

Agilent Technologies v. Kirkland: Inventions Assignment Obligations and Equitable Considerations

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In what was otherwise a lopsided plaintiff's victory rarely seen in trade secret disputes, the Delaware Court of Chancery declined to order specific performance of obligations of former employees to assign patent applications filed post-employment, due to equitable concerns regarding the employee's "innovative new work" done after termination of their employment. In *Agilent Technologies v. Kirkland*, a group of three former employees were found to have misappropriated trade secrets from their former employer while founding and operating a competing corporation.¹ The court's analysis and award of head start, lost profits, and unjust enrichment damages, along with attorneys' fees and costs, provides lessons to practitioners pursuing similar relief, but also questions the equitability of enforcing inventions assignment obligations in certain circumstances.

Facts

Agilent involved claims of breach of contract and misappropriation of trade secrets related to the processes and technology used to create particles and solvents for use in reversed phase high performance liquid chromatography columns ("HPLC"). HPLC is a technique for separating chemical mixtures into their individual components. According to plaintiff Agilent Technologies, Inc. ("Agilent"), defendants Joseph Kirkland, Joseph DeStefano, and Timothy Langlois, all former employees of Agilent, took proprietary information belonging to Agilent, including Agilent trade secrets, and used it to create HPLC products to compete with Agilent at defendant Advanced Materials Technology, Inc. ("AMT"), a company they founded.

Employment

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Kirkland, DeStefano, and Langlois collectively possessed more than 75 years of experience in the field of chromatography.² Kirkland and DeStefano worked on the early concept of HPLC at E.I. du Pont de Nemours and Company ("DuPont").³ Through a chain of acquisitions, Agilent came to own all the intellectual property rights that DuPont and certain successors had to the HPLC work that Kirkland and DeStefano did for those companies.⁴ Langlois worked at Agilent for more than seven years, first supervising column packing production and later acting as a technical support manager.⁵

Agilent's Confidentiality Policies

While at Agilent, Kirkland, DeStefano, and Langlois each signed an Agreement Regarding Confidential Information And Proprietary Development (the "Confidentiality Agreement").⁶ The Confidentiality Agreements required each employee to hold confidential information in confidence, whether the information was acquired or produced by the employee while at Agilent, and to only use trade secrets or confidential information "in the performance of Agilent duties."⁷ Importantly, Kirkland, DeStefano, and Langlois agreed to "return all Agilent property to Agilent unless Agilent's written permission to keep it [was] obtained" upon leaving Agilent.⁸ Kirkland, DeStefano and Langlois additionally agreed in the Confidentiality Agreements to disclose and assign certain inventions and discoveries to Agilent.⁹ The court found that the Confidentiality Agreements, and other standard steps (e.g., dissemination of standards of business conduct to current employees, a standard exit procedure for departing employees, and restricting site and document access)¹⁰ together comprised a set of commercially reasonable procedures Agilent used to protect its proprietary information.¹¹

Departure and Starting AMT

In September 2004, while still at Agilent, DeStefano recruited his colleague, Langlois, to assist him in developing a business plan geared at giving the company that would later become AMT "full exposure to the 250 million dollar HPLC columns market."¹² DeStefano also contacted Kirkland, who had retired from Agilent three years earlier, about AMT, and Kirkland began to place selected documents that he had taken from Agilent into a folder called "Memos for New Company" that he used as inspiration for research and development projects at AMT.¹³ Kirkland and DeStefano began writing and exchanging memos about

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potential products for the new company, referencing Agilent processes, products, and potential improvements.¹⁴ DeStefano and Langlois left Agilent to form AMT in April 2005, and told Agilent that they were planning to "fulfill niche projects that Agilent is either not involved with at this time or which Agilent is not providing any R & D support for further product development."¹⁵ Agilent initially believed them.¹⁶ But, soon after their departure from Agilent, DeStefano and Langlois, along with Kirkland who came out of retirement to join AMT, prepared a "Technology Roadmap for AMT," listing processes and products that AMT would pursue, all of which Agilent and its predecessors had researched or produced.¹⁷ Additionally, upon their departures, Kirkland, DeStefano, and Langlois each removed confidential Agilent documents, including: (1) recipes detailing filtration procedure steps, how to make a silica, and certain non-public filtration procedures; (2) a technical report regarding porous particles; (3) a confidential memo on spray drying; and (4) multiple other documents containing confidential technical information.¹⁸ The ideas and research results contained in the documents removed from Agilent provided AMT with the know-how to kick-start the product development processes, to skip multiple experimental and testing steps, and to quickly produce and market its premiere and only product, Halo, by October 2006.¹⁹

The Four Key Types of Misappropriated Agilent Technology

AMT applied four key types of Agilent technology in the creation of its Halo product: (1) a small size for superficially porous particles; (2) a multilayering process to create superficially porous particles; (3) a specific bonding agent; and (4) a specific slurry solvent.²⁰

Small Superficially Porous Particles. While at Agilent, Kirkland outlined an overall research agenda for developing small superficially porous particles and calculated the exact size particle that eventually became Halo.²¹ After the Halo product had been on the market for several months and had already begun to develop a customer base, Langlois and Kirkland, on behalf of AMT, applied for a patent on superficially porous particles with a "small particle diameter, such as about 1 μm to 3.5 μm " in February 2007 (the "Small Particle Patent Application").²² Kirkland and Langlois did not admit in their Small Particle Patent Application that superficially porous particles in this size range were the subject of a 1997 invention

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disclosure Kirkland had submitted at an entity whose intellectual property Agilent later acquired.²³

Multilayering Process. Although a layer-by-layer, or monolayering, approach to applying silica sol to a solid core had been made public as early as 1965, the multilayering effect for HPLC was not observed until November 2000 by Kirkland, while at Agilent.²⁴ Kirkland recorded his observation in a technical report that he sent to Langlois suggesting the use of a particular polymer (polyethyleneimine).²⁵ This same report was among the documents taken by Kirkland upon his departure from Agilent²⁶ and, the court found, likely used by him in his preparation of an outline of ideas for AMT in the fall of 2004.²⁷ At AMT, Langlois' very first attempt at multilayering was a success, and resulted in "multiple sol particles attached to the surface" of the particle after each application of sol.²⁸ In 2008, Kirkland and Langlois filed a patent application on behalf of AMT called "Process for Preparing Substrates with Porous Surface", which described a method for coating the surface of a particle with multiple layers of sol per application (the "Multilayering Patent Application"),²⁹ notably using a different polymer (PDDA) than Kirkland had initially suggested while at Agilent.³⁰

Bonding. There is a staggering range of configurations and mixtures of molecules that can be used in creating bondings, and the precise combinations and methods are closely guarded by the manufacturers of HPLC products.³¹ Kirkland directed the development of an 18 carbon molecule chain ("C18") based bonding agent at an Agilent predecessor in 1996.³² Development took over one year to perfect—primarily due to C18's "dewetting" problems.³³ At AMT, Kirkland disclosed Agilent's solution to C18's dewetting problem to both Langlois and DeStefano.³⁴ After exploring a number of variations, AMT ultimately ended up using the same bonding as Agilent.³⁵

Slurry Solvent Used For Column Packing. The selection of a proper slurry solvent is a crucial factor in manufacturing HPLC columns.³⁶ Agilent uses, as Kirkland himself admitted, a unique slurry solvent to pack its HPLC columns which has never been disclosed in any publication or patent.³⁷ While at Agilent and its predecessors, Kirkland, DeStefano, and Langlois kept the details of this slurry solvent confidential.³⁸ At AMT, the defendants tested

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only one solvent—the same one used by Agilent—and tweaked certain aspects of the solvent in order to further improve its performance.³⁹

Claims and Analysis

Agilent filed suit against Kirkland, DeStefano, Langlois, and AMT, claiming that Kirkland, DeStefano, and Langlois breached their Confidentiality Agreements by using and disclosing Agilent proprietary technology.⁴⁰ Agilent also claimed that its trade secrets had been misappropriated by Kirkland, DeStefano, Langlois, and AMT.⁴¹ Agilent requested a variety of relief, including permanent injunctive relief to stop AMT from using what was allegedly Agilent's proprietary information; an injunction to prevent AMT's use of Agilent trade secrets; the creation of a constructive trust and assignment of AMT's Small Particle Patent Application and Multilayering Patent Application to Agilent; monetary damages; and attorneys' fees.⁴²

Breach of Confidentiality Agreements. The terms of the Confidentiality Agreements prohibited removal of Agilent property from Agilent premises, required the return of such property upon termination of employment, and limited the use of Agilent trade secrets to the performance of Agilent duties.⁴³ Kirkland, DeStefano, and Langlois (1) each removed Agilent property from Agilent premises, and kept that property after their employment with Agilent had been terminated, without permission from Agilent,⁴⁴ and (2) used Agilent technical and business information outside of the scope of the performance of their employment (and for the benefit of a competitor).⁴⁵ Kirkland, DeStefano and Langlois additionally agreed in the Confidentiality Agreements to disclose and assign to Agilent all:

"inventions and discoveries (whether or not patentable), designs, works of authorship, mask works, improvements, data, processes, computer programs and software . . . that are conceived or made of by [the employee] alone or with others while [the employee] is employed by Agilent and that relate to the research and development of the business of Agilent, or that result from work performed by [the employee] at Agilent."⁴⁶

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By statute, Delaware law generally permits assignment agreements between employees and employers, but prohibits them in the event that: (i) the employee developed the invention entirely on the employee's own time; (ii) the employee developed the invention without using the employer's (a) equipment, (b) supplies, (c) facility or (d) trade secret information; (iii) the invention does not relate to the employer's business or actual or demonstrably anticipated research or development; and (iv) the invention does not result from any work performed by the employee for the employer.⁴⁷ In describing the statute, the court concentrated on the timing of the invention, stating that "assignment agreements may be upheld even after employment has been terminated, so long as the invention was created during employment."⁴⁸ In support of the time of invention standard, the court cited two cases, neither of which directly support such a standard. The 1933 case *U.S. v. Dubilier Condenser Corp.* in fact reflected upon specific and generally inventive employees, and the assignment obligations implied by such relationship.⁴⁹ The court also looked to *SinoMab Bioscience Ltd. v. Immunomedics, Inc.*, a Court of Chancery case that applied New Jersey law and found that an employee had no obligation to assign an invention that was generally known in his field.⁵⁰ Notwithstanding its reading of *Dubilier* and *SinoMab*, the court did not extend the employee protections provided by statute and did not draw an absolute line at inventions created after employment. Rather, the court found that the Small Particle Patent Application should have been assigned to Agilent by Kirkland.⁵¹ Kirkland, while at Agilent, had conceived of and had worked to invent a process to make a superficially porous particle of approximately 3 microns in diameter with a high surface area.⁵² Meanwhile, the Small Particle Patent Application described a range of superficially porous particles sized 1 to 3.5 microns in diameter.⁵³ The court also found that Kirkland and Langlois were required to assign the Multilayering Patent Application to Agilent.⁵⁴ According to the Multilayering Patent Application, filed on February 13, 2007, Kirkland and Langlois had "devised a method for laying down multiparticle layers" that overcomes the inefficiency of applying a single layer of particles per coating (i.e., monolayering).⁵⁵ Though the court also noted that Langlois led 30 experiments over a period of months to perfect a multilayering process at AMT, the court nonetheless concluded that the defendants conceived of the potential for multilayering because of Kirkland's work and memo in 2000 at Agilent, and a 2003 Agilent experiment supervised by Langlois.⁵⁶ The court further noted that "even if they put two and two together after they left Agilent, Kirkland and Langlois' conception involved the misuse of

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Agilent empirical data and, thus, it was wrongful for them to use that data to compete with Agilent by attempting to wield a patent against it."⁵⁷

Trade Secret Misappropriation. The court found that Kirkland, DeStefano, and Langlois misappropriated Agilent trade secrets by using Agilent's confidential information regarding bonding, column packing, and multilayering.⁵⁸ In determining that each was not generally known, the court rejected the defendants' argument that certain aspects of each were disclosed in patents and scientific articles as "an after-the-fact attempt to justify the defendants' clear use" of Agilent trade secrets.⁵⁹ "The fact that certain components or parts of a process are publicly disclosed does not mean that the combination of steps and ingredients critical to the process is not a trade secret."⁶⁰ The court also noted that defendants' own communications and treatment of each process suggested their understanding that these were trade secrets, adding "[w]hy they wasted the time of Agilent or the court denying what they admit by their own commercial conduct is beyond me."⁶¹ Although the bonding, slurry solvent, and multilayering techniques used at AMT were not identical to those used at Agilent, the court found it clear that defendants had misappropriated Agilent's trade secrets and used them as a springboard, allowing further development to take place.⁶² A very short development period occurred at AMT before a bonding and a slurry solvent for packing columns were selected for commercial use, and AMT was able to produce a successful multilayering process in just ten months, which would have been impossible without misappropriation of Agilent's trade secrets.⁶³

Relief

In determining the nature of relief, the court noted that time after time the defendants turned back to Agilent information to help them along, in ways that might seem small individually, but that collectively saved the defendants huge amounts of time and money.⁶⁴

Monetary Damages. The court awarded Agilent monetary damages comprised of multiple components, together intended to make Agilent whole and to deprive AMT of economic advantage from its misuse of Agilent's property and trade secrets.⁶⁵ First, the court awarded "head start" damages to Agilent for the time it would have taken the defendants to discover the secret without misappropriation—marking the first Delaware decision where such

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damages were explicitly adopted.⁶⁶ The court adopted a head start period of three years.⁶⁷ Second, the court extended the period for an additional year, to take into account the market niche that AMT was able to unfairly carve out and to provide relief to Agilent for that prospective harm.⁶⁸ The court then utilized this nearly four year period to award both compensatory and unjust enrichment damages, calculating both Agilent's lost market share (approximately \$1.5 million) and AMT's profits (approximately \$3 million) during such period.⁶⁹ Finally, the court awarded Agilent attorneys' fees and costs for defendants' willful and malicious misappropriation.⁷⁰

Injunctive Relief. The court declined to impose an injunction that would require AMT to refrain from selling Halo, citing likely injury to AMT's innocent customers and also noting that Halo involved the application of ingenuity by the defendants at AMT, ingenuity that was independent of the defendants' misuse of Agilent property.⁷¹ Nonetheless, the Court granted Agilent a permanent injunction to stop the defendants from using Agilent confidential information, and to return Agilent property the defendants possessed.⁷² Most charitably to AMT, the court did not require that they assign their Small Particle Patent Application and Multilayering Patent Application to Agilent, but rather entered a more restrained remedy requiring AMT to withdraw those applications.⁷³ The court acknowledged that contractually, Agilent should have been assigned both the Small Particle Patent Application and the Multilayering Patent Application because Kirkland conceived of the process for making superficially porous particles 3.5 microns and smaller while employed by Agilent and the empirical results of experiments that both Kirkland and Langlois had conducted at Agilent led them to identify the commercial utility of multilayering.⁷⁴ Nonetheless, the court found that important additional work had been done on these subjects at AMT, and that it would have been inequitable to simply require defendants to hand over the entirety of the ideas in the patent applications to Agilent.⁷⁵ In requiring that AMT withdraw its patent applications, the court clearly wished to allow Agilent to compete in the HPLC market using the technology in the patent applications that its confidential information inspired.⁷⁶ The Delaware statute that was intended to address inequitable and unenforceable assignment provisions did not prohibit the type of assignment described by the Confidentiality Agreements. The Confidentiality Agreements themselves were executed by sophisticated people⁷⁷ and included language requiring an assignment. Nonetheless, the court found that

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"innovative new work" conceived and invented should not be captured by an assignment provision; to the extent a patent application includes intellectual property obligated to be assigned to a former employer and innovative new work belonging to the ex-employee, a court may require the patent application to be withdrawn rather than assigned to the victim of the misappropriation.⁷⁸ Of course, it is unclear what guided the court in determining that the work performed by defendants was "innovative" and "new."⁷⁹ In the future, perhaps practitioners may look to the similar standards of nonobviousness and novelty in patent law to determine where the line may be drawn between works that may be assignable pursuant to broad assignment provisions and works that are sufficiently "innovative" and "new" so as to be equitably protected from such assignment obligations.

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¹ *Agilent Technologies Inc. v. Kirkland*, No. 3512-VCS, 2010 BL 67164 (Del. Ch. Feb. 18, 2010).

² *Id.* at 4.

³ *Id.*

⁴ *Id.* at 5.

⁵ *Id.*

⁶ *Id.* at 7.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 36.

¹⁰ *Id.* at 7–9.

¹¹ *Id.* at 7.

¹² *Id.* at 11.

¹³ *Id.*

- ¹⁴ *Id.* at 11–12.
¹⁵ *Id.* at 13.
¹⁶ *Id.*
¹⁷ *Id.*
¹⁸ *Id.* at 10.
¹⁹ *Id.* at 14.
²⁰ *Id.* at 14–15.
²¹ *Id.* at 18–19.
²² *Id.* at 19.
²³ *Id.* at 19–20.
²⁴ *Id.* at 20.
²⁵ *Id.* at 21.
²⁶ *Id.*
²⁷ *Id.* at 24.
²⁸ *Id.* at 25.
²⁹ *Id.* at 20.
³⁰ *Id.* at 25.
³¹ *Id.* at 26.
³² *Id.*
³³ *Id.*
³⁴ *Id.* at 27.
³⁵ *Id.* at 28–29.
³⁶ *Id.* at 30.
³⁷ *Id.*
³⁸ *Id.* at 31.
³⁹ *Id.* at 32.
⁴⁰ *Id.* at 34.
⁴¹ *Id.*
⁴² *Id.*
⁴³ *Id.* at 35.
⁴⁴ *Id.* at 37.
⁴⁵ *Id.* at 38.
⁴⁶ *Id.* at 36.

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⁴⁷ 19 Del. C. § 805 ("Any provision in an employment agreement which provides that the employee shall assign or offer to assign any of the employee's rights in an invention to the employee's employer shall not apply to an invention that the employee developed entirely on the employee's own time without using the employer's equipment, supplies, facility or trade secret information, except for those inventions that; (i) relate to the employer's business or actual or demonstrably anticipated research or development, or (ii) result from any work performed by the employee for the employer. To the extent a provision in an employment agreement purports to apply to the type of invention described, it is against the public policy of this State and is unenforceable. An employer may not require a provision of an employment agreement made unenforceable under this section as a condition of employment or continued employment.").

⁴⁸ *Agilent* at 40.

⁴⁹ 289 U.S. 178, 188 (1933) ("One employee bound to make an invention, who succeeds during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained.")

⁵⁰ No. 2471-VCS, 2009 BL 132773 (Del. Ch. June 16, 2009).

⁵¹ *Agilent* at 43.

⁵² *Id.* at 42.

⁵³ *Id.* at 41.

⁵⁴ *Id.*

⁵⁵ *Id.* at 43.

⁵⁶ *Id.* at 44.

⁵⁷ *Id.* at 45.

⁵⁸ *Id.*

⁵⁹ *Id.* at 50.

⁶⁰ *Id.* at 53.

⁶¹ *Id.* at 50, 53.

⁶² *Id.* at 57.

⁶³ *Id.* at 60.

⁶⁴ *Id.* at 62.

⁶⁵ *Id.* at 64.

⁶⁶ *Id.* at 67. The Court noted that the Court of Chancery had in the past limited money damages for trade secret misappropriation by the time it would have taken the defendants to develop a comparable product without the use of the plaintiff's trade secrets. See *NuCar Consulting, Inc. v. Doyle*, 76 U.S.P.Q.2d 1087 (Del. Ch. 2005) (granting unjust enrichment damages limited to the amount of time it would have taken

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the defendants to develop the trade secret through proper means).

⁶⁷ *Agilent* at 71.

⁶⁸ *Id.*

⁶⁹ *Id.* at 78–79, 83.

⁷⁰ *Id.* at 90, 92.

⁷¹ *Id.* at 64, 84–85.

⁷² *Id.* at 87.

⁷³ *Id.* at 64–65.

⁷⁴ *Id.* at 88–89.

⁷⁵ *Id.* at 89.

⁷⁶ *Id.* at 89–90.

⁷⁷ *Id.* at 37 ("But the inescapable reality is that the individual defendants are each sophisticated people who signed clear contracts.").

⁷⁸ *Id.* at 89.

⁷⁹ *Id.* at 45 (describing Langlois and Kirkland's innovation with respect to the Multilayering Patent Application as possibly being akin to only putting "two and two together").

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