, acting in concert with Sandhu, Inter-Chemical USA, Value Additives and others, have shipped Geminol from China to the United States. The shipments have been offered for sale to Air Products’ customers and, to the extent not already sold to Air Products’ customers, are warehoused in the United States for future sale. Pet., Ex. J ¶ 32; Pet., Ex. 12.

34. Sandhu has violated the Order on at least one occasion; subsequent to the Order, Sandhu contacted an Air Products’ customer trying to sell Geminol to her company. Id. at ¶ 34.

35. Since the Order was entered, Defendants have emailed an Air Products’ distributor about distributing Geminol. The distributor was previously contacted by Sandhu. Id. at ¶ 35;

Pet., Pet., Ex. 13; Tr. at 48; Ex. 20 to Test. of Boyer.

36. Inter-Chemical Ltd. has also contacted other Air Products' customers and attempted to persuade them to purchase Geminol. Id. at ¶ 46; Tr. at 49.

37. At least one long-time Air-Products' customer, who was among the company's top 100, is now purchasing Geminol from Inter-Chemical Ltd., and another customer has notified Air Products that it is cancelling its contract with the company. Id. at ¶ 39; Tr. at 49. In addition, Air Products' customers are using Inter-Chemical Ltd.'s price quotes to negotiate lower prices for Surfynol® 104. Id. at ¶ 40; Tr. at 49.

38. Defendants intended to display, disseminate information about, and solicit sales of, their Geminol line of surfactant chemicals at the Expo. Defendants also invited Air Products' customers to visit their stand at the Expo. Id. at ¶ 15; Pet. Exs. D & E.

#### IV. Analysis

##### A. Standards for a Preliminary Injunction

The standards for a preliminary injunction are the same as those for a temporary restraining order. Bieros v. Police Chief Nicola, 857 F. Supp. 445, 446 (E.D. Pa. 1994); Friedberg v. Burns, 1993 U.S. Dist. LEXIS 17991, \*7-8 (E.D. Pa. 1993). In exercising its discretion, the court must be convinced that the following factors favor granting preliminary injunctive relief: "(1) the likelihood that the moving party will succeed on the merits; (2) the extent to which the moving party will suffer irreparable harm without injunctive relief; (3) the extent to which the nonmoving party will suffer irreparable harm if the injunction is issued; and (4) the public interest." Novartis Consumer Health, Inc. v. Johnson & Johnson-Merk Consumer Pharms. Co., 290 F.3d 578, 586 (3d Cir. 2002) (citing Clean Ocean Action v. York, 57 F.3d 328,

331 (3d Cir. 1995)); see also Merrill Lynch v. Napolitano, 85 F. Supp. 2d 491, 496 (E.D. Pa. 2000). We shall discuss each element in turn.

#### B. Air Products' Likely Success on the Merits

The Third Circuit has recognized that “[i]t is not necessary that the moving party’s right to a final decision after trial be wholly without doubt; rather, the burden is on the party seeking [injunctive] relief to make a prima facie case showing a reasonable probability that it will prevail on the merits.” Oburn v. Shapp, 521 F.2d 142, 148 (3d Cir. 1975); see also Acierno v. New Castle County, 40 F.3d 645, 653 (3d Cir. 1994). “‘Reasonable’ probability is used in the opinions interchangeably with ‘substantial’ likelihood of success.” Gucci Am., Inc. v. Daffy’s, Inc., No. Civ. A. 00-4463, 2000 WL 1720738, at \*7 (D.N.J. Nov. 14, 2000) (citing Instant Air Freight Co. v. C.F. Air Freight, Inc., 882 F.2d 797, 800 (3d Cir. 1989)). “‘Probability of success’ implies that the moving party, usually the plaintiff, must have a very clear and strong case.” J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 30:45 at 30-80.

Air Products has asserted the following claims against Defendants:

- (1) misappropriation of trade secrets; (2) conversion; (3) tortious interference with contract;
- (4) tortious interference with prospective economic advantage; and (5) unfair competition.

Although Air Products need only show that it is reasonably likely to succeed on any one of the foregoing claims, we shall address each of them. See First Health Group Corp. v. Nat’l Prescription Adm’rs., Inc., 155 F. Supp. 2d 194, 234 (M.D. Pa. 2001).

##### 1. Misappropriation of Trade Secrets

Pennsylvania courts will grant injunctive relief for the misappropriation of a trade secret where a plaintiff demonstrates:

(1) that the information constitutes a trade secret; (2) that it was of value to the employer and important in the conduct of its business; (3) that by reason of discovery or ownership the employer had the right to the use and enjoyment of the secret; and (4) that the secret was communicated to the [employee] while he was employed in a position of trust and confidence under such circumstances as to make it inequitable and unjust for him to disclose it to others, or to make use of it himself, to the prejudice of his employer.

See S.I. Handling Sys., Inc. v. Heisley, 753 F.2d 1244, 1254-55 (3d Cir. 1985).<sup>2</sup> In this case, there can be no serious dispute that Plaintiff has satisfied the latter three elements. Thus, our analysis will focus on the first element – the existence of trade secrets.

Pennsylvania courts have adopted the Restatement of Torts' definition of trade secret:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers . . . A trade secret is a process or device for continuous use in the operation of the business.

Restatement (First) of Torts § 747 comment b; see also S.I. Handling, 753 F.2d at 1255. "The crucial indicia of determining whether certain information constitutes a trade secret are substantial secrecy and competitive value to the owner." O.D. Anderson, Inc. v. Cricks, 815 A.2d 1063, 1070 (Pa. Super. 2003) (citing Restatement of Torts § 757, comment b). Moreover,

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<sup>2</sup> A federal court must apply the substantive law of the state in which it sits. Erie R.R. v. Tompkins, 304 U.S. 64, 69-78, 58 S.Ct. 817 (1938).

confidentiality agreements is evidence of the secret nature of the subject information. See Merrill Lynch, 85 F. Supp. 2d at 496-97 (holding that the plaintiff had shown a reasonable probability of success on the merits because the defendant engaged in prohibited conduct pursuant to an employment confidentiality agreement); Bell Fuel Corp. v. Cattolico, 375 Pa. Super. 238, 260, 544 A.2d 450, 461 (Pa. Super. 1988) (Employer’s “confidentiality agreement [is] evidence of the secret nature of the information and of the existence of a confidential relationship with [defendant former employee] as to that information.”).

Air Products has devoted many years of research, testing and capital to refine and hone the steps involved to commercially manufacture Surfynol® 104. Pet., Ex. 1 ¶ 7; Tr. at 30-31. The manufacturing process is highly confidential and a valued company asset. Id., Tr. at 30-31. Pennsylvania courts routinely afford trade secret protection to confidential and valued business information such as the manufacturing information involved here. See Den-Tal-Ez, Inc. v. Siemens Capital Corp., 389 Pa. Super. 219, 251-52, 566 A.2d 1214, 1229-30 (Pa. Super. 1989) (granting injunctive relief to protect trade secrets consisting of manufacturing facilities information, material suppliers, costs, vendor lists and product information, which included details of the design of several products and their research and development projects); see also Air Prods. And Chems., Inc. v. Johnson, 296 Pa. Super. 405, 418-20, 442 A.2d 1114, 1121-22 (1982) (affirming the trial court’s finding that Air Products’ business information, including research and development data and pricing information were trade secrets because the information was not generally known in the industry and was a valued company asset); Ecolaire, Inc. v. Crissman, 542 F. Supp. 196, 206 (E.D. Pa. 1982) (applying Pennsylvania law, the court concluded that a “great majority” of plaintiff’s detailed engineering drawings were trade secrets

because they “contain[ed] valuable proprietary information based on years of development and manufacturing experience” and gave the plaintiff “a distinctive advantage over its competitors”); S.I. Handling, 753 F.2d at 1262 (applying Pennsylvania law, the court accorded trade secret status to certain methods and formulations developed by the plaintiff). Accordingly, we find that the information regarding the manufacturing process of Surfynol® 104 is a trade secret entitled to protection under Pennsylvania law.

Pennsylvania courts have also emphasized the importance of confidential customer lists and accorded them trade secret protection. See BIEC Int’l v. Global Steel Servs., Ltd., 791 F. Supp. 489, 544 (E.D. Pa. 1992) (“Under Pennsylvania law, confidential customer lists have long been held to be trade secrets.”); see also J.W.S. Delavau Co. v. Lederman, No. 4495, 1991 WL 1011102, at \*13 (Pa. Com. Pl. Sept. 16, 1991) (“Pennsylvania courts regularly protect as trade secrets confidential customer lists which an employer has invested significant time and money to compile.”). The customer lists Sandhu took when he left Air Products are neither publically available nor discernable from industry knowledge. They are maintained on password protected databases to which access is restricted. Air Products has also invested significant time and money compiling the information contained in these lists, which include the names, addresses and telephone numbers of key contacts, pricing information, purchase histories and the unique needs and special requirements of each customer. Pet., Ex. 1 ¶ 7; Tr. at 30-31. Therefore, we accord trade secret status to Air Products’ customer lists.

Pennsylvania has adopted Section 757 of the Restatement of Torts, which defines liability for the unauthorized use of trade secrets. See Ecolaire, 542 F. Supp. at 206 (citations omitted). Section 757 provides:

One who . . . uses another's trade secret, without a privilege to so, is liable to the other if (a) he discovered the secret by improper means, or . . . ©) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other.

Restatement (First) of Torts § 757.

In Ecolaire, this Court concluded that the plaintiffs demonstrated a substantial likelihood of success on their Section 757 claims. Specifically, the Court held:

Epic wrongfully used ASH trade secrets that were discovered by improper means in that Smith as President of [defendant] Epic discovered and used the trade secrets by improper means. The Court has found that Smith, [while in the employ of the plaintiffs Ecolaire and SMW], took for his own use and the use of Epic a number of ASH confidential drawings . . . . Further, Smith had access to various other forms of confidential proprietary information, which were in turn utilized by Smith on Epic's behalf. Smith's appropriation of this information for Epic's use violated both express and implied duties of confidentiality which he owed to Ecolaire and SMW. That is, in both of Smith's employment agreements, he agreed that he would not in any way disclose or use confidential information gained through his employment. Second, Smith's position as Vice President of SMW gave him access to numerous pre-existing trade secrets. As such, the Court is persuaded that "the nature of (his) relationship with (Ecolaire and SMW) gave him an implied duty of non-disclosure." Thus, plaintiffs have demonstrated a substantial likelihood of success on their claim premised upon Restatement of Torts § 757(a). As respects § 757©), it need hardly be said that Epic (through its President, Smith) learned of and used trade secrets with notice that ASH, and SMW.

Id. at 206-07 (citations omitted).

The record discloses that Defendants wrongfully obtained Air Products' trade secrets from Sandhu,<sup>3</sup> and used those trade secrets to manufacture, market and solicit their line of surfactant chemicals. See Pet., Ex. J ¶ 24; Tr. at 36-37; Exs. 5-6, 11, 18-20. Prior to its entering into the Business Agreement with Sandhu in December 2002, Defendants had never manufactured a line of surfactant chemicals similar to Surfynol® 104. Yet, by January 2003, Defendants were soliciting Air Products customers to purchase a line of surfactant chemicals called Geminol that could replace Air Products Surfynol® 104. Pet., Ex. J ¶¶ 16-18; Tr. at 35; Exs. 3-4 to the Test. of Boyer. By contrast, BASF Group, a transnational chemical company with extensive experience in acetylene chemistry, was unsuccessful in its attempts to manufacture a line of surfactants similar to Surfynol® 104. Tr. at 64-65. Accordingly, we conclude that Plaintiff is reasonably likely to succeed on the merits of its misappropriation claim.

## 2. Conversion

“Pennsylvania law recognizes that trade secrets can be the object of conversion.” Schmidt, Long & Assoc., Inc. v. Aetna U.S. Healthcare, Inc., No. 00-CV-3683, 2001 WL 856946, at \*8 (E.D. Pa. July 26, 2002) (citations omitted). In order to succeed on his or her conversion claim, a plaintiff must prove that: “(1) he or she owns a trade secret; (2) the trade secret was communicated to the defendant within a confidential relationship; and (3) the defendant used the trade secret to the plaintiff's detriment.” Id. Because the same factors that apply in considering Air Products' misappropriation of trade secrets claim apply to its conversion

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<sup>3</sup> In both of Sandhu's confidentiality agreements, he agreed not to disclose or use confidential information gained through his employment with Air Products. See Exs. 1-2 to the Test. of Boyer.

claim, we find that Air Products has demonstrated probable success on its conversion claim.

### 3. Tortious Interference With Contract

A plaintiff must demonstrate the following elements to succeed on his or her tortious interference claim: “(1) a contractual relation; (2) purpose or intent to harm the plaintiff by preventing the relation from occurring; (3) the absence of any privilege or justification on the part of the defendant; and (4) damages resulting from the defendant’s conduct.” See Grundlach v. Reinstein, 924 F. Supp. 684, 693 (E.D. Pa. 1996). The first element may be satisfied by showing a “purposeful interference without justification.” Collincini v. Honeywell, Inc., 601 A.2d 292, 295 (Pa. Super. 1992).

The record demonstrates that Defendants, acting in concert and participation with Sandhu, are soliciting Air Products’ customers and potential customers. See, e.g., Ex. 11 to Test. of Boyer. Specifically, Defendants are sending emails to Air Products’ customers offering for sale a line of surfactants called Geminol, which Defendants are marketing as a replica of the Surfynol® 104 line of surfactants, and downplaying the significance of this Court’s June 6, 2003 Order. Id. As a result, one of Air Products’ customers has transferred its business to Inter-Chemical Ltd., and another has notified Air Products that it is canceling its contract with the company. Tr. at 49. Accordingly, we conclude that Plaintiff is reasonably likely to succeed on the merits of its tortious interference with contract claim.

### 4. Unfair Competition

Pennsylvania recognizes “a common-law claim of unfair competition under the Restatement (Third) of Unfair Competition.” Fresh Made, Inc. v. Life Way Foods, No. 01-4254, 2002 WL 31246922, at \*9 (E.D. Pa. 2002). The Restatement provides, in relevant part:

One who causes harm to the commercial relations of another by engaging in a business or trade is not subject to liability to the other for such harm unless . . . the harm results from . . . acts or practices of the actor determined to be actionable as an unfair method of competition, taking into account the nature of the conduct and its likely effect on both the person seeking relief and the public.”

Restatement (Third) Unfair Competition § 1(a). Comment (g) to the Restatement explains this broad provision: “[A] competitor who diverts business from another . . . through the wrongful use of confidential information, for example, may in some circumstances be subject to liability for unfair competition even if the conduct is not specifically actionable under the rules relating to deceptive marketing or appropriation of trade secrets.” Restatement (Third) Unfiar Competition § 1(a), comment g.

Defendants’ actions in this case appear to be the very conduct envisioned as actionable under the Restatement. Therefore, we find that Air Products is reasonably likely to succeed on the merits of its unfair competition claim.

### C. Air Products’ Irreparable Injury

A plaintiff has suffered irreparable injury when its harm cannot be remedied by damages. See Campbell Soup Co. v. ConAgra, Inc., [?]77 F.2d 86, 91 (3d Cir. 1992); Opticians Assoc. of Am. v. Indep. Opticians of Am., 920 F.2d 187, 195 (3d Cir. 1990). To determine whether the harm can be remedied by damages, courts focus on the threat of the continuing of the violation. See Omicron Sys., Inc. v. Weiner, No. 669, 2002 WL 452238, at \*4 (Pa. Com. Pl. Mar. 14, 2002).

This Court has recognized on several occasions that the misuse of confidential

information by a former employee constitutes immediate and irreparable harm under Pennsylvania law. See Siemens Med. Solutions Health Servs. Corp. v. Carmelengo, 167 F. Supp. 2d 752, 757 (E.D. Pa. 2001) (Parenthetical); Merrill Lynch, 85 at 497 (“Because [the defendant] took information pertaining to [the plaintiff’s] clients and used that information to solicit those clients, the harm to [plaintiff] is irreparable and a legal remedy is inadequate.”). Similarly, Pennsylvania courts have held that interference with customer relationships and the potential disclosure of misappropriated trade secrets satisfies the irreparable harm requirement. See John G. Bryant Co. v. Sling Testing and Repair, Inc., 471 Pa. 1, 7, 369 A.2d 1164, 1167 (1977) (“The possible consequences of [] unwarranted interference with customer relationships . . . is unascertainable and not capable of being fully compensated by money damages.”); see also Chmura v. Deegan, 398 Pa. Super. 532, 537, 581 A.2d 592, 594 (Pa. Super. 1990) (Plaintiff’s “allegation that [former employee] was misappropriating trade secrets supplied the irreparable harm requirement for the issuance of a preliminary injunction.”); Siemens Capital, 389 Pa. Super. at 255-57, 566 A.2d at 1232-33; Robert Clifton Assocs. Inc. v. O’Connor, 228 Pa. Super. 246, 255, 487 A.2d 947, 952 (Pa. Super. 1985).

Despite being notified by Air Products’ counsel on several occasions that the Order is applicable and binding upon them because they are acting in concert and participation with Sandhu and Inter-Chemical USA,<sup>4</sup> Defendants continue to use allegedly misappropriated trade secrets in their aggressive pursuit of Air Products’ customers. Pet., Exs. B, F-G. As noted above, these acts have caused, and will continue to cause, Air Products to lose business. See,

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<sup>4</sup> “Every order granting an injunction and every restraining order . . . is binding . . . upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.” Fed. R. Civ. P. 65(d).

e.g., Tr. at 49. They may have also caused Air Products to suffer losses of goodwill, trust and reputation. See Graphic Mgmt. Assocs., Inc. v. Hatt, No. 97-CV-6961, 1998 WL 159035, at \*14 (E.D. Pa. Mar, 18, 1998) (recognizing that a preliminary injunction is appropriate where a plaintiff’s “goodwill [will] be tarnished and its confidential information and trade secrets will be abused”). Based on the foregoing authority, and because defendants’ continued interference with Air Products’ customer relationships and abuse of the company’s trade secrets is “not capable of being fully compensated by money damages,” see Robert Half of Pa. v. Feight, No. 1667, 2000 WL 33223697, at \*16 (Pa. Com. Pl. June 29, 2000), we conclude that Air Products has satisfied the irreparable harm requirement.

#### D. Defendants’ Irreparable Injury

Defendants will not suffer irreparable harm if this Court grants Air Products’ petition for a preliminary injunction.<sup>5</sup> Defendants can operate their business without selling Geminol to Air Products’ customer. Inter-Chemical Ltd. is an international manufacturer that supplies thousands of products to the pharmaceutical and agrochemical industries. Geminol is only one of those products. See United Prods. Corp. v. Transtech Mfg., Inc., No. 4051, 2000 WL 33711051, at \*20 (Pa. Com. Pl. Nov. 9, 2000) (“If the court grants the preliminary injunction . . . [defendants former employees] can still make a living selling anything but railcar interiors and uncoupling rods to [plaintiff’s customers] and selling anything at all to other transit

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<sup>5</sup> Even if the Defendants will suffer irreparable harm by an injunction, that harm must be discounted by the fact that it is the result of Defendants’ own unlawful behavior. See Novartis Consumer, 290 F.3d at 586 (“[The] injury a defendant might suffer if an injunction were imposed may be discounted by the fact that the defendant brought that injury upon itself.”); see also Merrill Lynch, 85 F. Supp. 2d at 496 (“The self-inflicted nature of any harm suffered by the wrongdoer weighs heavily in favor of granting preliminary injunctive relief.”).

companies.”).

#### E. The Public Interest

Where the plaintiff has demonstrated a likelihood of success on the merits, as is the case here, the public interest leans even more toward granting the injunction. See Novartis Consumer, 290 F.3d at 597. Moreover, the public interest is “furthered by protecting [] trade secrets from misappropriations by those who have not devoted the time and investment to their development.” Ecolaire, 542 F. Supp. at 211. Finally, an injunction does no more than restore the *status quo* as it existed prior to the alleged wrongful acts. See United Prods., 2000 WL 33711051, at \*20.

#### V. Conclusions of Law

1. The Court finds that the information regarding the manufacturing process of Surfynol® 104 is a trade secret entitled to protection under Pennsylvania law.
2. The Court finds that the customer lists and information maintained on Air Products’ password-protected Databases are trade secrets entitled to protection under Pennsylvania law.
3. The Court finds that Air Products is reasonably likely to prevail on the merits of each of claims against Defendants.
4. The Court finds that Air Products has satisfied the irreparable harm requirement for the issuance of a preliminary injunction.
5. The Court finds that Defendants will not suffer irreparable harm if we issue an injunction.
6. The Court finds that the public interest leans toward granting the injunction.
7. Therefore, the Court finds that Air products is entitled to a preliminary injunction because Air Products has demonstrated that the factors which favor granting preliminary injunctive relief

are present in this case.

## VI. Conclusion

An appropriate Order follows.

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

AIR PRODS. AND CHEM., INC., :  
 :  
 Plaintiff, : CIVIL ACTION  
 :  
 v. :  
 :  
 INTER-CHEMICAL LTD., et al., : NO. 03-CV-6140  
 :  
 Defendants. :

**ORDER**

AND NOW, this        day of December, 2003, upon consideration of Plaintiff's Petition for a Temporary Restraining Order and Preliminary Injunction (Dkt. 2) and pursuant to an ex-parte hearing held before the Court on November 13, 2003, it is hereby ORDERED that, consistent with the foregoing Findings of Fact and Conclusion of Law, the Petition is GRANTED.

It is hereby ORDERED and DECREED that Defendants Inter-Chemical Ltd. And Zou Qian a/k/a Mack Chou and their agents, servants, employees and any and all persons in active concert or participation with them, are forthwith:

1. enjoined from using Air Products' trade secrets and/or confidential information in any respect, including to solicit Air Products' Surfynol® 104 customers or to compete with the Air Products Surfynol® 104 product or any product related to the Air Products Surfynol® 104 product;
2. enjoined from contacting Air Products' Surfynol® 104 customers or prospective customers, including but not limited to any customer or prospective customer listed in Air Products' databases and/or customer lists;
3. required to immediately return to Air Products all confidential and proprietary information and/or databases that they misappropriated from Air Products, including any copies they or any person aiding or acting in concert with them may have copied, removed, downloaded or otherwise obtained, including without limitation, copies in electronic and written format; and

4. enjoined from marketing and selling their Geminol line of surfactant chemicals.

BY THE COURT:

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Legrome D. Davis, J.