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Trade Secret Licensing

Erik Weibust and Anne Dunne

Popular Insulated Cup Manufacturer in Hot Water over Alleged Trade Secret Misappropriation

In a recent case, Tervis Tumbler Company, the maker of the insulated tumblers, found itself in hot water with a former supplier, Trinity Graphic. Trinity filed suit in the Middle District of Florida

against Tervis and its new supplier, Southern Graphics, alleging misappropriation of trade secrets under both the Defend Trade Secrets Act (DTSA) and Florida trade secret statute along with breach of confidentiality and non-disclosure agreement, fraud, aiding and abetting, and civil conspiracy. [*Trinity Graphic, USA, Inc. v. Tervis Tumbler Company et al.*, (8:18-cv-00230) Florida Middle Dist. Ct., Filed Jan. 26, 2018.] Trinity is seeking compensatory, exemplary and punitive damages,

disgorgement of profits related to the misappropriation and attorney fees and costs.

In support of its claims, Trinity alleges that it “revolutionized” the creation of tumbler inserts with the development of its “Trinity Wrap.” Trinity further alleges that before it created the Trinity Wrap at Tervis’ request, Tervis was limited to the use of “crude and costly embroidery or flat one-sided images.” In creating the Trinity Wrap, Trinity purports to have developed two trade secrets: (1) a printing method that reduces static electricity during the printing process, resulting in increased visual sharpness and (2) a printing method using a state of the art printer to perfectly align images

printed on both sides of a transparent medium.

History of the Business Relationship and Subsequent Dispute

Trinity claims that it began mass producing the Trinity Wrap for Tervis pursuant to a handshake deal between the two companies. In the five years after Tervis began using the Trinity Wrap, Trinity claims that Tervis saw a three-fold increase in sales. As a result of the increase in sales, Trinity alleges that Tervis required it to make substantial capital investments in printing equipment and manufacturing space, without entering into a written agreement. In 2013, the parties entered into an 18-month freely terminable Master Agreement, which did not obligate Tervis to purchase inserts or continue using Trinity as a manufacturer. A year later, Tervis provided Trinity and its creditors with a letter stating that Trinity was and would remain a key supplier. Trinity relied on this letter to obtain financing for additional printing equipment. All in, Trinity invested several million dollars in facility space, equipment and employees in order to produce the Trinity Wrap.

During that time, Trinity claims that it put vigorous measures in place to protect its trade secrets related to the Trinity Wrap. Specifically, Trinity alleges it restricted access to its printing facilities, utilized video monitoring, and required employees, vendors, and customers touring its facilities to sign confidentiality and non-disclosure agreements. In the Complaint, Trinity claims that it went so far as to hide and or remove certain materials from the production facility during supplier tours with Tervis, until

Tervis agreed to sign confidentiality and non-disclosure agreements. Trinity claims that during a tour, its employees observed a Tervis agent “lagg[ing] behind and writing down the model numbers of Trinity’s printers.” Additionally, Trinity purports that it refused to provide Tervis with information related to the Trinity Wrap production trade secrets, despite repeated requests, until Tervis executed confidentiality and non-disclosure agreements.

Prior to the disclosure of the trade secrets, Trinity claims that Tervis entered into a written contract with Southern Graphics to manufacture a product akin to the Trinity Wrap for a fraction of the price. Southern Graphics previously had been in talks with Trinity to acquire the business, but a deal was never consummated. Due to a series of setbacks, including a purported inability to divine Trinity’s trade secrets, Southern was unable to begin printing wraps. Approximately a year and a half later, Trinity claims that Tervis demanded that Trinity lower its price to compete with Southern or lose the Tervis business. In order to retain the business, Trinity lowered its price.

In an attempt to allegedly steal Trinity’s trade secrets, Tervis allegedly acquiesced and entered into confidentiality and non-disclosure agreements. Subsequent to the execution of the agreements, Trinity claims that Tervis demanded it provide certain information, including color combinations and a demonstration of the printing process or face cancellation of all open orders. Faced with the prospect of losing the Tervis portfolio, Trinity provided the requested information. Trinity claims that within a month of providing the information to Tervis, Southern was finally, after years of failed attempts, able to

replicate the Trinity Wrap. Trinity attributes Southern’s success to Tervis’ violation of the non-disclosure and confidentiality agreements.

In the following months, Trinity alleges that Tervis progressively reduced the volume of its orders until they were a fraction of what had been placed before Southern perfected its techniques. In January of 2017, Tervis gave Trinity notice that it intended to terminate the freely terminable Master Agreement. One year later, Trinity claims that Southern continues to print the wraps using its trade secrets. As a result of the misappropriation of its trade secrets, Trinity alleges that it has suffered and continues to suffer significant damages in an amount to be proven at trial. It will be up to the court to decide whether Tervis has misappropriated Trinity’s trade secrets and violated confidentiality agreements.

Erik Weibust is a partner and Anne Dunne is an associate in the litigation department of Seyfarth Shaw LLP in Boston, MA. Both are members of the firm’s Trade Secrets, Computer Fraud & Non-Competes practice group. Mr. Weibust can be reached at eweibust@seyfarth.com or (617) 946-4848, and Ms. Dunne can be reached at adunne@seyfarth.com or (617) 946-4940. A version of this article was previously published on Seyfarth Shaw’s Trading Secrets Law Blog <https://urldefense.proofpoint.com/v2/url?u=https-3A_www.tradesecretslaw.com_&d=DwMFaQ&c=fMwtGtbwbi-K_84JbrNh2g&r=LzkE11NLsch1Qw413dqw5CA1PvlV e7E-06YJA5uEgg&m=CHZWDVH uBa4UGhmK8QVQZyLXx0gxtXwf1wCTRdjGg7A&s=M6ivm9rrcmf10RRFNkcgY4ACsgVOsGyW0A2sIWcJEGo&e=> on March 7, 2018.



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