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GROW COMPANY, INC., Plaintiff, v. DILIP CHOKSHI, PHARMACHEM LABORATORIES, INC. and JOHN AND JANE DOES 1–5, and XYZ COMPANIES 1–5, Defendants.	SUPERIOR COURT OF NEW JERSEY CHANCERY DIVISION BERGEN COUNTY DOCKET NO. C-280-05 CIVIL ACTION OPINION

Trial: October 5, 6, 7, 13, 14, 19, 20, 21, 26, 27, 28, and November 9, 10, 16, 17, of 2009.

Written Summations Submitted Under Seal: December 24, 2009

Decided: March 19, 2010

Honorable Ellen L. Koblitz, P.J.Ch.

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Richard L. Ravin, Esq., of Hartman & Winnicki, P.C., and Michael A. Nicodema, Esq., of Greenberg Traurig, LLP, on behalf of the defendants, Dilip Chokshi and Pharmachem Laboratories, Inc.

This action is brought by Grow Company, Inc. ("Grow") against its former employee Dilip Chokshi, who worked for Grow from 1977 to 1991, and the company which currently employs Chokshi as a consultant, Pharmachem Laboratories, Inc. ("Pharmachem"). Plaintiff claims that Chokshi disclosed to Pharmachem Grow's proprietary manufacturing processes and Pharmachem, in turn, used that information in the production of competing vitamin and mineral products. Specifically, Grow charges Chokshi with breach of his confidentiality agreement with Grow (first count); and as to Chokshi and Pharmachem, misappropriation of trade secrets (second count), unfair competition (third count), conversion (fourth count) and conspiracy (fifth count).

Chokshi and Pharmachem in their counterclaims allege a breach of a settlement agreement which they maintain entitles them to reimbursement for attorneys' fees associated with their defense of this action. They also seek to invalidate a confidentiality agreement signed by Chockshi at Grow's request in 1982, about five years after he began working at Grow.

For the reasons set forth below, this Court finds that Grow did not prove that Chokshi disclosed trade secrets to Pharmachem either before or after the "Release, Covenant Not to Sue and Settlement Agreement," dated December 21, 2001 ("2001 Settlement Agreement" or "Settlement Agreement" or "Release") (Exh. P-50). Pharmachem is covered by the 2001 Settlement Agreement and therefore is also not liable for the receipt of any pre-release information. The Court also finds that the 1982 confidentiality agreement is so general and non-specific as to be unenforceable. Litigation concerning post-release work, however, is not barred by the 2001 settlement and therefore plaintiff's failure to prevail does not necessarily result in an award of counsel fees.

I. PROCEDURAL HISTORY

Grow commenced this action on August 1, 2005. In December of 2006 partial summary judgment was granted in favor of Chokshi by another Trial Court. In its decision, the Court applied the terms of the 2001 Settlement Agreement in dismissing the current claims of Grow against Chokshi and Pharmachem. Although the Court found that the settlement agreement authorized an award of counsel fees to Chokshi, it did not quantify the amount due, choosing instead to dismiss that claim without prejudice to be renewed in a later suit.

The Appellate Division reversed the Trial Court's decision and remanded the matter to the Chancery Division in a published opinion. Grow v. Chokshi et al., 403 N.J. Super. 443 (App. Div. 2008.)

The Appellate Division remanded the issue of whether or not the 2001 Settlement Agreement reached between Grow and Chokshi barred the present suit. The Appellate Court noted that a determination of this issue would require a dual inquiry into (1) whether the alleged misappropriation and disclosure of purported trade secrets constitutes one cause of action or a different cause of action with each subsequent disclosure and (2) whether the conduct forming the basis of the plaintiff's claims occurred post-settlement. The Appellate Court also remanded the issue of whether Pharmachem—although not a signatory—is a Releasee under the Settlement Agreement reached in the earlier litigation between Grow and Chokshi.

Ripe for a determination on remand is whether or not the defendants will be entitled to counsel fees. As will be discussed *infra*, the Settlement Agreement entitled Releasees to collect counsel fees from Grow in the event that Grow pursued litigation barred by the settlement agreement. Should Chokshi prevail on remand, the Appellate Division instructed the Trial Court to apply the newly articulated rule which precludes the consideration of the source of funds used to support litigation in determining whether to impose counsel fees.[1] In the earlier phase of this action, Grow argued that even if he were to prevail, Chokshi was not entitled to counsel fees because Pharmachem was paying Chokshi's legal bills. The Appellate Division rejected that position, stating:

> The existence of an obligation on the part of the actual payor of fees to the benefited party is not relevant because, as a general matter, it would be inequitable for a person or entity in Grow's position to be able to avoid its contractual obligation to pay fees simply because another has provided financing to the wronged party.

Grow, 403 N.J. Super. at 471–72 (App. Div. 2008).

The final issue remanded to the trial level was the defendant's counterclaim for declaratory relief regarding the enforceability of the 1982 agreement. Defendant claims the wording of the 1982 agreement, which prohibited Chokshi from disclosing information of any kind at anytime during and after his employment with Grow,[2] is so vague and over-reaching that it would prevent Chokshi from further employment in his field and is therefore unenforceable.

II. FACTUAL BACKGROUND

A. HISTORY OF GROW

Grow is a manufacturer and supplier of nutrients and nutritional supplements to the health food industry. For more than thirty years, it has been selling intermediate products, such as nutritional supplements, cosmetic ingredients, cosmetic products, food ingredients, food additives, natural food colorants, and food fortification products which are used by Grow's licensees

[1] Pharmachem, on behalf of both defendants, paid $2.8 million in counsel fees, expenses, and costs, as of September 28, 2009.
[2] The specific language of the 1982 Confidentiality Agreement (P-40) is included *supra* at p. 21–22.

(customers) to make products that are sold to the general public in health food stores or through mail order.

Grow was started by Andrew Szalay, who worked as a pharmacist in Hungary for 36 years. He escaped from Hungary to the United States in 1956. In 1977, after Szalay's termination from Stanley Blackman Laboratories (now Pharmachem) due to an allegation of thievery, he started Grow. Stanley Blackman manufactured and sold vitamin and mineral supplements, including bulk liquid protein made from animal gelatin. Stanley Blackman used dry-blended ingredients, including yeast, but did not use fermentation.

Upon starting Grow, Szalay sought to develop food-created vitamins and minerals. He conducted research over the course of about six to eight years for Re-Natured vitamins, and four years for high mineral yeast. Through trial and error, Szalay developed a unique line of vitamin and mineral products. As part of his research, Szalay came up with a novel approach in fermentation. Of course the use of fermentation is not in itself novel, bread and alcoholic drinks have been produced over the ages through fermentation. Szalay's fermentation process claimed to produce vitamins and minerals in a form more easily absorbed and utilized by the human body (more bioavailable). In 1982 he received a United States patent for this fermentation process (U.S. Patent No. 434,905, "Szalay '905 patent") (Exhibit P-64). The patent uses brewer's yeast and requires a 24 to 48 hour processing time which is not cost-effective. All parties agree, that this patented process was never used by Grow in production. Grow did, however, continuously advertise the use of this patent on its website. Grow's website, the text of which was admitted into evidence as DC-119/DP-114, deceptively states that the process patented by Szalay in 1982 "has been utilized exclusively by Grow Company for almost three decades."

After 1982, Szalay claims he had other similar ideas for nutritional supplements produced through fermentation which he had intended to patent. Szalay reconsidered this route after speaking with his patent counsel about the pros and cons of patenting. In particular, Szalay did not have the resources to monitor or prosecute persons who might infringe upon his patents once the processes became public through patents.

Szalay claims he chose to keep these new fermentation formulas (glycoprotein matrix, "GPM", using baker's yeast and a shortened fermentation time) as trade secrets, rather than file for patent protection. The patents would have provided Grow with the exclusive use of its manufacturing processes for no more than 20 years, after which the manufacturing process could be used by anyone. Grow could keep the trade secrets for an indefinite period of time, so long as the information was reasonably protected from disclosure, which Grow took steps to ensure. Grow claims that in order to ensure the secrecy of the processes, it systematically destroyed all documentation.

Thus plaintiff contends that instead of using the process patented by Szalay in 1982 and touted on their website, Grow used distinct fermentation processes, with specific recipes using enumerated quantities of various ingredients added at specific times and specific temperatures. These distinct fermented processes were never changed, claims Szalay, because Grow had invested in scientific efficacy (bioavailability) studies in the early 1980s which proved the value of its processes. If the processes were changed, those studies would no longer be viable. (Szalay does not claim to have invented fermented CoQ_{10} during this time period, nor was fermented CoQ_{10} the subject of any of these studies). It is these unpatented fermentation processes which plaintiff claims the defendants have misappropriated through Chokshi's insider knowledge obtained while an employee of Grow. Currently, Grow produces 450 products, of which only 50 to 60 use a yeast-fermented, GPM.

Chokshi testified that Grow never used the patented fermentation process, *nor any other fermentation process,* prior to his departure in September of 1991. He admitted that the large, joined vats typically used in a fermentation process were used in the Grow factory when he was there, but Chokshi related that the vats were also used in mixing ingredients without fermentation and thus did not prove the existence of the fermentation process. Chokshi testified that Grow lied to customers concerning the fermentation process, using animal protein rather than the advertised vegan fermentation process to produce Grow products. Undisputedly, over many years, Szalay, with Chokshi's assistance, sold certain animal protein products while advertising these products as resulting from Szalay's patented vegan fermentation process. This use of animal rather than vegetarian material was discovered by Grow's own trial witness and former director of marketing, Robert Koetzner, which caused him to leave Grow. Thus both Grow and Chokshi have a history of involvement in deceptive practices. Both Szalay and Chokshi were also fired for cause during their careers, Szalay for the misappropriation of equipment and Chokshi for shipping product which did not pass inspection when he worked for Bio-Foods, Ltd. ("Bio-Foods").

B. CHOKSHI AT GROW

Having worked together at Stanley Blackman, Szalay hired Chokshi, who has two master's degrees (one from India and one in Chemistry from the University of Scranton[3]), to work as a chemist for Grow. Chokshi quickly worked his way up to Director of Research &

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[3] Chokshi testified that his mentor at the University of Scranton was Dr. Joe A.Vinson, the scientist who conducted various studies demonstrating the efficacy of Grow, then Bio-Foods, and then Pharmachem products as Chokshi migrated from one company to the next.

Development and Quality Control. In those roles, under the direct supervision of Andrew Szalay, Chokshi researched and developed potential new products for Grow.

Chokshi knew the formulations and manufacturing processes for all of the products then sold by Grow, as well as those under consideration. Szalay divided his manufacturing plant into three separate sections, and each section knew only its step in the process. By the time Chokshi left in 1991, only he and Szalay had direct access to the complete Grow manufacturing processes. Chokshi had access to recipes describing the quantity of each ingredient used by Grow, the steps in the manufacturing process (when the ingredients were added and the temperatures used) of each of the Grow products, as well as the computer where Grow kept its formulations. Chokshi was also the custodian of the manufacturing documents used by Grow.

In 1991, Andrew Szalay was considering selling Grow to all of his employees. When that did not work out, a group of employees in management, Chokshi, Bharat Patel, current Grow co-owner Magda Peck, and Grow salesman and Szalay's son-in-law Robert Koetzner, approached Szalay and proposed their buying Grow. They were unable to agree on the financial terms of the buy-out.

Based on the failed purchase, Chokshi, Koetzner and Patel voluntarily resigned from Grow. They also resigned due to pending litigation. At trial Koetzner stated that he left Grow when he discovered that Szalay had been intentionally misleading customers to believe that all products made by Grow were vegan, when in fact animal proteins were used. Chokshi testified that he was aware that Grow was using animal protein instead of the advertised vegan fermentation process during the entire time he worked for Grow.[4] Chokshi cited the litigation and the failed buy-out as his reasons for leaving Grow.

C. Massoud Arvanaghi at Grow

Szalay hired Dr. Massoud Arvanaghi to replace Chokshi. Arvanaghi received his Ph.D. in 1982 from the University of Southern California. He began work at Grow the first business day after Chokshi left and assumed all of Chokshi's responsibilities.

Among the first things Arvanaghi did when he started was learn about the Grow trade secrets directly from Andrew Szalay. He also reviewed documents left by Chokshi, including Process Control Sheets (PCS's), batch sheets and bills of material (both are lists of ingredients with quantities), and other records showing the manufacturing processes. Plaintiff claims that during that initial review process, Arvanaghi discovered a gap in some of the manufacturing records. According to plaintiff, only Chokshi had access to these records at Grow, as they were maintained in his locked file cabinets. By searching the Grow computer system, Dr. Arvanaghi discovered other activity by Chokshi for the two weeks prior to Chokshi's leaving Grow.

Grow was, however, unable to substantiate the allegation that Chokshi stole or destroyed the "lost" records, nor was Grow able to produce virtually any documentary evidence dating back to the period of Chokshi's employment from 1979 to 1991 since Grow systematically destroyed records to maintain their trade secrets.

D. Development of Yeast Fermented CoQ_{10}

Plaintiff claims that in addition to becoming familiar with the manufacturing processes of Grow, Arvanaghi also picked up two unfinished projects started by Chokshi, a product using yogurt culture (*lactobacillus acidophilus* bacteria) fermentation which he deemed useless, and a

[4] Chokshi testified that his mentor, Vinson, believed Grow was using a fermentation process when Vinson positively compared the Grow products to other, non-fermented products. This revelation undercuts the strength of the Vinson studies.

fermented CoQ_{10} process. This yeast-fermented CoQ_{10} is among the processes and products Chokshi is alleged to have stolen from Grow. Grow, however, did not manufacture yeast-fermented CoQ_{10} during Chokshi's employment from 1979 to 1991. No documentary evidence establishes that Grow either manufactured or began developing a process for manufacturing yeast-fermented CoQ_{10} while Chokshi worked for Grow. Chokshi testified that Grow only mixed non-fermented CoQ_{10} with non-fermented B vitamins while he worked there.

Arvanaghi testified that Grow's yeast-fermented CoQ_{10} process was not marketed until 1997–98, six or seven years after Chokshi left Grow. Pharmachem's fermented CoQ_{10} product is also different from Grow's fermented CoQ_{10} product in that the products contain different ingredients, different ratios of ingredients, and different weights of ingredients.

Arvanaghi was not present at Grow when Chokshi worked there, the Grow documents were destroyed for secrecy reasons, and this litigation was started approximately fourteen years after Chokshi departed. Szalay is elderly and has some credibility issues due to gaps in his memory, Grow's false advertising of the use of his 1982 patent, and his surreptitious use of animal products. Thus, Grow's proof that Chokshi stole a CoQ_{10} fermentation process from Grow is weak and unconvincing.

E. BIO-FOODS

After leaving Grow, Koetzner, Chokshi and Patel became partners in Bio-Foods, a company in competition with Grow. Szalay testified that he knew they were using his trade secrets, but he chose not to sue because Koetzner was his former son-in-law and the father of his grandchild. Bio-Foods manufactured vitamins and minerals. At Bio-Foods, Chokshi was the person responsible for developing products. To this end, Chokshi developed approximately 40 products during 1991–92. Chokshi was terminated by Bio-Foods in the summer of 1999 for allowing the shipment of product which did not pass a potency inspection to their biggest customer. Chokshi testified that it was at Bio-Foods—not Grow—where he first began to work with fermentation. Chokshi's testimony is consistent with his resume (DP-192), which indicates he worked on fermented yeast products at Bio-Foods, not while he was employed at Grow. The resume was created several years prior to the instant lawsuit, and was attached to Chokshi's Certification filed in the earlier, 1999 lawsuit filed by Grow against Bio-Foods (the litigation brought by Grow after Szalay was no longer the owner, resulting in the 2001 Settlement Agreement).

Towards the end of trial, Grow found P-344, a document from Grow with Grow's prior address of 195 Kenneth Street[5] dated June, 1987, titled "general Manufacturing description—high mineral yeast." Grow introduced P-344 to rebut Chokshi's testimony that no fermentation processing occurred during his tenure with Grow. Consistent with Chokshi's patents, it does suggest the use of baker's yeast rather than Szalay's patent which suggests brewer's yeast.[6] Although both Chokshi's patents and Arvanaghi's processes at Grow use baker's yeast, both also required a much shorter fermentation time. Consistent with Szalay's original 1982 patent, however, P-344 describes a 24 to 48 hour period of "growth and digestion" for the yeast. Thus P-344 is in line with Grow's false advertising on the net in that it describes a lengthy fermentation time and does not support Grow's position that processes permitting a shorter fermentation time (and thus allowing for more cost-effective manufacturing) took place while Chokshi was at Grow.

F. THE EARLIER LAWSUIT AND SETTLEMENT

[5]Where Grow was located when Chokshi worked for Grow. Grow moved to its current business address, 55 Railroad Avenue, Ridgefield, New Jersey 07657 in late 2003–early 2004.
[6]It appears from the evidence at trial, that baker's yeast and brewer's yeast are two distinct strains of *Saccharomyces cerevisiae*.

Following Chokshi's termination from Bio-Foods, on November 8, 1999, Grow (now owned by Arvanaghi and Magda Peck) filed suit against Bio-Foods and its principals, including Chokshi. Grow alleged that the defendants had embarked on a course of unfair competition and other business torts, including product disparagement, trade libel and unfair advertising, by the distribution of publications drawing unfair and inaccurate comparisons between Grow products and products made by Bio-Foods. These publications made false claims based upon a letter report of Dr. Joe A. Vinson (Chokshi's mentor from the University of Scranton).

The action was eventually settled by Bio-Foods (1) paying Grow $30,0000, (2) agreeing not to continue to publish disparaging, supposedly scientific, comparisons with Grow's products, and (3) sending a letter to customers retracting such claims of superiority. Grow, Chokshi (already consulting for Pharmachem), Koetzner, Patel and Bio-Foods signed the Settlement Agreement.

The form of the Release was provided by Michael Colvin, counsel for the Bio-Foods defendants in the 1999 lawsuit (formerly of Bressler, Amery & Ross), to Andrew Fede, Grow's counsel in the 1999 lawsuit (formerly of Contant, Atkins & Fede, and presently with Herten, Burstein, Sheridan, Cevasco, Bottinelli, Litt & Harz, L.L.C.), who is also the attorney for Grow who filed the instant action. The two attorneys (Colvin and Fede) negotiated certain aspects of the Release on behalf of their respective clients.

Under the terms of the Release, the parties agreed not to litigate any claims arising as a result of conduct which occurred prior to the execution of the agreement. Specifically, the Release states that "Grow hereby releases . . . the Releasees from and against all claims and rights which Grow has asserted or may have asserted against them based upon anything which has happened up to [December 21, 2001]," (DC-123, Release at 3, ¶ 2), and "[t]his General release applies to all claims against Releasees which Grow ever had, now has or hereafter can, shall or may have, for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to and including [December 21, 2001]." (DC-123, Release at 4, ¶ 2).

The Defendants claim that the Release prohibits Grow from introducing into evidence any material fact occurring prior to the Release date necessary to prove an element of a claim, including without limitation: (i) Chokshi's acquisition of Grow's alleged trade secret while at Grow (1979–1991); (ii) Grow's maintaining secrecy of and use of its alleged trade secrets from 1979 through the Release date; (iii) that Grow's alleged trade secret had value to Grow over its competitors; and (iv) that Grow has not changed its processes or formulations during that time period. Defendants argue that the inability of Grow to introduce any of the foregoing facts is fatal to its case. Accordingly, they argue, the Release bars Grow from presenting evidence necessary to prove its case. Nothing in the Release, however, deals with the use of pre-release information needed to set the stage for post-release conduct alleged at a trial. It is illogical to read the Release as barring the introduction of all facts and circumstances occurring prior to 2001 needed to explain the history leading up to, and reasons for, conduct taking place after that date.

Plaintiff argues that even if Pharmachem is found to be a party to the agreement, both Chokshi and Pharmachem have taken part in actionable conduct after the December 21, 2001, Release date based on Pharmachem's continued use of Grow's proprietary information obtained by Chokshi. Grow contends that the 20 to 30 communications between Chokshi and Pharmachem's patent attorneys after the release date are evidence of the continued disclosure of Grow's proprietary information. Certainly Chokshi filed three patents after December 21, 2001, so an inquiry into his subsequent behavior is warranted.

Another provision of the Release agreement pertinent to the case at hand relates to the issue of counsel fees and litigation expenses. The terms of the Release entitle releasees to "recover from Grow all their attorney's fees, expenses and costs of suit incurred in connection with" any litigation filed by Grow in violation of the Settlement Agreement. It is this provision which serves as the basis for the defendants' counterclaim.

G. PHARMACHEM

In March of 2000, well before the Settlement Agreement between Grow and Bio-Foods was signed, Mahesh Desai, a longtime employee of Pharmachem and former colleague of both Chokshi and Szalay at Stanley Blackman, facilitated a meeting between Chokshi and Pharmachem President, David Holmes.[7] At the conclusion of their meeting, Chokshi accepted a job with Pharmachem as a consultant to develop new vitamins and minerals using the resources and personnel of Pharmachem.

Chokshi was not required to work for any set number of hours per day, nor was he required to work for any set number of days. Pharmachem agreed to pay him $100,000 per year as a consultant, as well as sales-based commissions on certain products up to another $150,000. The consulting agreement could be terminated by either party with or without reason or notice. Later, Chokshi and Pharmachem entered into a further oral agreement wherein Pharmachem

[7] Holmes joined Stanley Blackman on October 1, 1977, as marketing director shortly after Szalay was terminated in August 1977 and taken away from the premises by the police as a result of Szalay diverting Stanley Blackman equipment to Mar-Kat, a customer of Stanley Blackman which was owned 85% by Szalay. In 1977, Stanley Blackman's sales were $3.6 million. Holmes started Pharmachem, Inc., in 1979 and purchased Stanley Blackman on April 15, 1980, and thereafter changed the name to Pharmachem Laboratores, Inc. Holmes grew Pharmachem (as an operating entity) to sales in fiscal year ending September 30, 2008 of $101 million, selling 1,039 different products weighing approximately 3,000 metric tons for the year. Pharmachem's products include vitamins, minerals, herbs, herbal extracts, and other products which are subject to the Dietary Supplement and Health and Education Act. of 1993. Pharmachem and its subsidiaries employ approximately 350 people, have several locations across the country, occupy approximately 700,000 square feet and sell 4,000 different products, and for fiscal year end 2008, aggregated $188 million in sales weighing 36,000 metric tons (36 million kilos).

would pay various legal fees in lawsuits where Chokshi was a defendant including one where Pharmachem was not a party. Chokshi was not required to repay Pharmachem for any legal fees advanced by Pharmachem.

Holmes and Chokshi discussed Chokshi's novel idea to enhance bioavailability by a dual-fermentation process involving yeast and *Lactobacillus acidophilus* (bacteria used in yogurt culture). Pharmachem had no fermented products prior to Chokshi's involvement with the company. Pharmachem has since funded various studies which demonstrate that a dual-fermentation process produces greater bioavailability than yeast fermentation alone.

Grow's Verified Complaint (at 6) and First Amended Complaint (at 7–8) reference only five patents naming Chokshi as inventor and Pharmachem as assignee: (1) P-4: US 6,806,069, entitled "Ubiquinone [8] Composition and Methods Related Thereto," filed January 9, 2001; (2) P-8: US 6,864,231, entitled "Glycoprotein Matrix Compositions[9] and Methods Related Thereto," filed July 16, 2001; (3) P-1: US 6,797,287, entitled "Phaseolamin Compositions and Methods for Using Same," filed September 25, 2001; (4) P-11: US 6,867,024, entitled "Ubiquinone Composition and Methods Related Thereto," filed April 19, 2002; and (5) P-12: US 6,900,174, entitled "Phaseolamin Compositions and Methods for Using Same," filed September 3, 2002. During discovery, a sixth patent invented by Chokshi and assigned to Pharmachem was introduced by Grow: US 6,942,856, entitled "Glycoprotein Matrix Compositions and Methods Related Thereto," filed April 19, 2002. (P-15).

Pharmachem's later patent applications derive from three original patent applications filed before the Settlement Agreement was executed on December 21, 2001. All of the Pharmachem patent applications filed after September 25, 2001, were "divisional patents" of

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[8] CoQ_{10} is an ubiquinone .

[9] Glycoprotein Matrix compositions reference a fermentation process.

patent applications filed prior to the Release date. Defendants argue that because the divisional patents originate from patents filed prior to the release date, any claim of action arising from Pharmachem's six patents is protected by the Release. A divisional patent is a patent with claims that were initially part of an earlier patent application, but rejected by the United States Patent and Trademark Office ("USPTO") because a patent may only cover one invention.[10] These claims constitute a second invention submitted improperly under the first application. Thus Chokshi first applied using the claims in his three recent patents prior to the December 21, 2001 date. Nonetheless, his numerous consultations with patent counsel and applications for these three divisional patents constitute conduct that occurred after the operative date and, if violative of Grow's trade secrets, would be actionable in spite of the 2001 Settlement Agreement.

All of Pharmachem's disputed patents relate to either CoQ_{10} or Phaseolamin. Pharmachem's phaseolamin patents are the '174 (P-12) and '287 (P-1) Patents. Phaseolamin is a glycoprotein found mainly in white and red kidney beans, and is believed to promote weight loss in humans (P-12 at col.1:38-2:24). The '287 Patent claims a weight loss composition comprising effective amounts of a mineral and phaseolamin, in which the mineral is bound to a GPM comprising *Saccharomyces cerevisiae* (baker's yeast) and *Lactobacillus acidophilus* (yogurt culture bacteria)(P-1 at col. 10). The '174 Patent claims methods for making the inventive compositions of the '287 Patent (P-12 at cols. 10-12). The '174 and '287 Patents provide examples of a mineral/GPM prepared by the dual-fermentation method of the invention (*i.e.*, yeast fermentation + bacterial fermentation), the preparation of a phaseolamin-mineral/GPM composition according to the invention, and the results of a human study comparing the starch-blocking capabilities of the inventive composition (marketed by Pharmachem as

[10] As a matter of law, patents which are divisional of previously filed patents contain no new disclosures. 35 U.S.C. §121, Divisional applications.

PHASEOLAMIN 2250™) versus a placebo. (P-12, cols. 8-10; P-1, cols. 8-10). As reported in Example 4 of the '174/'287 Patents, the invention exhibited significant starch-blocking capability conducive to weight loss relative to the placebo. (P-12 at col.10:12-16; P-1 at col.10:30-34).

Pharmachem's CoQ_{10} patents are the '024 (P-11), '069 (P-4), '856 (P-15), and '231 (P-8) patents. CoQ_{10} is believed to have many health benefits, including, for example, preventing free radical damage and promoting optimal cell function in the human body. (P-11 at col.1:27-38). Pharmachem's CoQ_{10} patents describe and claim compositions in which CoQ_{10} is bound to a GPM produced by fermenting yeast and a bacteria suitable for consumption by animals, such as species within the genus *Lactobacillus*; and methods of making these compositions. (P-11 at cols. 13-14; P-4 at cols. 12-14; P-8 at cols. 13-14; P-15 at cols. 13-14.)

Pharmachem's CoQ_{10} patents contain examples of the compositions of the invention, the inventive dual-fermentation methods used to prepare these compositions, and the results of a human study comparing the bioactivity of the inventive compositions to commercially available CoQ_{10}. As shown in Example 2 of the patents: "The results demonstrate that the CoQ_{10} composition of the invention bound to glycoprotein has an antioxidant activity that is 20 times better than commercially available CoQ_{10}." (P-11 at col.12:28-32; P-4 at col.12:23-27; P-8 at col.11:41-44; P-15 at col.11:50-53).

H. THE CONTESTED ORIGINS OF THE DUAL-FERMENTATION YEAST PROCESSES USED AT PHARMACHEM

Plaintiff claims that at the outset of his employment with Pharmachem, Chokshi worked on developing products using processes similar to those used by Grow during the course of Chokshi's employment with Grow, (Exhibits P-18, P-19). By the summer of 2000 Chokshi began adding *Lactobacillus acidopholus* (yogurt culture bacteria) to the GPM products—an addition which the plaintiff and their expert, Dr. Thomas Montville,[11] claim would not "materially" affect the fermentation process, since by the end of the process the lactobacilli are dead. Montville opined, therefore, that the United States Food and Drug Administration would not approve the *Lactobacillus* fermentation process as beneficial. Both Chokshi and the defense's technical expert, Dr. Arnold Demain,[12] however, testified that *Lactobacillus* bacteria is an important component of the Pharmachem patents, because the bacteria: (a) contributes to the formation of the GPM necessary for significant uptake of active ingredients (*e.g.*, CoQ_{10}, phaseolamin, vitamins, minerals) during fermentation; and (b) even though the bacteria is inactivated (killed) during the fermentation process, the presence of dead *Lactobacillus* in the finished product provides significant health benefits, such as the promotion of human growth, immune system efficiency, and the prevention of diseases such as cancer.[13]

The efficacy of any of the products involved in this litigation is not properly before the Court. Certainly an element of snake oil salesmanship does seem to be involved in this business, in that the marketing claims may well surpass the findings of research accepted in the general scientific community. The advertised efficacy of these products appear to be based only in part on scientific research, and not necessarily unbiased scientific research. Those who believe in the usefulness of these products at times extrapolate from other known facts, as well as animal studies, but these logical arguments and studies may not ultimately prove to be valid in the real world with humans.

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[11] Dr. Montville is a distinguished Professor of food and fermentation microbiology at Rutgers University. He has published more than 100 papers related to microbiology. Dr. Montville received his Ph.D. in food science from Massachusetts Institute of Technology.

[12] Dr. Demain has worked in the field of fermentation biology and nutrition for over fifty years. He was Professor of Industrial Microbiology at the Massachusetts Institute of Technology for 32 years, and is now a visiting professor at Rutgers University. Dr. Demain received his Bachelor of Science and Master of Science degrees in bacteriology from Michigan State University and his Ph.D. from the University of California at Berkeley.

[13] Dr. Demain's opinions on the health benefits of dead Lactobacillus bacteria were supported by five scientific articles, none of which were supported by human studies. DP-242, DP-243A, DP-244, DP-245, and DP-246.

Grow never manufactured a product using the dual, yeast/bacteria fermentation technology of the post-Release patents obtained by Chokshi during his employment with Pharmachem. All the Pharmachem patents at issue involve a dual-fermentation technology involving the combination of both yeast fermentation and bacterial fermentation. Grow never sold a fermented yeast product that contained *Lactobacillus* bacteria.

Arvanaghi testified on direct examination that he worked on a dual yeast-bacterial fermentation process for 2–4 years after he joined Grow, but he could not get the process to work.

While plaintiff acknowledges the existence of the dual-process and recipes Chokshi patented while with Pharmachem, plaintiff is skeptical of Chokshi's ability to develop these methods without pillaging from the secret processes he obtained while under the employ of Grow Company.

Chokshi, however, recorded his product development work and experimentation at Pharmachem in a marble composition notebook which he began using when he started working for Pharmachem as a consultant. The book cover is dated March 4, 2000. (P-20). The notebook shows the chemistry and mathematic principles used by Chokshi in calculating the amounts and ratios of ingredients. These notes of formulations, in many instances undated and modified in different inks and pencil, correspond to the recipes that he provided to Pharmachem. The methods and work therein formed the basis of Pharmachem's patents and demonstrate a work process that lends credibility to Chokshi's claim of having invented the recipes.

Plaintiff claims that the manufacturing process described in the Chokshi patents are based on the Grow manufacturing process for Re-Natured vitamins, high mineral yeast and CoQ10, and are thus the result of Chokshi and Pharmachem's use of misappropriated trade secrets.

Plaintiff claims that all allegedly misappropriated trade secrets are identified in the flowcharts prepared by Arvanaghi and entitled “Re-Natured Vitamins (P-135), “High Mineral Yeast” (P-136), and “Re-Natured CoQ_{10}” (P-137), in combination with the Process Control Sheets and Bill of Materials. Defendant points out that these flow charts are undated, and provide no indication of when they were prepared. P-135 to P-137 include Grow’s current business address of 55 Railroad Avenue, Ridgefield, New Jersey 07657, where Grow relocated in 2003–early 2004, although Arvanaghi testified at trial that P-135 to P-137 existed in an earlier version well before the move.

Szalay is the individual who allegedly developed the processes illustrated in P-135 and P-136. Szalay testified at trial that the flowcharts P-135 and P-136 did not exist at Grow from 1979 to1991. Szalay gave no testimony on the CoQ_{10} flowchart of P-137 during the trial. He admitted on cross-examination, however, that he did not know whether Grow was selling a fermented yeast CoQ_{10} product from 1979 to 1991. Arvanaghi admitted at trial that the flowchart for Re-Natured CoQ_{10} (P-137) was not prepared until 1996, five years after Chokshi left Grow; and that Grow did not begin selling fermented CoQ_{10} products until 1997 or 1998.

Although plaintiff contends that the three flowcharts identify the misappropriated trade secrets, Szalay testified at trial and during deposition that the flowcharts (P-135 to P-137) alone do **not** disclose Grow’s alleged trade secret processes. According to Szalay, P-135 to P-137 are missing the weights and ratios of specific ingredients, and the order of ingredient addition. Thus, to the extent that Grow has any trade secrets, they are the precise ingredient/weight/ratio information missing from P-135 to P-137. Both Szalay and Arvanaghi testified that even a person skilled in the art could not successfully make Grow’s products from the flowcharts alone, and that P-135 to P-137 were essentially “useless” and of “no value” in and of themselves.

Grow did not produce any batch records that existed during the time frame of 1979–1991 for the alleged trade secret processes illustrated in P-135 to P-137. Arvanaghi testified at trial that all of these batch records (as well as all "bills of materials") have been destroyed.

Grow is unable to meet its burden of proof that any of the three flowcharts reflect the processes used by Grow before Chokshi left Grow, and those charts do not contain sufficient information regarding ingredients to represent trade secrets in any event.

Grow cannot prove that Chokshi used the trade secret Grow formulas for yeast fermentation because Grow can not even prove that the fermentation process was being used by Grow while Chokshi was at Grow. The illicit use of animal protein allowed Grow to produce products which seemed to be the result of fermentation. Chokshi's second step in the fermentation process clearly did not stem from his work at Grow as Arvanaghi testified that the beginnings of a yogurt process Chokshi left at Grow was unworkable.

III. ANALYSIS

A. WHETHER THE CONFIDENTIALITY AGREEMENT ENTERED INTO BY GROW AND CHOKSHI IN 1982 IS VALID AND ENFORCEABLE

In 1982, as part of his continued employment at Grow, Chokshi entered into a confidentiality agreement with Grow. The agreement required Chokshi to acknowledge that he would be privy to confidential business information—such as trade secrets. The agreement also prohibited Chokshi from disclosing confidential information to others at any time both during and after his employment with Grow.

Count one of the plaintiff's complaint alleges that Chokshi breached the confidentiality agreement by disclosing, to Pharmachem, Grow trade secrets. To prevail on a breach of a confidentiality agreement, Grow must show a valid contract, a breach of that agreement by the offending party, and prove damages. Coyle v. Englancer's, 199 N.J. Super. 212, 213 (App. Div. 1985).

The defendant's counterclaim includes a request for declaratory relief, alleging that the 1982 Confidentiality Agreement is unenforceable because it is so broad and without any limitation as to time, scope, or geographic areas, that it is susceptible of being used as an unreasonable restraint on competition.

The agreement reads in pertinent part:

> 2. The Employee accepts the employment upon the terms and conditions in this agreement and agrees that **he will not at any time**, either **during the period of his employment with the employer or at any time thereafter** in any fashion, form or manner, either directly or indirectly, **divulge, disclose or communicate** to any person, firm or corporation in any manner whatsoever **any information of any kind, nature or description concerning any matters affecting or relating to the business of Employer,** including, without limiting the generality of the foregoing, all product formulations and other trade secrets, the names of any of its customers, the prices it obtains or has obtained or at which it sells or has sold its products, or any other information of, about or concerning the business of Employer, its manner of operation, its plans, processes **or other data of any kind, nature or description without regard to whether any or all of the foregoing matters would be deemed confidential, material or important** . . . .
>
> 3. The Employee agrees that any and all product formulations which were or are to be developed at Grow Company or by Grow Company Employees are the sole property of Grow Company, Inc. This applies to all formulations which the Employee has knowledge, whether he worked directly on them or not. It is also understood and agreed that no other company or third party has a right to any information concerning the production, pricing, selling or testing of these products without the written permission of Grow Company, Inc.

DC-16 at 2-3 ¶¶ 2-3 (emphasis added).

The shear breadth of these provisions is indicative of Grow's intent to prevent any and all competition from Chokshi and other Grow employees who signed this type of agreement, upon termination of their employment with Grow. The agreement impermissibly prohibits Chokshi from using or divulging "**any** information of **any** kind, nature or description concerning any matters affecting or relating to the business of [Grow]" (DC-16, Page 2, ¶ 2, emphasis added), even though such information may not be a trade secret, as it would include information that may be widely known in the industry.

The 1982 Agreement includes all information "without regard to whether any or all of the foregoing matters would be deemed confidential, material, or important." Id. Such a broad prohibition against the disclosure of Grow's business information, whether or not such information is public, is unenforceable as written as a matter of law. See Whitmyer Bros., Inc., 58 N.J. 25, 33-34, 37 (1971; Taylor Iron & Steel Co. v. Nichols, 73 N.J. Eq. 684, 687 (E.& A. 1908).

Similarly, Paragraph 3 of the Agreement is overly broad and unenforceable because it impermissibly seeks to protect as trade secrets "any and all product formulations which were or are to be developed at Grow Company" and information relating to "production, pricing, selling or testing of these products . . . ." (DC-16, at 3). Any and all product formulations and information relating to production, pricing, sales or testing are improperly treated as confidential to Grow without regard to whether some or all of these are actually trade secrets or confidential business information. This would include information that is publicly available, readily accessible, known in the industry or otherwise disclosed by Grow without restriction, or known by the employee prior to employment with Grow. The restriction in Paragraph 3 as to product formulations "to be developed" by Grow is similarly overbroad. (DC-16, 1982 Agreement at 3,

¶ 3). The 1982 Agreement seeks not only to prohibit disclosure of such information, but also the use of it.

The second whereas paragraph of the preamble states: "WHERE AS [sic] Employer desires to restrict the Employee with respect to the use and or divulgence . . . ." (DC-16, at 1).

In effect, rather than protect legitimate confidential business information or trade secrets, the 1982 Agreement improperly precludes Chokshi from practicing in his chosen field as a chemist in the field of vitamin and mineral nutritional supplements and fermentation, and from ever competing with Grow. See generally Solari Industries, Inc. v. Malady, 55 N.J. 571, 585 (1970).

The restrictions in Paragraphs 2 and 3 of the Agreement are also overly broad because they are without reasonable limitations that take into account the legitimate interests of Grow, possible hardship to Chokshi, injury to the public, and the time, area and scope of activities. See Ingersoll-Rand Co. v. Ciavatta, 110 N.J. 609, 628–29 (1988); Taylor Iron & Steel Co., 73 N.J. Eq. at 687.

Furthermore, the prohibitions in Paragraphs 2 and 3 are so overly broad that they impermissibly sweep within their reach Chokshi's knowledge, skills and experience he developed before or while employed at Grow. As a matter of law, Grow may not restrict Chokshi's ability to compete and use such knowledge, skill and experience, upon his termination of employment with Grow, under the guise of a confidentiality agreement. See Maw v. Advanced Clinical Commc'ns, Inc, 359 N.J. Super. 420, 435 (App. Div. 2003) rev'd on other grounds, 179 N.J. 439 (2004); Coskey's Television & Radio Sales and Serv., Inc. v. Foti, 253 N.J. Super. 626, 637 (App. Div. 1992); Whitmyer Bros., Inc, 58 N.J. at 37.

It is for these reasons that the Court finds the 1982 Confidentiality agreement to be void and unenforceable.

B. WHETHER INFORMATION ALLEGEDLY OBTAINED BY CHOKSHI WAS KEPT CONFIDENTIAL BY GROW SUCH THAT IT WOULD BE CONSIDERED A TRADE SECRET

The fact that the 1982 Confidentiality Agreement is void, does not give Chokshi carte blanche to use information deemed confidential by his former employer. For even absent a confidentiality agreement, a party may still mount and be successful on a claim for misappropriation of trade secrets. The elements of a claim for misappropriation of a trade secret are: (1) existence of a trade secret; (2) the owner of the trade secret communicated information to the employee in confidence; (3) the employee disclosed trade secret information in violation of that confidence; (4) a competitor obtained trade secret information from the employee with knowledge of the breach in confidence to the trade secret owner / employer; (5) the trade secret was used by the competitor to the detriment of the owner of the trade secret; and (6) the owner of the trade secrets took precautions to maintain the secrecy of the trade secret. Rycoline Products, Inc. v. Sun Graphic, Inc., 334 N.J. Super. 62, 71 (App. Div. 2000.)

Grow claims that the process it uses to manufacture its vitamin and mineral products is a trade secret. Even absent a valid confidentiality agreement, Grow has proven that the processes it used in manufacturing its products is conducted in utmost secrecy. Grow established that the manufacturing process was partitioned so that one section does not know the particular functions of the other sections.

The manufacturing process used by Grow can be boiled down to three main steps. The first being a collection and weighing of all the dry ingredients to be used in the product based on a bill of materials. (Exhibit P-212). The weighing station operator does not know the parameters used in manufacturing the product. As an additional confidentiality precaution, the bill of materials is given to the vice president of operations once the weighing task is complete and destroyed shortly thereafter.

Once the materials are weighed, they go to the production area (liquid department) where a different person, following a formula on a Process Control Sheet ("PCS"), introduces the various ingredients as called for by the PCS. (Exhibits P-139, P-329). The operator of this station does not know the quantity of the ingredients, only what they are. At the conclusion of the production phase, the operator returns the PCS to the vice president of operations, and the PCS is destroyed shortly thereafter.

The third section is the drying process.

Grow alleges that it is the fermentation process and the recipes used which constitute their trade secrets which were stolen by Chokshi and used in the first of his two step patented fermentation processes. Thus by setting forth a system by which employee access to the process is compartmentalized so that the employees never obtain sufficient information to be able to recreate the process, Grow has established that they took precautions to maintain the secrecy of their trade secrets. In fact Grow took steps to ensure that no more than three individuals at any given time knew the particulars of the entire manufacturing process. Chokshi, being one of the two or three individuals privy to the details of the entire process, was aware of the secrecy maintained by Grow and thus aware of the fact that any proprietary information he obtained from Grow was obtained in confidence.

While Grow established a sufficient record to justify a finding that they took great precautions in maintaining the confidentiality of their manufacturing processes and that any information disclosed by Grow to Chokshi regarding the manufacturing processes was disclosed in confidence, they have not met their burden in proving that Chokshi disclosed trade secret information to Pharmachem.

C. WHETHER FERMENTATION OCCURRED AT GROW DURING CHOKSHI'S EMPLOYMENT WITH THE COMPANY

Grow is alleging that the six patents obtained by the defendants describe a fermentation process so similar to the processes used at Grow during Chokshi's tenure that they could have only been developed as a result of misappropriated trade secrets. In order to succeed on counts two through five of its complaint—misappropriation of trade secrets (second count), unfair competition (third count), conversion (fourth count) and conspiracy (fifth count)—Grow needs to establish that the fermentation processes used and patented by Chokshi for Pharmachem were the result of misappropriated trade secret information used by the defendants to create products similar to those products made by Grow. Grow has not met its burden of proof in demonstrating that there was fermentation going on at Grow prior to Chokshi's departure from the company in 1991. Although there is some evidence in the record that there may have been fermentation at Grow, there is also a great deal of evidence to the contrary as discussed *infra*.

D. WHETHER—ASSUMING FERMENTATION HAD OCCURRED AT GROW DURING CHOKSHI'S EMPLOY—CHOKSHI HAS MADE POST-RELEASE DISCLOSURES OF TRADE SECRETS AND CONFIDENTIALITY AGREEMENT TO PHARMACHEM

Even if this Court were to assume that fermentation occurred at Grow during Chokshi's employment, the Court would next need to determine whether any of the alleged disclosures occurred post-release, and if so, whether any such disclosure was of a misappropriated trade secret.

Prior to discussion of the six patents held by the defendants, the Court must first address the significance of a patents being divisional. The three post-release patents were of a divisional nature, deriving from the three pre-release patents, the claims section of each patent is distinct. A claims section of a patent application is required by law. 35 U.S.C.A. § 111 (2010) (requiring all patent applications to include a written portion referred to as the specification); 35 U.S.C. § 112 (2010) (requiring specification to include one or more claims). The statute requires that the specification conclude "with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." 35 U.S.C.A. § 112 (2010). The requirements set forth by the statute can only be met when the claims make it clear that what is claimed is new and different from what previously went on it the art. See United Carbon Co. v. Binney & Smith Co., 317 U.S. 228, 235 (1942); Permutit Co. v. Graver Corp., 284 U.S. 5 2, 60 (1931). Another way of looking at it is that the claims section sets forth the basis for considering something a patentable invention. In re Kirchner, 305 F.2d 897, 900 (C.C.P.A. 1962) ("It is elementary patent law that one looks to the claims to find out what 'the invention' is.").

The fact that each of the six patents held by the defendants have distinct claims supports a finding that each process was different from any other process reviewed by the USPTO, as well as a finding that each process is different from the processes described in the other patents held by the defendants. This finding is further supported by the fact that the processes described in each of the patents held by the defendants was approved for a valid patent, indicating that upon careful scrutiny the USPTO found each process new and useful. Even if fermentation occurred at Grow during Chokshi's tenure, the plaintiff has not proven that their fermentation recipes were sufficiently similar to any of Chokshi's patented processes.

The parties acknowledged at trial that there is nothing novel to fermentation itself, but rather that the specific recipes for fermented products are novel, patentable and constitute trade secrets. As discussed *infra*, all of the patents at issue involve a dual-fermentation process.

Grow claims that Chokshi's first fermentation process, using *Saccharomyces cerevisiae* (yeast), is a stolen trade secret and that Chokshi's second fermentation process, using *Lactobacillus acidophilus* (yogurt bacteria) is window dressing. However, Grow has not submitted sufficient proof that it invented the specific recipes used in CoQ_{10} or phaseolamin. While it would be inequitable to allow an employee to profit on the proprietary information of his former employer, to prohibit Chokshi from ever working with, improving, or modifying any type of fermentation process would be an unreasonable restraint on innovation.

E. WHETHER PHARMACHEM IS A RELEASEE UNDER THE 2001 SETTLEMENT AGREEMENT

The 2001 Settlement Agreement collectively refers to Releasees as the following:

> Bio-Foods as well as its present and former officers, directors, shareholders, executives, servants, employees and counsel, and each of its and their past, present and future parent and subsidiary corporations, divisions, affiliates, partners, joint ventures, predecessors, successors, assigns and insurers, and any other person, firm or corporation with whom any of them is now or may hereafter be affiliated, including the individual people named as co-defendants to the lawsuit.

Exh. DC-123 at 1.

Opposing counsel discussed and negotiated other terms of the 2001 Settlement Agreement; however, both lawyers involved in the representation of Grow and Chokshi at the time of the settlement testified that the scope of the general release and the definition of "Releasee" were not negotiated. Thus the meaning of that term must be gleaned entirely from the document itself.

Defendant Pharmachem, although not a party to the Release, is a Releasee and thus entitled to the benefits of the Release under the plain wording of the document. At the time of the execution of the Release, Pharmachem was an "assign" and "successor" of Chokshi because it was assignee of all three of Chokshi's patents at the time of the Release (DP-253, DP-254, DP-255) which Grow claims discloses its trade secrets. Pharmachem was also "a corporation with whom any of them [including Chokshi] is now or may hereafter be affiliated." (DC-123, Release at 1, 2nd "Whereas" clause).

F. WHETHER ALL CLAIMS MOUNTED BY THE PLAINTIFF DEALT WITH POST-RELEASE INFORMATION AND ACTIONS SUCH THAT THE PLAINTIFF'S INITIATION OF THE PRESENT LITIGATION IS IN VIOLATION OF THE 2001 SETTLEMENT AGREEMENT

The defendants' counterclaim alleges that the plaintiff's initiation of this litigation is in direct violation of the settlement agreement reached by the parties in 2001. The defendants argued, on appeal to the Appellate Division, that Grow's trade secret misappropriation claims against Chokshi and Pharmachem should be barred under the "single claim" doctrine. The defendants advocate the single claim doctrine which holds that once a defendant breaches his duty to keep information confidential, whether said duty springs from the common law of trade secrets or contract law, a new cause of action does not arise upon each subsequent disclosure or use.

As noted by the Appellate Division, the single claim doctrine has not yet been addressed by any New Jersey court. (<u>See</u> <u>Grow</u>, 403 <u>N.J. Super.</u> at 467–68). While the issue before the appellate court had the appearance of being purely legal, the appellate panel held that such a determination was "not ripe for consideration," stating:

> As can be seen from the conflicting theories about the permissibility of a second suit for misappropriation, there is a need to obtain a better understanding of the details of Grow's claims, as well as an understanding of the allegations in the earlier suit, before determining whether the nature of the claims asserted against Chokshi in this action, assuming they survived the settlement agreement, requires that they now be barred. In short, the complex circumstances upon which this novel theory turns,

> which have not been thoroughly developed in the trial court, do not present a sufficient foundation for the entry of summary judgment.

See Grow, 403 N.J. Super. at 470. Thus, the Appellate Division left for the trial court to decide the applicability of the single claim doctrine. As the issue of whether New Jersey embraces the doctrine is critical to resolution of this case, the Court will examine the two prevailing and conflicting positions on the topic of subsequent litigation relating to disclosure of trade secrets.

The plaintiff points to the fact that, while the Appellate Division did not directly rule on that issue as part of the appeal, the court did substantively address the issue in *dicta*. The Appellate Division recognized that trade secrets are viewed under New Jersey law as a peculiar kind of property. Grow, 403 N.J. Super. 443, 470 (App. Div. 2008) (citing Trump's Castle Associates v. Tallone, 275 N.J. Super. 159, 163 (App. Div. 1994). Contracts between employees and employers, which prohibit the disclosure of trade secrets are valid and intended "to protect the owner from injury by the disclosure of the secret or **its competitive use**." Id. (emphasis in original). Such agreements carry with them the recognition of the owner's property right. Id.

"It is now well established that the law recognizes a property right in trade secrets, and a court of competent jurisdiction will protect the right against invasion by one who appropriates trade secrets to his own use in violation of a contractual obligation or confidential relationship." Dollac Corp. v. Margon Corp., 164 F. Supp. 41, 59 (D.N.J. 1958), aff'd, 275 F. 2d 202 (3d Cir. 1960). In short, it is "the improper appropriation of another's secret which is the legal basis for liability." Bolt Associates, Inc. v. Alpine Geophysical Associates, Inc., 365 F. 2d 742, 749 (3d Cir. 1966). Trade secrets are "peculiar" property, because their value exists only in their being kept private. Trump's Castle, 275 N.J. Super. at 163 (quoting In Re: Iowa Freedom on Information Council, 724 F. 2d 658, 662 (8th Cir. 1983).

Since 1954, the New Jersey Supreme Court has defined property, in the form of trade secrets, by reference to the Restatement of Torts, §757. See Sundial Corp. v. Rideout, 16 N.J. 252, 257 (1954); Trump Castle, 275 N.J. Super. at 162 (where the Appellate Division concluded that the current definition of trade secret is found in the Restatement (Third) of Unfair Competition §39, which provides "any information that can be used in the operation of a business or enterprise and that is sufficiently valuable and secret to afford actual or potential economic advantage over others."); see Merckle v. Johnson & Johnson, 961 F. Supp. 721, 730 n.1, 733 (D.N.J. 1997) (a defendant is liable for appropriation of a plaintiff's trade secret if the defendant acquired it "by means that are improper").

In Underwater Storage, Inc. v. U.S. Rubber Co., 371 F. 2d 950 (D.C. Cir. 1966), the D.C. Circuit similarly relied upon §757 of the Restatement of Torts in concluding that trade secrets are valuable property, and their owners can exploit them to their own advantage. Id. at 954. The Court concluded that it "is the continuing use of another's secret, wrongfully obtained, or used after knowledge that it has been wrongfully obtained, that makes the tort a continuing one." Id. at 955. The law of our sister state, New York, similarly holds that trade secret misappropriation claims arise for each act of misappropriation of the secret in question. General Precision, Inc. v. Ametek, Inc., 20 N.Y. 2d 898, 232 N.E. 2d 862 (N.Y. Ct. of Appeals 1967); Sachs v. Cluett, Peabody & Co., Inc., 31 N.Y.S. 2d 718, 722 177 Misc. 695, 699 (N.Y. Sup. Ct. 1941) (recognizing trade secrets as very valuable property to be protected by courts against unauthorized disclosure, for which plaintiffs can recover for the continuing violation and infringement of their property rights as each act of infringement give rise to a cause of action for damages against the defendants). Thus, New York law recognizes the valuable nature of trade secret property, and the continuing tort theory for misappropriation of claims. Kistler Instrumente A.G. v. PCB Piezotronics, Inc., 419 F. Supp. 120, 122-123 (W.D.N.Y. 1976).

The defendants advocate the contrary position that subsequent disclosures are not actionable. Defendants argue that to the extent that a breach of confidence ever occurred, according to Grow it first happened in 1991 when Chokshi began working with Bio-Foods, 10 years prior to the Release date of December 21, 2001. Thus all allegations mounted in this case would be based on subsequent disclosures.

Defendants argue that in New Jersey, common law misappropriation of trade secrets is based upon breach of a confidence to maintain the information in secret. In that regard, New Jersey courts follow the Restatement of Torts §757 (1939) (the "Restatement") in determining whether information is a trade secret and whether there has been an improper disclosure or use of a trade secret. See, e.g., Hammock v. Hammock, 142 N.J. at 384; Ingersoll-Rand Co. v. Ciavatta, 110 N.J. 609, 636-37 (1988; Rycoline Products, Inc. v. Walsh, 334 N.J. Super. 62, 71-72 (App. Div.), certif. denied, 165 N.J. 678 (2000). In addition to the elements of a trade secret discussed in Restatement, Comment a. notes that business information may be freely used by others, absent a valid restriction as to a trade secret:

> The privilege to compete with others . . . includes a privilege to adopt their business methods, ideas or processes of manufacture. Were it otherwise, the first person in the field with a new process or idea would have a monopoly which would tend to prevent competition.

Restatement of Torts § 757 comment a. (1939).

While courts have grappled with whether misuse or disclosure of another's trade secret is in the nature of misappropriation of a property right or a breach of a confidence, defendants' position is that the Restatement concludes that the essential violation of law is the breach of a confidence:

> The suggestion that one has a right to exclude others from the use of his trade secret because he has a right of property in the idea has been frequently advanced and rejected. The theory that has prevailed is that the protection is afforded only by a general duty of good faith and that the liability rests upon breach of this duty; that is, breach of contract, abuse of confidence or impropriety in the method of ascertaining the secret. Apart from breach of contract, abuse of confidence or impropriety in the means of procurement, trade secrets may be copied as freely as devices or processes which are not secret . . . .

Restatement of Torts § 757 comment a. (1939).

Defendants place primary reliance for their position upon Monolith Portland to Midwest Co. v. Kaiser Aluminum & Chemical Corp., 407 F. 2d 288 (9th Cir. 1969) and Cadence Design Systems, Inc. v. Avant! Corp., 57 P. 3d 647 (Cal. 2002). In Monolith, the Ninth Circuit held that California law was controlling and "does not treat trade secrets as if they were property." Monolith, 407 F. 2d at 293. However, unlike New Jersey, under California law, it "is the relationship between the parties at the time the secret is disclosed that is protected." Id. The Ninth Circuit readily distinguished Underwater Storage, insofar as the relevant law in that case held trade secrets constitute property and the cause of action arises from the adverse use of the trade secret disclosed in confidence, and as a result each use is a new wrong and a continuing use is a continuing wrong. Id. at 292–93. In Cadence, the California Supreme Court similarly concluded and further distinguished Underwater Storage by reference to California's version of the Uniform Trade Secrets Act (the "UTSA"), and expressly held that the California UTSA expressly states that a continuing misappropriation constitutes a single claim. Cadence, 57 P. 3d at 651. Consequently, claims for misappropriation of trade secrets under versions of the UTSA arise "for a given plaintiff against the given defendant only once, at the time of the initial misappropriation." Id. at 650–51. Moreover, the adoption of the UTSA by a jurisdiction effects a preemption of common law trade secret misappropriation claims. Callaway Golf co. v. Dunlap Slazenger Group Americas, Inc., 318 F. Supp. 2d 216, 219 (D. Del. 2004).

In light of the foregoing, this Court finds that because New Jersey trade secret law supports the "property" view of trade secrets, and not the "confidential relationship" view taken by California and UTSA jurisdictions, "each unauthorized use of a trade secret by the misappropriating party is a separate claim, representing the continuing tort of misappropriating the intellectual property of another . . . ." See Amalgamated Industries Ltd. v. Tressa, Inc., 69 Fed. Appx. 255, 260–61 (6th Cir. 2003); Underwater Storage, 371 F. 2d at 955.

IV. CONCLUSION

For the reasons set forth above, this Court finds that Grow has not demonstrated that Chokshi disclosed trade secrets to Pharmachem before or after the Release. The Court also finds that the 1982 confidentiality agreement is so general and non-specific as to be unenforceable. Litigation concerning post-2001 conduct is not barred by the 2001 settlement and therefore plaintiff's failure to prevail does not necessarily result in an award of counsel fees. Any request for counsel fees by defendants will be decided after further submissions from counsel.