



## **Steal Trade Secrets, Get Cut: BladeRoom Jury Bleeds Emerson Electric to the Tune of \$30 Million**

Insights

5.16.18

A California federal jury recently decided that Emerson Electric Company owes prefabricated module manufacturer BladeRoom Group Limited \$30 million in damages for stealing trade secrets to build a massive new data center.

The UK-based BladeRoom and parent company BripCo (UK) Limited specialize in pre-fabricating complex modular buildings that must meet stringent air-handling requirements, such as clean rooms or data centers. In particular, the environment inside a data center is crucial; the location where a company houses its most sensitive information must be able to handle the heat that thousands upon thousands of servers can put off. BladeRoom developed a process to allow it to pre-fabricate data centers which expedited the building process and saved its clients money. It approached both Facebook and Emerson to pitch its methodology under nondisclosure agreements, and it contended that Facebook's and Emerson's motives in holding the meetings was to steal the information. BladeRoom alleged that Facebook then partnered with Emerson to build a server farm in Lulea, Sweden. Facebook took things a step further when it shared the trade secret information through its Open Compute Project, which released the designs of its data centers to encourage tech-industry heavy-hitters to share and collaboratively improve hardware design.

Bladeroom initially brought suit against Facebook as the sole defendant in the U.S. District Court for the Northern District of California. The company alleged misappropriation of trade secrets under the California Uniform Trade Secrets Act; the heavily redacted complaint also included causes of action for unfair business practices, breach of contract, and unjust enrichment. The complaint sought \$365 million in damages, and eventually added Emerson as a defendant as well.

Facebook agreed to a confidential settlement a few days into trial. Emerson did not choose to settle, instead letting the case play out for the jury. On May 10, the jury came back with a verdict where it determined that Emerson misappropriated trade secrets and owes BladeRoom \$20 million for unjust enrichment and \$10 million for lost profits. Although the award is far less than the \$365 million that BladeRoom was seeking, Emerson's counsel has still stated that the company intends to appeal.

The takeaway here is the same but applied differently depending on what side of a complaint your company would likely end up on: be careful who you do business with. For companies who hold proprietary trade secret information like BladeRoom, a jury verdict in your favor (such as \$30

proprietary trade secret information like Facebook, a jury verdict in your favor (such as \$50 million) may not be sufficient to offset the total damages that you believe you are owed (\$365 million, for example) when another company poaches and widely disseminates what you believe to be your trade secrets. This could be the case even if your company is prudent enough to insist on nondisclosure agreements.

In the alternative, if your company is like Facebook and heavily relies on other trade secrets to innovate, straying from your nondisclosure agreements could cost you tens of millions of dollars.