

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

CAL FISHKIN, et al., : CIVIL ACTION
: :
v. : :
: :
SUSQUEHANNA PARTNERS, G.P., :
et al., : :
: :
v. : :
: :
TABFG, LLC, et al., : NO. 03-3766

MEMORANDUM AND ORDER

McLaughlin, J.

March 19, 2006

The Court here decides the last of a series of motions in this case which seek to narrow the issues and evidence to be presented for trial. The moving parties are plaintiffs and counterclaim defendants Cal Fishkin, Igor Chernomzav, and TABFG, Inc. (collectively "the Fishkin defendants"). They have filed a motion in limine seeking to limit the damages evidence that can be presented by counterclaim plaintiff Susquehanna International Group, LLP ("SIG") on its claim for misappropriation of trade secrets. Specifically, the Fishkin defendants seek to prevent SIG from presenting evidence on its misappropriation claim "of liability for an accounting and disgorgement by a defendant in excess of the net amount actually received by that defendant." Mot. at 1. The Court will deny the motion without prejudice for the reasons set out below.

Mr. Fishkin and Mr. Chernomzav are securities traders and former SIG employees who left SIG to start a competing business. That competing business was a joint venture formed between Mr. Fishkin and Mr. Chernomzav's company, TABFG, Inc., and another defendant, NT Prop Trading LLC. In its counterclaim, SIG contends, in part, that this joint venture used SIG's proprietary trading methods and strategies and that Mr. Fishkin, Mr. Chernomzav, TABFG, and NT Prop Trading are therefore liable for misappropriation of trade secrets, conversion, and civil conspiracy. As damages for this misappropriation, SIG contends it is entitled to the approximately \$3,200,000 in profits that it contends the joint venture earned during the five months in which it operated before being enjoined.

In this Motion in Limine, the Fishkin defendants argue that, because the damage theory SIG advances is essentially an equitable one, SIG should be limited in the damages it can recover from any particular defendant by the amount of that particular defendant's profits. In other words, the Fishkin defendants argue that their liability for misappropriation is joint but not several, so that each individual defendant will not be liable for the entire \$3,200,000 allegedly earned by their joint venture, but instead each defendant will have its liability capped by the amount that it individually profited.

Pennsylvania law allows a plaintiff alleging misappropriation of trade secrets or conversion to measure its damages in two different ways, either by the measurable losses the plaintiff suffered from the misappropriation or by the profits or other benefits the defendant gained. See Rohm and Haas Co. v. Adco Chem. Co., 689 F.2d 424, 433-34 (3d Cir. 1982) (Pennsylvania law "permit[s] the recovery of defendants' profits or plaintiff's damages resulting from defendants' wrongs."); Computer Print Sys., Inc. v. Lewis, 422 A2d 148, 157 (Pa. Super. Ct. 1980) (damages for conversion of a trade secret are measured by "(1) the loss by plaintiff measured by the value of the item converted; and (2) unjust enrichment measured by the value of the converted chattel to the defendants."). Here, SIG has stated that it will attempt to prove its damages by reference to the defendants' profits.

The Fishkin defendants appear to concede that, when a plaintiff opts to measure its damages by its own losses, then the liability for that damage is joint and several and all defendants found liable are responsible for the entire amount of the loss.¹ The Fishkin defendants argue, however, that when a plaintiff

¹ See Reply of the Fishkin Parties to the Opposition to their Motion in Limine (Docket No. 174) at 4-5 (distinguishing cases holding that liability for misappropriation is joint and several on the ground that, in those cases, plaintiffs measured their damages by their losses, rather than by the defendants' gains).

seeks to measure its damages by the defendants' profits, as SIG seeks to do here, then liability for that damage is no longer joint and several and each defendant can only be liable for the amount by which it individually profited.

Pennsylvania law offers very little support for the Fishkin defendants' argument. The Fishkin defendants cite no case applying Pennsylvania law (or any other state's law) which expressly holds that liability for misappropriation damages based on the defendants' profits is not joint and several or is otherwise capped by each defendant's individual profit. Instead, they cite cases discussing other causes of action, such as breach of contract or unjust enrichment, or cases in which a court orders an accounting and a disgorgement of profits. Neither type of case supports the Fishkin defendants' argument.

For example, the Fishkin defendants rely heavily on Jacobson & Co. v. International Envir. Corp., 235 A.2d 612, 614 (Pa. 1967). Although the Fishkin defendants describe the case as one "involving trade secrets," it does not involve a claim for misappropriation. Instead, the only claim in Jacobson is one for breach of a restrictive covenant brought by a corporation against a former employee and his new employer. Id. At 443. The Jacobson court upholds a finding that the former employee was in breach of his restrictive covenant and that the new employer was liable for wrongfully inducing that breach. Id. at 453-54. As

damages, the court upholds the issuance of an injunction preventing the former employee from violating his agreement and the order of an accounting from the former employee of his salary earned while in violation of the restrictive covenant and from the new employer for its profits "garnered as a result of its participation in [the employee's] breach." Id. at 441.

Jacobson does not support the Fishkin defendants' argument about the scope of liability for misappropriation of trade secrets. First, it involves a claim for breach of contract, not misappropriation.² Second, the Jacobson court's holding that each defendant must account for its profits does not address the ultimate liability each defendant might ultimately have for each other's profits. The opinion is silent as to whether, once the defendants' account for those profits, their liability is to be joint or several.³

² Other cases cited by the Fishkin defendants are also unpersuasive because they involve torts other than misappropriation. See, e.g. Bankers Trust Co. V. Dukes, No. 97-1417, 1997 WL 727616 (E.D. Pa. Nov. 21, 1997) (a bank fraud case concerning claims for fraud, conspiracy, and unjust enrichment); SEC v. P.B. Ventures, 1991 WL 218115 (E.D. Pa. 1991) (an administrative action for equitable disgorgement); Certified Labs of Texas, Inc. v. Rubinson, 303 F.Supp. 1014, 1026 (E.D. Pa. 1969) (breach of a restrictive covenant).

³ This second point is also true for another case cited by the plaintiff, Greenberg v. Croydon Plastics Co., Inc., 378 F. Supp. 806 (E.D. Pa. 1974). Greenberg, unlike Jacobson, involved a claim for misappropriation, but it too ordered an accounting of each defendant's individual profits, without expressly considering whether liability was joint or several. Id. at 816.

Weighing against the Fishkin defendants' argument is at least one case applying Pennsylvania law that expressly holds that liability for misappropriation is joint and several: Tan-Line Studies, Inc. v. Bradley, No. 84-5925, 1986 WL 3764 (E.D. Pa. Mar. 25, 1986). In a case involving the theft of the plaintiff's trade secrets by a former business agent, the Tan-Line court found that both the agent and the agent's business partners were liable for the theft and expressly found that this liability was joint and several. Id. at *11. Although the Fishkin defendants argue that Tan-Line is distinguishable because the Tan-Line plaintiff calculated its damages as the amount it lost rather than the amount the defendants gained, as discussed above, this distinction is unsupported in the case law they cite.

Other Pennsylvania misappropriation cases, although not expressly describing misappropriation liability as joint and several, suggest that it is, upholding liability determinations where several defendants are described as liable for a single award of money damages. See Morgan's Home Equip. Corp. v. Martucci, 136 A.2d 838, 842 (Pa. 1957) (upholding lower court order directing three individual plaintiffs to "account for all profits obtained from the disclosure of confidential customer information"); Computer Print Sys., 422 A.2d at 157 (upholding ruling that the plaintiff's former employee and his new employer were both liable for an \$18,000 damage award representing the

value of misappropriated computer program). Commentators on trade secret law also suggest that, in general, liability for misappropriation claims is joint and several. See, e.g., 4 Roger M. Milgrim, Milgrim on Trade Secrets § 15.02[3][h] (2006) (discussing joint and several liability for trade secret misappropriation and describing it as "reasonable where the degree of wrong is the same among the several defendants"; see also Salton, Inc. v. Phillips Domestic Appliances and Personal Care B.V., 391 F.3d 871, 877 (7th Cir. 2004) ("[T]he principle of joint and several liability . . . governs . . . the common law tort of misappropriation of trade secrets."))

Although there is no clear authority either for or against the Fishkin defendants' position, the Court believes that liability for misappropriation of a trade secret under Pennsylvania law may be, at least in some circumstances, joint and several. Pennsylvania allows plaintiffs in misappropriation cases to measure their damages by either their own losses or the defendants' profits. The Fishkin defendants concede that liability under the first measure of damages is joint and several. The Court sees no reason, absent any decisional authority to the contrary, to hold that liability under the second measure of damages must be, for all possible sets of facts that SIG might prove at trial, joint but not several.

The Fishkin defendants' argument also ignores the fact that misappropriation of trade secrets is not the only claim remaining in the case. SIG has also brought a claim of conspiracy, alleging that Mr. Fishkin, Mr. Chernomzav, TABFG, and NT Prop Trading all conspired to, among other things, misappropriate SIG's trade secrets. Even if the defendants' liability for SIG's misappropriation claims were not joint and several, the defendants could still be jointly and severally liable for each other's actions as co-conspirators. See Loughman v. Consol-Pennsylvania Coal Co., 6 F.3d 88, 89 (3d Cir. 1993) ("[T]he general rule is that each conspirator is jointly and severally liable for all damages resulting from a conspiracy").

Because the Court finds that liability for SIG's misappropriation and conspiracy claims can be joint and several, the Court will deny the Fishkin defendants' Motion in Limine seeking to restrict the evidence SIG can present on damages. The Court's denial, however, is without prejudice to the Fishkin defendants' ability to object to any evidence at trial or to argue for any particular jury instructions. The admissibility of evidence and the propriety of proposed jury instructions depends on the other testimony, evidence, and arguments presented at trial. The Court's ruling here that it will not exclude SIG's proposed evidence in advance of trial is without prejudice to the

defendants' ability to object to this same evidence if appropriate in the course of trial.

An appropriate Order follows.

