

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

HORTONWORKS, INC.,	:	
Plaintiff,	:	Case No. 2:18-CV-516
v.	:	JUDGE GRAHAM
ALEXANDER DAHER,	:	MAGISTRATE JUDGE DEAVERS
Defendant.	:	

**DEFENDANT’S REPLY IN SUPPORT OF MOTION TO COMPEL ARBITRATION
AND DISMISS OR STAY PLAINTIFF’S ACTION**

Plaintiff advances two arguments in its opposition brief: (1) the Court should issue a preliminary injunction against Defendant prior to determining whether to compel this action to arbitration; and, (2) if arbitration is compelled, the case should be stayed rather than dismissed. Additionally, it appears Plaintiff also requests expedited discovery. Defendant notes that Plaintiff makes no argument regarding the existence or validity of the parties’ agreement to arbitrate or whether the arbitration agreement extends to Plaintiff’s claims.

The Court should grant Defendant’s motion notwithstanding Plaintiff’s opposition because (1) this matter is indisputably referable to arbitration, (2) Plaintiff has failed to establish that injunctive relief is warranted, and (3) dismissal is preferable to a stay because the arbitrator can provide any relief requested and therefore there will be nothing left for this Court to do but confirm any arbitration award. Last, Plaintiff has not established sufficient facts to warrant discovery in this case.

1. Permitting this litigation to continue is unnecessary, violates the spirit of the Federal Arbitration Act and deprives Defendant of the benefit of his bargain.

Plaintiff makes no argument that this case isn’t ultimately referable to arbitration. Instead, Plaintiff merely requests in its opposition brief that this Court continue providing interim relief.

Any further relief Plaintiff seeks, however, can be obtained in JAMS arbitration – including interim relief. See *Ferguson Enters. v. Hollenkamp*, No. 3:15-cv-656-DJH-DW, 2015 U.S. Dist. LEXIS 140814 (W.D. Ky., October 16, 2015); see also, *Fin. Asset Trading & Tech. of Cal. V. Madison Tyler Holdings, LLC*, No. CV 07-7545-JFW, 2008 U.S. Dist. LEXIS 126828 (C.D. Cal., August 15, 2008).

A fair reading of Plaintiff’s Complaint, as well as the discussions with this Court leading to the Agreed Standstill Order, demonstrates that Plaintiff’s goal in filing this action was to gain the opportunity to examine Defendant’s personal computer, cell phone and data storage devices to determine whether Defendant possessed or disseminated data belonging to Plaintiff. Under the supervision of this Court, and with Defendant’s voluntary compliance, Plaintiff has been afforded that opportunity. During the pendency of that examination, Defendant agreed to maintain the status quo, even absent any finding that the information described in Plaintiff’s Complaint was either confidential, proprietary or trade secrets.¹ Defendant did this hoping his cooperation would satisfy Plaintiff that Defendant has neither misused nor improperly disseminated any trade secrets belonging to Plaintiff – and thereby save Defendant the onerous costs of a prolonged defense. But Plaintiff appears intent on continuing this litigation even though it has failed to identify a single specific threat – much less a “trade secret” that has been misappropriated.

It has now been nearly three months since Defendant’s termination. Doc. #1, Compl. ¶ 8. After his termination but prior to this action, Plaintiff had the opportunity to perform forensic examinations on three (3) Plaintiff-issued devices – two (2) MacBook Pro laptops and one (1) backup hard drive - which Defendant turned over prior to the filing of this action. Doc. #1, Compl. ¶ 25. Pursuant to the Agreed Standstill Order, Plaintiff has now also had the opportunity to perform

¹ Doc. #10, Agreed Standstill Order ¶ 6.

detailed forensic examinations on four (4) additional devices and (2) additional backup hard drives belonging to Defendant – including Defendant’s personal cell phone and iPad. Doc. #14, Joint Status Report ¶ 1. To summarize, to date Plaintiff has had the unfettered opportunity to conduct detailed forensic examinations on six (6) computer, cell phone and tablet devices and three (3) backup hard drives. And Plaintiff still has not identified either a single, specific trade secret that has been misused or improperly disseminated or a single, specific person or entity, who has received or benefitted from any such misuse or dissemination.

It is arguable whether this Court was needed to provide any protection that Plaintiff could not have obtained in arbitration under the JAMS rules and the California Code of Civil Procedure. To the extent it was needed, however, this Court has satisfied any reasonable duty it had to provide Plaintiff with appropriate interim relief. The status quo has been maintained for over two months since this action was filed on May 25, 2018 and Plaintiff has had the unfettered opportunity to engage in the type of intrusive and detailed discovery normally reserved for plaintiffs, who have actually identified a specific threat or trade secret that has been threatened.

In the meantime, Defendant has been deprived of the benefit of his bargain by not having this matter adjudicated in the agreed-to forum under the agreed-to choice of law. From his point of view, the arbitration agreement provides Defendant certain advantages that he arguably may not benefit from in the instant action. For example, the arbitration agreement provides that the arbitrator “shall award attorneys’ fees and costs to the prevailing party, except as prohibited by law.” Doc. #1, page 26 of 88. In this action, Defendant may arguably need to prove that Plaintiff brought its trade secrets claim in bad faith to be awarded attorneys’ fees – imposing an additional hurdle to recouping his defense costs.

Also, per the agreement, the arbitrator would apply California law, which might afford Defendant significant advantages in mounting his defense.² California, unlike Ohio, does not recognize the inevitable disclosure doctrine, which Plaintiff appears to be relying upon.³ See *Whyte v. Schlage Lock Co.* (2002) 101 Cal. App. 4th 1443 [125 Cal. Rptr. 2d 277]; see also, *Contech Constr. Prods. v. Blumenstein*, No. 1:11cv878, 2012 U.S. Dist. LEXIS 97050 at *36 (S.D. Ohio, July 12, 2012). Put another way, Plaintiff would have to demonstrate the existence of an actual threat – not merely the possibility of a threat, which is all Plaintiff has alleged in this action.

Indeed, under California law, mere possession of trade secrets by a departing employee is not even enough to issue an injunction. *FLIR Systems, Inc. v. Parrish*, (2009) 174 Cal. App.4th 1270, 1279 (“A trade secret will not be protected by the extraordinary remedy of an injunction on mere suspicion or apprehension of injury. There must be a substantial threat of impending injury before an injunction will issue.”). Furthermore, Ohio law defines trade secrets much more broadly than California law. *Contech, supra* at *37.

Notably, courts evaluating trade secrets claims under California law are increasingly willing to find bad faith where claims superficially appear to have merit but lack evidence supporting the claim. See *FLIR Systems, supra*; see also, *Cypress Semiconductor Corp. v. Maxim Integrated Products* (2015) 236 Cal. App. 4th 243; and, *RBC Bearings Inc. v. Caliber Aero, LLC*, No SA CV 12-1442 FMO, 2016 U.S. Dist. LEXIS 100521 (C.D. Cal., August 1, 2016) In its Complaint and TRO motion, Plaintiff Hortonworks describes the *types* of documents it considers to be “trade secrets” and then summarily claims that Defendant has misappropriated its trade

² Notwithstanding the Court’s decision on Defendant’s motion, Defendant respectfully requests that the Court apply California law in evaluating Plaintiff’s claims as per the parties’ agreement. See *Contech, supra*.

³ As Defendant pointed out in his motion, the parties’ arbitration agreement provides that all disputes will be governed by California law. Doc. #1, page 26 of 88.

secrets. In addition to failing to identify any actual, specific trade secret, Plaintiff also concedes the following in Paragraph 26 of its Verified Complaint:

“As a result, Hortonworks has further been unable to determine whether Defendant has used Plaintiff’s Data, disseminated it to other persons or entities, or stored it on other devices or in the cloud. Hortonworks will need to depose Defendant under oath immediately in this action to determine the extent to which Defendant has improperly used, disseminated, or stored Plaintiff’s Data and whether he or any third-party has profited as a result.”

This allegation alone reveals that Plaintiff’s action is essentially a fishing expedition and wholly devoid of any facts substantiating the existence of actual or threatened harm. Plaintiff would almost certainly face a higher risk of a bad faith finding if this same Complaint was evaluated by an arbitrator or court applying California law.

Last, had Plaintiff pursued its grievances in arbitration instead of this Court, as promised, Defendant would not have been subjected to the public embarrassment and humiliation of being called a trade secrets thief, unless and until such fact had been proven by Plaintiff, as determined by a neutral arbitrator.

2. A preliminary injunction is not appropriate.

Plaintiff asks this Court to issue a preliminary injunction prior to referring this action to arbitration. “A preliminary injunction is an extraordinary remedy that should only be granted ‘upon a clear showing that the plaintiff is entitled to such relief’ and proof that the circumstances clearly demand it.” *Burfitt v. Erving*, No. 1:18-cv-260, 2018 U.S. District LEXIS 75237 at *11 (S.D. Ohio, May 3, 2018) (citing *S. Glazer’s Distributors of Ohio LLC v. Great Lakes Brewing Co.*, 860 F.3d 844, 849 (6th Cir. 2017)). In determining whether to issue a preliminary injunction, this Court must balance the following factors: (1) whether Plaintiff has shown a strong likelihood of success on the merits; (2) whether Plaintiff will suffer irreparable harm absent the injunction;

(3) whether an injunction will cause others to suffer substantial harm; and, (4) whether the public interest would be served by a preliminary injunction. *Burfitt supra*, at *10.

Plaintiff summarily claims it has “satisfied all necessary criteria” for the issuance of a preliminary injunction. But that is not the case. First, Plaintiff cannot demonstrate a strong likelihood of success on the merits. Second, Plaintiff will not suffer irreparable harm absent an injunction.

a. Plaintiff cannot demonstrate a strong likelihood of success on the merits.

Curiously, Plaintiff cites to *A&P Technology, Inc. v. Lariviere*, 2017 WL 6606961, at *6 (S.D. Ohio, December 27, 2017) in its opposition brief. Defendant agrees that *Lariviere* is instructive. In that trade secrets case, this Court refused to grant an injunction, holding that the Plaintiff failed to provide any “substantive support of a legitimate threat of disclosure.” In so holding, this Court instructed that mere possession of a former employer’s trade secrets is not enough to establish a legitimate threat sufficient to warrant the granting of an injunction.

This Court’s holding is notable because the Plaintiff in *Lariviere* relied on the inevitable disclosure doctrine – a doctrine whereby a plaintiff could establish a misappropriation claim based on the mere *possibility* of eventual disclosure. Even in the context of that generous scheme, however, this Court refused to grant an injunction in the absence of any facts indicating the Defendant’s intention to misuse or improperly disclose Plaintiff’s confidential information.

Here, Plaintiff fails to put forth a single fact suggesting, much less establishing, improper use, dissemination or disclosure. Instead, Plaintiff offers only unsupported, non-specific, general allegations of use, dissemination and disclosure. Indeed, Plaintiff’s Complaint and TRO motion (Doc. #3) fail to identify any suspected, third party recipients to whom Defendant may have disclosed Plaintiff’s alleged trade secrets and neither document makes any specific allegations regarding improper use or disclosure by Defendant. Moreover, although Plaintiff devotes much

space in its Complaint and TRO motion to explaining what *types* of documents it considers to be trade secrets, Plaintiff never actually identifies any specific trade secret that is believed to have been misused or improperly disseminated. This Court has refused to even grant discovery in such cases, much less a preliminary injunction. See *Lariviere, supra* at *24.

Although Plaintiff has not specifically stated its reliance on the inevitable disclosure doctrine, Plaintiff's failure to identify any specific misuse or disclosure of its alleged trade secrets might be read as suggesting such reliance. Further, in its TRO motion, Plaintiff cites to this Court's decision in *Goken America, LLC v. Bandepalya*, 2014 WL 6673830 (S.D. Ohio November 24, 2014) and claims that "the facts at hand are nearly identical to *Goken*...." The plaintiff in *Goken* relied on the inevitable disclosure doctrine. This Court, however, instructed in *Goken* that the inevitable disclosure doctrine is "applicable in Ohio and stands for the presumption that 'a threat of harm warranting injunctive relief exists when an employee with specialized knowledge commences employment with a competitor.'" *Goken*, at *13 (citing *MEMC Elec. Materials v. Balakrishnan*, 2012 U.S. Dist. LEXIS 128877, 2012 WL 3962905, at *9 (S.D. Ohio 2012 (citing *Contech Const. Prod., Inc. v. Blumenstein*, 2012 U.S. Dist. LEXIS 97050, 2012 WL 2871425, at *11 (S.D. Ohio 2012))). As stated above, however, Plaintiff has yet to identify any competitor, who Defendant has gone to work for. Indeed, Plaintiff acknowledged in its TRO motion that it doesn't know who Defendant is working for - or if Defendant is even working. Doc. #3, page 19 of 21. Thus, contrary to Plaintiff's assertion, this case is not "nearly identical" to *Goken* and Plaintiff cannot otherwise successfully rely on the inevitable disclosure doctrine.

In truth, Plaintiff's lawsuit rests entirely on allegations that Defendant engaged in what Plaintiff characterizes as "suspicious" downloading activity after his resignation but prior to his actual effective date of termination. Not surprisingly, however, Plaintiff refrains from providing enough facts that Defendant's activity can be viewed in a fair context. For instance, Plaintiff fails

to describe Defendant's duties prior to his resignation, or his transitional duties after his resignation, which might explain his activities. Further, Plaintiff speculates that Defendant *may* have used an "Advanced File Shredder" on his work-issued laptop prior to his effective date of resignation. Without any support, Plaintiff posits that this Advanced File Shredder "could have been used to permanently and completely delete files from his Hortonworks-issued laptop, interfering with forensic analysis." Doc. #1, Compl. ¶ 21. Again, this is rote speculation. Even if Defendant did use such a program, and Plaintiff's allegation only speculates that he did, it is entirely conceivable Defendant had some personal documents on his work-issued computer that he wished to remove before turning the computer in. Defendant points out that *deleting* files is the polar-opposite of *retaining* them – thus, no misappropriation, as it relates to those files.

It is clear from the history of this litigation that Plaintiff's purpose in filing this lawsuit and moving for provisional relief was to obtain the opportunity to examine Defendant's personal devices to determine whether they contained any sensitive documents (including trade secrets) belonging to Plaintiff. Under the safety provided by this Court's oversight, Defendant voluntarily provided all requested personal devices for inspection and imaging. Defendant's willingness to provide complete access to all the requested devices for forensic examination undermines any notion that Defendant's pre-termination activity was done for some sinister purpose.

In their First Joint Status Report filed on June 1, 2018 (Doc. #14), the parties reported that all the devices demanded for inspection by Plaintiff, had been produced and imaged as of that date. Accordingly, Plaintiff has now had over two months to produce any additional facts supporting the existence of a legitimate threat of misuse or disclosure. But Plaintiff has pointed to no such additional facts either by way of inclusion in its opposition brief or in an amended pleading. Instead, Plaintiff's opposition brief merely incorporates by reference the arguments it made in its

Motion for Temporary Restraining Order, Preliminary Injunction, and Limited Expedited Discovery (Doc. #3).

As it did in *Lariviere*, this Court should find that Plaintiff's failure to provide any facts supporting a legitimate threat of misuse or improper disclosure of its alleged trade secrets - or to even identify a single, specific trade secret - undermines Plaintiff's assertion that it is likely to succeed on the merits.

b. Plaintiff cannot demonstrate that it will suffer irreparable harm.

Plaintiff has provided absolutely no facts supporting that it will suffer irreparable harm absent an injunction. Instead, Plaintiff merely cites to case law for the general proposition that damages from the misappropriation of trade secrets are irreparable and impossible to calculate – again citing to *Lariviere*. Doc. #3, TRO Motion, page 18. But in *Lariviere*, this Court held that its determination that the plaintiff had not demonstrated a significant likelihood of success on the merits undermined the plaintiff's claim it would suffer irreparable harm absent an injunction. For the reasons stated above, the same conclusion is warranted here.

Plaintiff also invokes the Sixth Circuit's "policy and precedent" to "grant preliminary injunctive relief pending arbitration where the withholding of such relief would render the process of arbitration meaningless or a hollow formality...." (Doc. #22, Plaintiff citing to *Performance Unlimited, Inc. v. Questar Publishers, Inc.*, 52 F.3d 1373, 1380 (6th Cir. 1995)). But *Performance Unlimited* is readily distinguishable because the Sixth Circuit determined there that the "impending loss or financial ruin of Performance's business constitutes irreparable injury." *Id.* at 1382. By contrast, Plaintiff here has put forth absolutely no evidence that it will suffer any impending loss or financial ruin absent an injunction. Indeed, in the absence of any evidence of actual injury, past or expected, Plaintiff's claim of irreparable harm is purely speculative. This is not a proper basis upon which to grant an injunction. *Nelson v. Jackson*, No. 2:12-cv-1167, 2013 U.S. Dist. LEXIS

102121 at *51 (S.D. Ohio, July 18, 2013) (“However, in considering a motion for interim injunctive relief, a court must consider whether the alleged irreparable harm is ‘both certain and immediate, rather than speculative or theoretical.’” (citing *Michigan Coal. Of Radioactive Material Users, Inc. v. Griepentrog*, 945 F.2d 150, 154 (6th Cir. Sept. 24, 1991)); see also, *PatientPoint Network Solutions, LLC v. Contextmedia, Inc.*, No. 1:14-cv-226, 2014 U.S. Dist. LEXIS 37443 (S.D. Ohio March 21, 2014)(“To demonstrate irreparable harm, the plaintiffs must show that...they will suffer actual and imminent harm rather than harm that is speculative or unsubstantiated.” (citing *Abney v. Amgen, Inc.*, 443 F.3d 540 (6th Cir. 2006)).

For all the reasons stated above, Plaintiff cannot satisfy the requirements for a preliminary injunction. The Court should deny Plaintiff’s request.

3. This case should be dismissed rather than stayed.

Plaintiff urges this Court to stay rather than dismiss this case and retain jurisdiction “in order to determine whether a permanent injunction should issue following completion of arbitration.” But an arbitrator can (and should) determine whether a permanent injunction should be issued. Indeed, Plaintiff’s suggestion that this Court should determine what final remedy, if any, Plaintiff is entitled to usurps the arbitrator’s responsibility and runs counter to the parties’ arbitration agreement.

Plaintiff makes no argument in its opposition brief that an arbitrator cannot provide Plaintiff with complete relief, including a permanent injunction. Any such argument would be meritless, in any event. The arbitration agreement gives the arbitrator broad power “to award any remedies available under applicable law....” (Doc. #1, Compl., page 26 of 88). And JAMS arbitrators have issued permanent injunctions in the past. See *Biller v. Toyota Motor Corp.*, 668 F.3d 655 (9th Cir., February 3, 2012). If awarded a permanent injunction, Plaintiff can seek to have the arbitrator’s award confirmed by reinstating this case or in another proper court. Indeed,

permanent injunctions issued by JAMS arbitrators have been confirmed in federal district courts. *Id.* (affirming district court's confirmation of arbitrator's permanent injunction award).

Defendant respectfully requests that this Court dismiss rather than stay this case because Plaintiff has failed to provide any good reason supporting this Court's continued involvement during arbitration.

4. This Court should refuse Plaintiff's request for discovery.

To the extent Plaintiff's opposition brief can be read as renewing Plaintiff's request for expedited discovery, this Court should deny the request for the reasons stated above. Additionally, this Court and others have required plaintiffs in trade secrets cases like this one to specifically identify any trade secrets at issue before permitting discovery. See *Lariviere, supra*; see also, *Safety Today, Inc. v. Roy*, No. 2:12-cv-510, 2014 U.S. Dist. LEXIS 17116 *11 (S.D. Ohio, February 11, 2014) ("Generally, whenever a party asserting a trade secret claim is asked to identify the information for which it seeks protection, the identification must be particular enough as to separate the trade secret from matters of general knowledge in the trade or of special knowledge of persons skilled in the trade."); and, *Babcock Power, Inc. v. Kapsalis*, No. 3:13-CV-717-DJH-CHL, 2015 U.S. Dist. LEXIS 168708 at *10 (S.D. Ohio, December 17, 2015) ("...plaintiffs need to produce a detailed narrative description of what they contend are their trade secrets; simply pointing to documents described as proprietary, confidential, and/or a trade secret is not enough.")

In *Lariviere*, this Court found that the plaintiff had not pointed to "a list of actual trade secrets but rather a list of categories of business information that for the most part are in no way unique to [the plaintiff]." *Lariviere* at *28 (granting Defendant's motion for pre-discovery identification of trade secrets). Plaintiff has done the same thing in this case. Defendant respectfully requests that this Court deny Plaintiff's request for any *additional* expedited discovery.

CONCLUSION

Plaintiff, a large, publicly-traded company, has forced Defendant, a recently terminated individual, to expend considerable funds retaining legal counsel and addressing this fishing expedition. While doing so, Plaintiff has publicly accused Defendant of using Plaintiff's trade secrets "to compete with and/or otherwise harm Hortonworks" on nothing more than "information and belief."⁴ And, Plaintiff has done this in breach of its promise to arbitrate any grievances it had with Defendant in a non-public forum.

Without putting forth any evidence of an actual or threatened misuse of its alleged property, Plaintiff has been able to conduct a detailed, forensic analysis of all of Defendant's computer devices – and all the information contained thereon, both personal and work-related. And, still, Plaintiff has adduced no evidence of any misuse or improper disclosure.

Defendant respectfully requests that this Court bring this fishing expedition to an end and dismiss this case.

Respectfully submitted,

/s/ Danny L. Caudill

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⁴ Doc. #1, Compl. ¶ 27.

CERTIFICATE OF SERVICE

I hereby certify that on August 8, 2018 a copy of the foregoing was filed electronically. Notice of this filing will be sent by operation of the Court's electronic filing system to all parties indicated on the electronic filing receipt.

/s/ Danny L. Caudill

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