IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

STONEEAGLE SERVICES, INC. and VPAY, INC.,	§	
Plaintiffs,	§	
v.	§	3:13-cv-00894-P
THOMAS GLENN DAVIS, STORED VALUE PAYMENTS, LLC, and JENNIFER LYNN LEWIS,	§	
Defendants.	§	

ORDER

Now before the Court is Defendants' Motion to Dismiss filed on March 22, 2013. (Doc. 11) Plaintiffs filed a Response on April 12, 2013. (Doc. 12) Defendants filed a Reply on April 26, 2013. (Doc. 14) After reviewing the parties' briefing, the evidence, and the applicable law, the Court DENIES Defendants' Motion.

I. Background

This case is about what frequently happens when business affiliates stop acting like business affiliates. StoneEagle Services, Inc. ("StoneEagle") develops inventions for the virtual payment systems industry. (Doc. 1, pp. 2-3) While working in the automotive industry, Robert Allen ("Allen"), current Chairman and Chief Executive Officer of StoneEagle, began to develop a proprietary medical benefits payment processing system for the healthcare industry. (*Id.* at 2)

As conceived by Allen, this system acquires a primary account number (e.g., credit or debit card), merges this number with an explanation of benefits from a benefits payor, and transmits this information to a payee through a secured signal. (*Id.*) As part of the system, the payee's contact information is stored in a database developed through the use of resources and expenses attributable to StoneEagle. The system includes several fraud prevention measures and mechanisms to ensure proper payments. (*Id.* at 3) According to Plaintiffs, this system includes:

> (a) requesting, directing, enabling, or facilitating the acquisition of payment data (such as payee name, payment amount, payee address, and payee tax identification number) and related payment advice, explanation of benefit, or explanation of payment data from an insurance company, a third-party administrator ("TPA") or other payor of healthcare claims and reporting such payment data, directly or indirectly, to a program manager, card processor, financial institution or other entity that facilitates the issuance of a virtual stored value card to make a payment for healthcare goods or services; (b) enabling or facilitating the determination of whether a provider of healthcare goods or services should be paid with a virtual stored value card in lieu of some other medium of payment, such as a check or electronic funds transfer; (c) requesting, directing, enabling, or facilitating the acquisition of the primary account number, expiration date and card security code for a virtual stored value card from a program manager, processor, financial institution or other entity that provides such card data to make a payment for healthcare goods or services; (d) requesting, directing, enabling, or facilitating the transfer of funds to a financial institution for the purpose of loading or funding a virtual stored value card to make a payment for healthcare goods or services; (e) utilizing the [database] that contains the historical compilation of payment information (including fax numbers) and preferences of health care providers; and (f) requesting, directing, enabling, or facilitating the unloading of funds associated with a virtual stored value card account and the transfer or reallocation of such funds for another purpose, such as to fund a check or electronic funds transfer or to return the funds to the funding party.

(*Id.* at 4-5)

The system also utilizes proprietary software that belongs to StoneEagle. (*Id.* at 5) According to Plaintiffs, this software includes:

> (a) loader programs customized to each different TPA such that the TPA's proprietary file formats containing payment data can be converted to a standard file format and loaded into a database; (b) document replicating software that creates exact copies of the TPA's payment documents from the TPA's data loaded into a database; (c) imaging programs that create electronic payments from the payment documents; (d) payment optimization programs that provide for a provider database that includes payment preference information for each different provider that allows a specific and preferred type of payment to be transmitted to

> the provider; (e) banking communication software that requests from the depository bank the balance of accounts on which payments are going to be drawn to confirm that funds are available prior to distributing payments; (f) payment batching programs that allow payments to be administered by the TPA such that certain payments may be held out waiting for further funding, sent by express mail, or re-routed back to the TPA; (g) creating a data stream communicated to print outsourcer for the purpose of printing checks and other mailed output; and (h) customer service software that allows for customer service representatives to interact with providers of healthcare to answer questions and perform tasks such as changing the payment type for the provider and issuing a new form of payment, or reissuing payments that have been lost or otherwise unaccounted for.

(*Id.*)

Taken together, this system is a singular platform that runs a portion of StoneEagle's business related to pre-funded payments, post-funded payments, funds acquisition, "and all other payment processing systems developed." (*Id.* at 5-6)

Plaintiffs consider the aforementioned to be trade secrets and confidential information developed at considerable expense over time. (*Id.* at 6) StoneEagle uses this information competitively in the marketplace and guards the secrecy and proprietary nature of this information through non-disclosure agreements among employees, agents, and contractors. (*Id.*) StoneEagle uses licensing agreements and non-circumvention agreements in its business relationships to protect its trade secrets and confidential information. (*Id.*) This information is further safeguarded by secured computer systems and a secured office facility with video surveillance, magnetic locks, and access codes. (*Id.* at 6-7) StoneEagle also boasts certifications reflecting compliance with "industry-based standards for security, privacy, and accounting protocols." (*Id.* at 7) As explained by Plaintiffs, this information is not known generally to the public due to these safeguards. (*Id.*)

On May 1, 2006, StoneEagle entered a mutual non-disclosure agreement with David Gillman ("Gillman") and various business entities which he represented at the time. (*Id.*) The agreement gave Gillman access to StoneEagle's information in order to explore a prospective business relationship among the parties. (*Id.*) Gillman and those he represented agreed to not disclose the information or authorize anyone else to disclose the information. (*Id.* at 8) The parties further agreed that violations could result in unfair competition and entitle the aggrieved party to injunctive relief.[1] (*Id.*)

On June 29, 2006, StoneEagle granted Gillman's now-defunct Texas corporation, Talon Transaction Technologies ("Talon-Texas"), a license to use certain trade secrets and confidential information.[2] (*Id.*) The license defined the protected information covered therein, obligated the parties to maintain the information in strict confidence, acknowledged that a breach would leave the aggrieved party without an adequate remedy, and consented to enforcement through damages and injunctive relief. (*Id.* at 9) The agreement bound successors and assigns as well as identified StoneEagle as the owner of the technology. (*Id.*)

In August 2008, StoneEagle and Talon Transaction Technologies, Inc., an Oklahoma corporation ("Talon-Oklahoma"), formed VPay Assist, Inc. (later changed to VPay, Inc. ("VPay")) to expand StoneEagle's customer base and market share. (*Id.*) VPay ownership was originally split between StoneEagle and Talon-Oklahoma. (*Id.*) At all times relevant, Gillman acted as President of Talon-Oklahoma. (*Id.* at 10) On January 1, 2010, StoneEagle, Talon-Oklahoma, and SWG Investments, Ltd. ("SWG") signed a marketing agreement covering the

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[1] The parties further agreed to be bound by the laws of Texas should any dispute arise. (Doc. 1, p. 8)

[2] On May 30, 2008, the Texas Secretary of State forfeited the existence of Talon-Texas for failing to pay franchise taxes. (Doc. 1, p. 9)

trade secrets and confidential information. (*Id.*) The marketing agreement carried similar covenants in comparison to the other licenses and non-disclosure agreements.[3]

Among those working closely with StoneEagle's programmers during product development were the likes of Vincent and Jim Valentine (the "Valentines"). (*Id.*) StoneEagle disclosed in confidence to the Valentines certain aspects of their trade secrets and confidential information. (*Id.*) In 2009, StoneEagle and VPay formally retained the Valentines as independent contractors, executing two agreements related to confidentiality and their duties as independent contractors. (*Id.* at 11) To simplify, these agreements bound the Valentines to numerous secrecy obligations to include refraining from using, misappropriating, or disclosing Plaintiffs' trade secrets and confidential information. (*Id.*) Upon entering these agreements, the Valentines were given greater access to protected information. (*Id.*)

As things progressed, Thomas Davis ("Davis"), Stored Value Payments, LLC ("SVP"), and Jennifer Lewis ("Lewis") entered the picture. (*Id.* at 1, 11) Talon-Oklahoma engaged David and his company, SVP, to market and serve as customer service representatives for VPay. (*Id.* at 11) Lewis also acted as an interface with VPay's clients. (*Id.* at 12) As a result of these relationships, Davis, Lewis, and SVP became exposed in purported confidence to the inter-workings of StoneEagle and VPay, including their trade secrets and confidential information. (*Id.*) Davis, Lewis, and SVP were aware of the various confidentiality agreements in place that bound the Talon corporations, Gillman, and the Valentines. (*Id.* at 13)

On September 7, 2010, the U.S. Patent and Trademark Office (the "PTO") issued U.S. Patent No. 7,792,686 B2 (the " '686 Patent") under the title "Medical Benefits Payment

[3] The marketing agreement listed Talon-Oklahoma as residing in Richardson, Texas. (Doc. 1, p. 10)

System."[4] (*Id.* at 13) On January 1, 2013, the PTO reissued the patent as U.S. Patent No. RE43,904 E, adding Claims 7-26 (the "Reissued Patent"). (*Id.*) Both patents list Allen as the inventor and StoneEagle as the assignee. (*Id.* at 13-14)

Plaintiffs allege that their core intellectual property consists of these patents coupled with their trade secrets and confidential information. (*Id.* at 13) Putting all of these components together creates what Plaintiffs refer to as the Medical Payment System.[5] (*Id.*)

At some point, StoneEagle registered "VPay" and "VCard" as service marks related to processing virtual payments in the medical industry. (*Id.* at 12) On July 27, 2010, Talon-Texas obtained a license to use these marks notwithstanding its defunct status as of 2008. (*Id.* at 9, 14)

In August 2011, Plaintiffs learned that Defendants, among others, were actively working to establish a competing product. (*Id.* at 14) In the Original Complaint, Plaintiffs allege a litany of perceived wrongdoings to include attempting to capture business from VPay's customers such as ECHO Health ("ECHO"), setting up meetings with industry representatives, building the necessary infrastructure for a competing business, and processing virtual payments in direct competition. (*Id.* at 14-17) According to Plaintiffs, without the benefit of their trade secrets and confidential information, none of this would have been possible. (*Id.* at 17) Moreover, many of these actions were purportedly accomplished while Defendants held themselves out as VPay's agents and used VPay email addresses. (*Id.* at 18)

To facilitate direct competition, Gillman collaborated with Defendants to establish NexPay, Inc. ("NexPay"). (*Id.*) Although at one time responsible for marketing VPay, Defendants ultimately shifted their efforts to NexPay. (*Id.* at 19) Lewis was listed as the

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[4] Allen applied for this patent on December 5, 2006 via patent application number 11/566,930. (Doc. 1, p. 13)

[5] Not to be confused with the "Medical Benefits Payment System" patents.

Customer Service Manager for NexPay and Davis was listed as the Chief Sales Officer for NexPay. (*Id.* at 20) In these roles, they had direct control over the marks and names as well as the public appearance of the products. (*Id.* at 19) NexPay's product used the name "NexPay" vice "VPay," and is allegedly "substantially identical" when compared to the patented payment advice of VPay. (*Id.* at 18)

On March 22, 2012, NexPay began processing virtual payments using the allegedly infringing product names "NexPay" and "QuicRemit." (*Id.* at 19) Defendants replaced StoneEagle/VPay's functions using third parties such as Comdata Network, Inc., HPES, and Regions Financial Corporation. (*Id.*) According to Plaintiffs, Defendants now market payment advice that is "substantially similar" to the patented VPay technology except for the mere replacement of logos. (*Id.*) Supposedly some of the QuicRemit product sheets still exhibit VPay logos and include StoneEagle contact information. (*Id.* at 19-20) Given the similarities, customers were purportedly confused between the competing products. (*Id.* at 18-20)

On February 26, 2013, Plaintiffs sued on multiple fronts for: (1) misappropriation of trade secrets and confidential information; (2) conspiracy to misappropriate trade secrets and confidential information; (3) aiding and abetting breach of fiduciary duty; (4) patent infringement[6]; (5) service mark infringement under federal and state law; (6) counterfeiting

[6] This infringement action only implicates the Reissued Patent. *See Voter Verified, Inc. v. Election Sys. & Software*, No. 6:09-cv-1969-Orl-19KRS, 2010 U.S. Dist. LEXIS 63679, at *5 (M.D. Fla. June 4, 2010) ("Once a reissue patent has been granted, 'the original patent cannot be infringed . . . for the original patent is surrendered.'" (quoting *Seattle Box Co., v. Indus. Crating & Packing, Inc.*, 731 F.2d 818, 827 (Fed. Cir. 1984))). Although Plaintiffs appear to dispute this proposition, they do concede that "[t]he reissue did not affect claims 1-6 from the '686 Patent, which form the basis of part of Plaintiffs' infringement claim." (Doc. 12, p. 6) The section of the Patent Act that Plaintiffs rely on relates in part to the dates when infringement can occur. Applying that section, any infringement under Claims 1-6 would relate back to the issue date of the '686 Patent because the claims are mirror images at reissue. *See* 35 U.S.C. § 252 (2012). Suffice it to say, if Defendants infringe Claims 1-6 under one patent, they likewise will infringe on the other and may seek a remedy tracing back to the issue date of the '686 Patent. Consequently, there does not appear to be substantive difference even if the prior patent is in play because the outcome would be the same under the Reissued Patent. This analysis ultimately yields a net neutral result for the parties.

under the Lanham Act; and (7) unfair competition under federal and state law.[7] (*Id.* at 21-30) After filing suit, Plaintiffs terminated the licensing and service mark agreements. (*Id.* at 18) Defendants now move to dismiss.

II. Reissued Patent

The Reissued Patent's abstract describes the invention as:

> A method of facilitating payment of health care benefits [] on behalf of a payer comprising the step of electronically transmitting a stored-value card account payment of the authorized benefit amount concurrently with an explanation of benefits.

U.S. Patent No. RE43,904 E Abstract (filed Jan. 26, 2012) (reissued Jan. 1, 2013) (hereinafter '904 Patent). The Reissued Patent has 26 claims. '904 Patent col.4 l.11-col.6 l.63. Of these, Claims 1, 2, 6, 7, 12, 17, and 22 are independent. (*Id.*) As styled by the claim language, the Reissued Patent presents only method and system claims. (*Id.*) Claims 1-6 are identical to the claims under the '686 Patent as issued on September 7, 2010. U.S. Patent No. 7,792,686 B2 col.3 l.55-col.4 l.62 (filed Dec. 5, 2006) (issued Sept. 7, 2010) (hereinafter '686 Patent).

III. Legal Standard

Federal Rule of Civil Procedure 12(b)(6) provides for the dismissal of a complaint when a defendant shows that the plaintiff has failed to state a claim for which relief can be granted. *See* Fed. R. Civ. P. 12(b)(6). "To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). The factual matter contained in the complaint must allege actual facts, *not* legal conclusions dressed up as facts. *Id.* at 678-79 ("Although for the purposes of a motion to dismiss

[7] Plaintiffs' request for a preliminary injunction is not addressed because the Original Complaint states: "Plaintiffs will seek a preliminary injunction through a separately filed motion." (Doc. 1, p. 30)

we must take all of the factual allegations in the complaint as true, we 'are not bound to accept as true a legal conclusion couched as a factual allegation.'" (quoting *Twombly*, 550 U.S. at 555)). Additionally, the factual allegations of a complaint must state a plausible claim for relief. *Id.* A complaint states a "plausible claim for relief" when the factual allegations contained therein infer actual misconduct on the part of the defendant, not a "mere possibility of misconduct." *Iqbal*, 556 U.S. at 679; *see also C&F Packing Co. v. IBP, Inc.*, 224 F.3d 1296, 1306 (Fed. Cir. 2000) ("The question of whether a Rule 12(b)(6) motion was properly granted is a purely procedural question not pertaining to patent law, to which this court applies the rule of the regional, in this case the Seventh, circuit."); *Jacquez v. Procunier*, 801 F.2d 789, 791-92 (5th Cir. 1986).

Where state law actions are pled supplementary to federal claims, federal courts apply state substantive law and federal procedural law. *See Foradori v. Harris,* 523 F.3d 477, 486 (5th Cir. 2008). If no state court decisions control, a federal court must make an "*Erie* guess" as to how the high state court would apply the substantive law. *Beavers v. Metro. Life Ins. Co.*, 566 F.3d 436, 439 (5th Cir. 2009) (quoting *Travelers Cas. & Sur. Co. of Am. v. Ernst & Young LLP*, 542 F.3d 475, 483 (5th Cir. 2008)).

IV. Discussion

Defendants move to dismiss the claims for: (1) patent infringement; (2) trade secret misappropriation and the companion action for conspiracy; (3) aiding and abetting; and (4) service mark infringement, counterfeiting, and unfair competition. (Doc. 11, pp. 2, 5-24).

a. Patent Infringement

First, Defendants move to dismiss Plaintiffs' patent infringement claim because the patent in suit lacks patent-eligible subject matter. (Doc. 11, pp. 5-11) According to Defendants, the claims represent nothing more than the mere manipulation and reorganization of data through human thought alone with the assistance of an electrical transmission. (*Id.* at 5-6) Moreover, the claims merely reference a generic computing device and represent an abstract idea for fetching and processing values. (*Id.* at 9-11)

Every patent is presumed valid. *See* 35 U.S.C. § 282 (2012); *cf. In re Bilski*, 545 F.3d 943, 951 (Fed. Cir. 2008) (overruled and vacated on other grounds) ("Whether a claim is drawn to patent-eligible subject matter under § 101 is an issue of law that we review de novo."). Section 101 sets forth the categories of subject matter that are eligible for patent protection: "Whoever invents or discovers *any* new and useful *process, machine, manufacture, or composition of matter*, or *any* new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." § 101 (emphasis added). "In choosing such expansive terms . . . modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope." *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010) (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)). Patentability carries three very narrow exceptions: laws of nature, physical phenomena, and abstract ideas. *Id.*

"[I]t will be rare that a patent infringement suit can be dismissed at the pleading stage for lack of patentable subject matter." *See Ultramercial, Inc. v. Hulu, LLC*, No. 2010-1544, 2013 U.S. App. LEXIS 12715, at *5, 46 (Fed. Cir. June 21, 2013) ("Accordingly, this court reverses the district court's dismissal of Ultramercial's patent claims for lack of subject matter eligibility and remands for further proceedings."). To use a Rule 12(b)(6) motion to successfully challenge subject matter eligibility, "the *only* plausible reading of the patent must be that there is clear and convincing evidence of ineligibility." *Id.* at *6 (emphasis in original). The Federal Circuit has cautioned that while patentable subject matter is a legal determination, the analysis "is rife with underlying factual issues." *Id.* Moreover, although the Federal Circuit is quick to remind that claim construction is not essential when subject matter eligibility is questioned, the appellate court does not deny that it can certainly help. *Id.* at *9 ("Of course, even if not required, on many occasions a definition of the invention by claim construction can clarify the basic character of the subject matter of the invention. Thus, claim meaning may clarify the actual subject matter at stake in the invention and can enlighten, or even answer, questions about subject matter abstractness. In this procedural posture, however, the subject matter at stake and its eligibility does not require formal claim construction."). To be sure, "the question of eligible subject matter must be determined on a claim-by-claim basis." *Id.*

Considering the arguments advanced against the validity of the Reissued Patent, Defendants cannot show by clear and convincing evidence that the patent in suit bears ineligible subject matter for patentability. Reviewing the claims, the Court lacks a sufficient basis in fact to determine that the patent's subject matter is abstract, mere human manipulation, or generic. Furthermore, claim construction will sharpen these issues and offer more than two opposing takes on what the claims mean. A ruling based on briefing alone without evidence invites pure guesswork. In fact, under any standard, the Court is ill-equipped to declare the Reissued Patent invalid at this junction. As such, the Court exercises restraint over valor.

In sum, dismissal is not appropriate based on invalidity. *See, e.g.*, *Progressive Cas. Ins. Co. v. Safeco Ins. Co.*, No. 1:10 CV 1370, 2010 U.S. Dist. LEXIS 120225, at *16 (N.D. Ohio Nov. 12, 2010) ("Because the record is inadequate, the Court will not address defendants' specific arguments as to whether the patent meets the machine-or-transformation test or claims an abstract idea. Accordingly, defendants' motion to dismiss is denied.").

b. Trade Secret Claims

Second, Defendants move to dismiss Plaintiffs' trade secret claims because the allegations do not establish that Defendants acquired any trade secrets through improper means or by breaching a confidential relationship. (Doc. 11, pp. 12-17) In particular, Plaintiffs do not allege that Defendants signed any confidentiality agreements, received consideration for any such agreement, handled information specifically designated as confidential, or witnessed actual documents reflecting a confidential relationship. (*Id.* at 13) Moreover, there are no agency relationships between Defendants and any entity otherwise bound by a confidentiality agreement. (*Id.* at 16-17)

"The elements of trade secret misappropriation are: (1) the existence of a trade secret owned by the plaintiff; (2) breach of a confidential relationship or improper discovery of a trade secret; (3) use of the trade secret; and (4) injury." *Myriad Dev., Inc. v. Alltech, Inc.*, 817 F. Supp. 2d 946, 983 (W.D. Tex. 2011) (text reformatted) (citing *Trilogy Software, Inc. v. Callidus Software, Inc.*, 143 S.W.3d 452, 463 (Tex. App.—Austin 2004, pet. denied)); *see also Gen. Universal Sys., Inc. v. Lee,* 379 F.3d 131, 149-50 (5th Cir. 2004).

A person is liable for using a trade secret if he discovered the secret by improper means. *Hyde Corp. v. Huffines,* 158 Tex. 566, 314 S.W.2d 763, 769 (1958). "Improper means of acquiring another's trade secrets include theft, fraud, unauthorized interception of communications, inducement of or knowing participation in a breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case." *Astoria Industries of Iowa, Inc. v. SNF, Inc.,* 223 S.W.3d 616, 636 (Tex. App.—Fort Worth 2007, pet. denied) (citing Restatement (Third) of Unfair Competition § 43 (1995)).

An express contractual provision is not required to establish a duty of confidentiality, although a court may consider the absence of such a provision. *See Hollomon v. O. Mustad & Sons (USA), Inc.,* 196 F. Supp. 2d 450, 459 (E.D. Tex. 2002). "The law will imply as part of the contract of employment an agreement not to disclose information which the employee receives as an incident of his employment, if the employee knows that his employer desires such information kept secret, or if, under the circumstances, he should have realized that secrecy was desired." *Lamons Metal Gasket Co. v. Traylor,* 361 S.W.2d 211, 213 (Tex. Civ. App.—Houston 1962, writ ref'd n.r.e.).

Upon review, Plaintiffs are able to sufficiently state trade secret claims because the facts convey a breach of a confidential relationship. From the outset, Texas law does not compel businesses that hire contractors to memorialize the existence of confidential relationships. Although helpful for proving up a trusted relationship, no paperwork is necessary. Consideration does not carry weight in this analysis either.[8] Taking the pleadings as true, Defendants were hired to perform marketing services for Plaintiffs and were aware that the information that they received was confidential and should be kept secret. As articulated by the pleadings, Defendants were exposed in confidence to the inter-workings of Plaintiffs' business and had knowledge of the confidentiality agreements in place with Gillman, the Talon corporations, and the Valentines. These inter-workings allegedly included the same information that the aforementioned trio contracted to protect. Taken as true, Defendants were at least on notice that Plaintiffs treated this information with some measure of care and, *a fortiori,* Defendants likewise should have known that they were expected to reciprocate a certain level of corresponding care.

[8] Defendants fail to cite case law to reflect a position to the contrary. Even if failure or lack of consideration could be deemed a viable defense, the Court finds adequate consideration that Defendants contracted to represent Plaintiffs' marketing interests in exchange for compensation and exposure to protected information.

In sum, dismissal of the trade secret claims is not appropriate. *See, e.g.*, *Joe N. Pratt Ins. v. Doane*, No. V-07-07, 2009 U.S. Dist. LEXIS 88314, at *30 (S.D. Tex. Sept. 25, 2009) (declining to grant summary judgment and noting "Here, Plaintiff has presented evidence that Doane knew or reasonably should have known that the information she copied was considered a trade secret by Pratt and that Pratt wanted that information kept secret").

c. Aiding and Abetting

Third, Defendants move to dismiss Plaintiffs' claim that Defendants aided and abetted a breach of fiduciary duty because the allegations do not establish the existence of a fiduciary relationship and, failing this, Defendants did not know such a relationship existed. (Doc. 11, pp. 17-24) According to Defendants, confidentiality agreements do not create fiduciary relationships. (*Id.* at 20) Moreover, no formal fiduciary relationship existed between Plaintiffs and the Talon corporations, the Valentines, or Gillman because they were merely independent contractors. (*Id.* at 20-22) An informal relationship is also not possible because these entities did not have a business relationship preceding the contracts in place. (*Id.* at 23) Additionally, Defendants argue that any claim related to aiding and abetting the misappropriation of trade secrets is not actionable under Texas law. (*Id.* at 19) Plaintiffs counter that they have stated an adequate claim for aiding and abetting both a breach of fiduciary duty and trade secret misappropriation.

General civil aiding and abetting is a separate tort from aiding and abetting a breach of fiduciary obligations. Although separate actions, there is legal and factual overlap.

First, "[t]o establish a claim for knowing participation in a breach of fiduciary duty, a plaintiff must assert: (1) the existence of a fiduciary relationship; (2) that the third party knew of the fiduciary relationship; and (3) that the third party was aware that it was participating in the breach of that fiduciary relationship." *Meadows v. Hartford Life Ins. Co.*, 492 F.3d 634, 639 (5th Cir. 2007) (citing *Cox Tex. Newspapers, L.P. v. Wootten*, 59 S.W.3d 717, 721-22 (Tex. App.—Austin 2001, pet. denied). Under Texas law, an employee may owe fiduciary duties to his employer when the employee has been placed in a position of peculiar confidence or trust toward the employer. *See Hewlett-Packard Co. v. Byd:Sign, Inc.,* No. 6:05-cv-456, 2007 U.S. Dist. LEXIS 5323, 2007 WL 275476, at *7 (E.D. Tex. Jan. 25, 2007) (collecting cases). In particular, an employee may owe fiduciary duties to his employer when he acts as the employer's agent in the pursuit of business opportunities on the employer's behalf. *See id.* (citing *Kinzbach Tool Co. v. Corbett-Wallace Corp.,* 138 Tex. 565, 160 S.W.2d 509, 513 (1942); *Johnson v. Brewer & Pritchard, P.C.,* 73 S.W.3d 193, 200-01 (Tex. 2002)) ("The agreement to act on behalf of the principal causes the agent to be a fiduciary, that is, a person having a duty, created by his undertaking, to act primarily for the benefit of another in matters connected with his undertaking."). In such cases, the employee has a duty to act primarily for the benefit of his employer in matters connected with his employment and not to compete with his employer on his own account. *See Abetter Trucking Co. v. Arizpe,* 113 S.W.3d 503, 512 (Tex. App.—Houston [1st Dist.] 2003, no pet.) ("The employee may not (1) appropriate the company's trade secrets; (2) solicit his employer's customers while still working for his employer; (3) solicit the departure of other employees while still working for his employer, or (4) carry away confidential information, such as customer lists.").

Second, although some courts seem to question the efficacy of secondary liability for trade secret misappropriation, Texas courts recognize the general concept of civil aiding and abetting. *See Mark III Sys. v. Sysco Corp.*, No. 01-05-00488-CV, 2007 Tex. App. LEXIS 1339, at *22 (Tex. App.—Houston [1st Dist.] Feb. 22, 2007) ("Mark III offers no authority, and we found none, that embraces a cause of action for participating and assisting with the misappropriation of trade secrets and commission of fraud. We decline to adopt such a cause of action today."). Regarding civil aiding and abetting:

> The Second Restatement of Torts sets forth the relevant law for a claim of assisting and participating: "For harm resulting to a third person from the tortious conduct of another, one is subject to liability if he (a) does a tortious act in concert with the other or pursuant to a common design with him, or (b) knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself, or (c) gives substantial assistance to the other in accomplishing a tortious result and his own conduct, separately considered, constitutes a breach of duty to the third person."

Helena Chem. Co. v. Texell Fed. Credit Union, No. W-05-CA-52, 2006 U.S. Dist. LEXIS 100615, at *16-17 (W.D. Tex. June 14, 2006) (quoting Restatement (Second) of Torts § 876 (1965)). "Courts have interpreted section 876 as providing the basis for 'modern application of civil aiding and abetting' and to require two elements: '(1) knowledge that the primary party's conduct is a breach of duty and (2) substantial assistance or encouragement to the primary party in carrying out the tortious act.'" *Id.* at *17 (quoting *Aetna Cas. & Sur. Co., v. Leahey Constr. Co.*, 219 F.3d 519, 532-33 (6th Cir. 2000)); *see also C.W. v. Zirus*, No. SA-10-CV-1044-XR, 2012 U.S. Dist. LEXIS 122560, at *24 (W.D. Tex. Aug. 29, 2012) (citations omitted) ("Despite refusing to recognize a claim based on a theory of concert of action, Texas courts have nevertheless analyzed the concert of action question by relying on the Restatement (Second) § 876 for a formulation of the elements that make up a concert of action claim.").

Taking the pleadings as true, the Court declines to dismiss Plaintiffs' aiding and abetting claims because the pleadings establish a fiduciary duty and secondary liability for misappropriation of trade secrets. Viewed in the light most favorable to Plaintiffs, the allegations establish that Gillman and the Valentines acted as StoneEagle's agents for the purposes of furthering its business through software development and strategic discussions related to the healthcare industry. The exhaustive amount of agreements discussing secrecy and confidentiality between the parties reflect a heightened level of trust and expectation of fidelity. Moreover, the Talon corporations effectuated the marketing arm for the business. As part of their work, the third party trio gained access to purportedly protected information and Defendants had actual knowledge of the trust that StoneEagle vested in these individuals and entities. Under Texas agency law, these pleadings suffice to establish a fiduciary relationship. To the extent that Defendants discuss the level or sequence of trust required for informal fiduciary relationships, these arguments ignore the legal implications of agency. (*See* Doc. 11, p. 20) With respect to aiding and abetting the misappropriation of a trade secret, the pleadings adequately place Defendants on notice of the allegations against them. The Original Complaint alleges that Gillman, the Talon corporations, and the Valentines absconded with information that they were not authorized to take and later applied toward a competing business venture. Defendants purportedly knew about this activity and aided by facilitating the marketing efforts toward this new endeavor. At bottom, the allegations pass procedural muster.

In sum, the Court declines to dismiss Plaintiffs' secondary liability claims.

d. Service Mark Infringement, Counterfeiting, & Unfair Competition

Finally, Defendants move to dismiss Plaintiffs' service mark, counterfeiting, and unfair competition claims because Plaintiffs "fail[] to state more than legal conclusions in support of them." (Doc. 11, pp. 2, 24-25) Rather than making individualized arguments against each specific claim, Defendants opt to make one broad sweeping assertion that all remaining pleadings are conclusory and therefore should be dismissed.

Upon review, the Court declines to dismiss Plaintiffs' service mark, counterfeiting, and unfair competition claims. Taken as true, the facts sufficiently demonstrate actionable claims. Under the service mark infringement claims, the allegations establish a threshold likelihood of consumer confusion among the products at issue. As for the counterfeiting claim, the pleadings further suggest that Defendants used identical VPay marks with its product offerings and falsely associated its products with VPay. Finally, Defendants used protected information to unfairly compete with Plaintiffs. Viewed in the light most favorable to Plaintiffs, this summation of facts suffices to support each cause of action against Defendants. Without more from Defendants relating to specific deficiencies that would otherwise defeat these pleadings, the claims survive.

In short, dismissal is not appropriate.

V. Conclusion

For the foregoing reasons, the Court DENIES Defendants' Motion.

IT IS SO ORDERED.

Signed this 14th day of August, 2013.

Jorge A. Solis

JORGE A. SOLIS
UNITED STATES DISTRICT JUDGE