

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

TAKE IT AWAY, INC.,)	
Plaintiff,)	
)	
v.)	CIVIL ACTION NO.
)	05-12484-DPW
)	
THE HOME DEPOT, INC.,)	
Defendant.)	

MEMORANDUM AND ORDER
February 6, 2009

Plaintiff Take it Away, Inc. ("TIAI"), a company organized for the purpose of providing waste removal services, brings this action against The Home Depot, Inc. ("THD") alleging breach of a nondisclosure agreement (Count I), appropriation of trade secrets in violation of Mass. Gen. Laws ch. 93, § 42 (Count II), common law conversion of trade secrets (Count III), and violation of Mass. Gen. Laws ch. 93A (Count IV). TIAI alleges that THD misappropriated and used confidential and proprietary information relating to a business idea for renting trash dumpsters at Home Depots after TIAI unsuccessfully offered the idea to THD. TIAI moved for summary judgment on Count I, and Defendant moved for summary judgment on all counts. For reasons stated below, and principally because the evidence makes clear no trade secrets have been disclosed, I will grant Defendant's motion for summary judgment in its entirety and deny Plaintiff's motion for summary judgment on Count I.

I. BACKGROUND

THD is a national home improvement retail company, with its main offices in Atlanta, Georgia. TIAI is a closely held Massachusetts corporation that was created in 1997. The three shareholders of TIAI are William Vaccaro, Michael Walsh, and Royal Murphy.

In 1996, Vaccaro and Walsh came up with a business idea: renting large waste removal bins or dumpsters to do-it-yourself customers directly from home improvement retail locations. Walsh had already been in the waste disposal industry, having owned and operated Metropolitan Removal Company, a small company that deals in waste hauling and other related services, since 1984. Walsh was looking for ways to expand his business and so he asked Vaccaro, a college graduate and former employee of Walsh, if he had any ideas.

While brainstorming, Vaccaro drove by a local lumber yard and saw someone pull out with a load of lumber. At that moment, Vaccaro realized that Walsh could expand his business if he offered rentals for dumpsters at the same place where people picked up their building materials. Vaccaro said, "it just kind of hit me that they're building something with that lumber and there's a chance that they're taking something down and that they need to rebuild with that lumber, and I just kind of went with it from there." Within a few minutes, Vaccaro conceived the concept of renting dumpsters from national home improvement retail centers, such as THD. It is this concept that Plaintiff claims is a confidential trade secret.

On May 7, 1997, TIAI was incorporated in Massachusetts. There is no evidence that any trade secret or other proprietary information was attributed or conveyed to TIAI. TIAI has never recorded any revenue or assets.

A. Discussions with THD

1. Initial Contact

In February 1997, before incorporating TIAI, Vaccaro wrote Lawrence Smith, Vice President Legal of THD, indicating that he and Walsh had a "new product" that might interest THD but that they would like to enter into a nondisclosure agreement before discussing any details. Smith responded ten days later that "since we purchase our products from vendors, I would like to suggest that you pursue a manufacturer with your product."

In March 1997, Vaccaro and Walsh engaged Royal Murphy, who had experience selling to national retailers. Murphy signed a confidentiality agreement¹ and took on the task of continuing to pursue THD. In Spring 1997, Murphy sent William Hamlin, Executive Vice President of Merchandising at THD, a "teaser." Although Murphy could not locate a copy of what was actually sent, he has produced a draft of this teaser, which states:

The "Take It Away" Agency program creates the Retail Distribution Channel for renting Construction & Demolition Debris Removal Containers.

"Take It Away", a Nationwide Association of Waste Haulers, Transfer Station and Landfill Owners, develops Strategic Partnerships with selected specialty retailers

¹Murphy signed a confidentiality agreement with TIAI (although it was not incorporated at the time). Vaccaro and Walsh, however, never did so.

whose target customer includes the DIY, BIY, Property Manager and Professional Contractors involved in residential and commercial building and remodeling.

The "Take It Away" program is simple, convenient, cost effective, environmentally conscious, but above all, a major source of incremental revenues and profits for our retail partners.

"Take It Away's" target customers are already shopping at **The Home Depot**. "Take it Away" provides all the tools for **The Home Depot** to capture it's (sic) share of this immense untapped market.

At the bottom of the teaser was a statement which read:

This document is privileged and confidential and is intended solely for the use of those persons designated to receive same. The review, distribution, dissemination or copying of this transmission by anyone other than the intended recipient or agent responsible for the delivery of same to the intended recipient is strongly prohibited. Should this communication be received in error, you are to contact us immediately by telephone and return the facsimile transmission by mail. Thank you for your cooperation.

Grady Stewart, Direct of Store Systems at THD, followed up on the teaser with a phone call to Murphy. Murphy requested that Stewart sign a nondisclosure agreement ("NDA") on behalf of THD and Stewart did. The one-and-a-half page NDA was signed on June 24, 1997 and is the only written agreement between TIAI and THD. The NDA purports to bind THD not to disclose "certain Confidential Proprietary Information provided by TIAI to HD relating to the solid waste business of TIAI." The term "Confidential Proprietary Information" is not defined. The agreement states, in part:

[T]HD hereby agrees that it will utilize the Confidential Proprietary Information in its possession for the sole purpose of evaluating the business of TIAI and shall make no other use of the same without prior written consent of TIAI.

On June 30, 1997, Murphy sent Stewart a more detailed

Program Overview for the dumpster rental program. This Program Overview, along with an Executive Summary sent to THD in 2002, is the only written documentation of the alleged trade secret that TIAI claims was misappropriated.

The Program Overview that TIAI disclosed to THD consists of twelve pages. It proposed two business transactions between THD and TIAI. The first was a dumpster rental program through which THD would contract directly with customers, while TIAI would supply the product, services, and customer support. The second proposed transaction was for TIAI to remove the waste generated at THD's stores.

Over the next three years, Murphy continued to pursue THD and succeeded in meeting with THD employees Stewart, Thomas McCormick, and Laura Castellanos. After the meeting, Stewart's assistant informed Murphy on two occasions that THD was not interested in engaging in business with TIAI. Murphy persisted. On April 5, 1999, Stewart told Murphy directly that THD was not interested because there was "not enough juice for the squeeze," but to contact him again in six months.

2. The Four Additional Attempts

TIAI contacted THD four more times in an attempt to engage the company in a business relationship. Each attempt was unsuccessful. Moreover, TIAI disclosed its business concept to numerous THD employees without obtaining a nondisclosure agreement or informing them that TIAI believed they were bound by previous agreement.

In 2000, TIAI e-mailed Pat Farrah, a co-founder of THD. The e-mail requested the opportunity to make a fifteen-minute presentation to THD employees, but did not mention the previous dealings with Stewart and other THD employees. Robert Heller, a THD employee who worked on new projects, agreed to meet with Murphy in Chicago on June 9, 2000. Murphy asked Heller to sign a confidentiality agreement, but Heller declined, stating that he had no authority to do so. Murphy then sent Heller a letter based largely on the Program Overview. The letter did not indicate that any of its contents were confidential.

Heller, Murphy, and Vaccaro met in June 2000. Murphy and Vaccaro presented their idea to Heller, without mention that the contents were confidential. Confidentiality was not discussed at the meeting, or in Murphy's follow-up letter to Heller on June 23, 2000.

Heller forwarded the idea to a THD regional office in Canton, Massachusetts, which led to two more meetings between THD employees and Murphy and Vaccaro. At these meetings, confidentiality was not discussed. THD employees read and discussed the TIAI proposal and written materials, none of which were marked confidential.

In response to these meetings, on December 28, 2000 THD turned down TIAI's business proposal again. Heller e-mailed Murphy indicating that because THD, rather than TIAI, would be required to contract with customers directly, the liability associated with the program outweighed the potential reward.

Murphy approached THD again in late 2001, by writing Bernie Marcus, THD's then-CEO. The letter described TIAI's proposal in detail, including that THD was to contract with its customers. The letter was not marked confidential, nor did it mention the previous negotiations with THD employees. In April 2002, Gerry Edwards, THD's then-Executive Vice President of Merchandising, wrote TIAI a letter indicating that it was not in THD's best interest to "be in the business of renting waste disposal containers."

In April 2002, Vaccaro wrote to Gregory D. Brenneman, a member of THD's Board of Directors, to request a meeting to discuss "a business opportunity." The letter stated that the opportunity was "covered by various non-disclosure and non-compete agreements with the Home Depot." This letter led to a meeting in June 2002, during which Murphy and Vaccaro gave Frank Blake and Michael Walsh of THD a document entitled "Take It Away, Executive Summary for the Home Depot" ("Executive Summary"). The Executive Summary was not marked confidential. It contained a proposed nondisclosure agreement, but neither Blake nor Walsh signed it. No agreement was reached during or after the June 2002 meeting.

At various times, THD employees discussed with TIAI the possibility of licensing TIAI space to conduct its own dumpster rentals, rather than pursuing TIAI's original business model. Despite this offer, TIAI failed to adjust its proposal such that THD would not be leasing the dumpsters directly to its customers.

3. Alleged Trade Secret Contents

According to the Program Overview sent to THD, TIAI proposed a business plan whereby THD would contract with customers for the rental of dumpsters. TIAI would then facilitate order processing and invoicing, provide customer service, and contract with national waste haulers to deliver and remove the dumpsters. In essence, TIAI would effectively "broker" waste containers by contracting with waste haulers to provide the actual containers. Under TIAI's proposed deal, THD would receive 10% of the revenue from the rental and TIAI would receive 90%. According to TIAI, an average one-week dumpster rental would produce revenue of \$400. The alleged trade secret is embodied in the Program Overview and the substantially similar Executive Summary that TIAI disclosed to THD in 1997 and 2002. TIAI does not dispute that several hundred firms already rented dumpsters and that THD already rented other common items, such as tools and "Load n Go" trucks, when Vaccaro conceived of the alleged trade secret. Nor does TIAI dispute that the alleged trade secret is a marketing concept that, once implemented, could readily be copied. There is no dispute that all aspects of the concept are common business practices.

B. THD's Dumpster Rental Programs

From 2003 to 2005, THD entered into agreements with four firms providing for the establishment of what THD calls "dumpster rental referral programs." Under the agreements, the four firms

obtained the right to rent their dumpsters through THD stores. Trash Bee Gone and Custom Container obtained the right to test market the rental of their dumpsters through assigned THD stores in the United States. Discount Disposal and Turtle Island obtained the right to conduct test programs in Canada. Under these agreements, those firms, not THD, were to contract directly with renters. THD, therefore, has never itself engaged in the renting of dumpsters. Instead, THD received only referral fees in exchange for allowing the firms to rent dumpsters in THD stores.

C. Procedural Background

In November 2005, Plaintiff filed this complaint in state court, claiming lost profits and damages of an amount to be determined at trial. The Plaintiff's expert estimates the damages suffered by Plaintiff to be between \$19.7 million and \$61.3 million. Defendant removed the case to this Court on the basis of diversity jurisdiction.

II. DISCUSSION

A. Standard of Review

Summary judgment is appropriate when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). Plaintiff asserts that whether something is a trade secret is an issue of fact. Although where evidence is in

conflict, a trade secret determination is a question for the jury, *Curtiss-Wright Corp. v. Edel-Brown Tool & Die, Co.*, 407 N.E.2d 319, 322 (Mass. 1980), "trade secret" is a legal term. Thus, whether a business idea qualifies as a trade secret is undoubtedly a question of law when there are no disputed facts. If no reasonable jury could determine that Plaintiff possessed a trade secret, then summary judgment would be appropriate.

B. Trade Secret Violations

The resolution of Counts II and III in this case, the statutory and common law trade secret allegations, turns upon the answer to one question: whether TIAI's business concept of renting trash dumpsters at a do-it-yourself home improvement retail center is a legally protectable trade secret. I find that it is not.

Plaintiff's concept of renting dumpsters through THD stores is not a trade secret, for several reasons. Under Massachusetts law,² a trade secret is:

any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be . . . a pattern for a machine or other device, or a list of customers The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret.

J.T. Healy & Son, Inc. v. James A. Murphy & Son, Inc., 260 N.E.2d 723, 729 (Mass. 1970) (internal quotations omitted).

²The parties have assumed that Massachusetts law applies to this matter and I find no reason to challenge that assumption.

Massachusetts has adopted a six-factor test (echoing the Restatement of Torts § 757) to determine whether information is a trade secret. See *Jet Spray Cooler, Inc. v. Crampton*, 282 N.E.2d 921, 925 (Mass. 1972) ("*Jet Spray I*"). The six factors are:

- (1) the extent to which the information is known outside of the business;
- (2) the extent to which it is known by employees and others involved in the business;
- (3) the extent of measures taken by the party to guard the secrecy of the information;
- (4) the value of the information to the party and to his competitors;
- (5) the amount of effort or money expended by the party in developing the information; and
- (6) the ease or difficulty with which the information could be properly acquired or duplicated independently by others.

Jet Spray I, 282 N.E.2d at 925; see also Restatement (First) of Torts § 757 cmt. b; *CVD, Inc. v. Raytheon Company*, 769 F.2d 842, 850 (1st Cir. 1985) (stating that secrecy is "[t]he cornerstone of a trade secret"); *Harvard Apparatus, Inc. v. Cowen* 130 F. Supp. 2d 161, 175 (D. Mass. 2001). Accordingly, information available for public view cannot be protected as a trade secret. See, e.g., *Jillian's Billiard Club of Am., Inc. v. Beloff Billiards, Inc.*, 619 N.E.2d 635, 638 (Mass. App. Ct. 1993) (holding that types of billiard tables, cues, parking, and decor were not trade secrets because that information was readily obtained by reading advertising and visiting billiard parlor).

Given these six factors, it is clear that the concept and process of renting waste removal containers at THD is not a trade secret. TIAI admits that the idea of renting dumpsters was not secret before 1996, nor was the idea of THD renting various other

common commodities. THD rented tools and trucks before Plaintiff conceived of its alleged secret. Furthermore, TIAI concedes that the business concept of renting dumpsters right in The Home Depot store, once implemented, would be extremely easy to duplicate. Thus, in contrast to, for example, a source code that could be kept out of the public domain, TIAI's secret would cease to be secret upon implementation of the plan. *See Harvard Apparatus*, 130 F. Supp. 2d at 176 (finding that the source code for making a pump could be a trade secret). Plaintiff argues that the combination of two concepts -- (1) the idea of THD renting and (2) the idea of renting dumpsters -- was not in the public domain because THD was not in the business of renting dumpsters prior to 1996. But anyone even vaguely familiar with the home improvement industry could have put these two concepts together easily based upon information in the public domain. In fact, THD could hardly conceive of renting dumpsters at all without considering renting dumpsters at The Home Depot stores. The first and sixth factors in the six-factor analysis weigh heavily against finding TIAI's concept to be a trade secret.

The second and third factors -- the extent to which the information is known by others employed in the business and the extent to which TIAI took measures to guard its information -- also weigh against finding that Plaintiff disclosed a trade secret. TIAI disclosed the essence of its business concept in its teaser to THD in 1997 *before* any nondisclosure agreement was tendered. Furthermore, after the unsuccessful meeting with THD's

Stewart in 1997, TIAI approached other THD employees and fully disclosed its entire business plan without obtaining a confidentiality agreement with those employees or advising them of the existence of the 1997 agreement. When those employees refused to sign nondisclosure agreements, TIAI disclosed its alleged secret anyway.

With respect to the fifth factor, Plaintiff has not provided evidence that it spent a great deal of time or money creating the business concept of renting waste dumpsters through Home Depot.³ Vaccaro testified that he thought of the idea within a "few minutes" of passing by a lumber yard. Though TIAI agents testified that they spent 1700 hours and thousands of dollars in investment to create the secret over the past decade, they admit that much of that investment of time and money was spent on *marketing* the idea potential partners, not on coming up with the business idea itself. As to the fourth factor, the value of the information, such evidence as appears in the record is wholly speculative.

Plaintiff cannot create confidential trade secrets merely by entering into a nondisclosure agreement that claims information as proprietary. The business concept of renting trash dumpsters at Home Depot as opposed to another location is not a trade

³This factor of the six-factor test is an appropriate proxy for how difficult it would be for a competitor to create the alleged secret independently. Indeed, the purpose of intellectual property law is to encourage costly investment in ideas that are of value to the industry. While not, of course, determinative this factor rests on the assumption that when less investment is needed to develop an idea, less legal protection will be provided.

secret as a matter of law, principally because it is an idea which would be readily apparent to someone based upon information that is already in the public domain. A reasonable jury could not conclude that THD had appropriated a trade secret in violation of Mass. Gen. Laws ch. 93, § 42.

Plaintiff likewise cannot succeed on a common law trade secret claim, because it never disclosed a trade secret. In order to succeed on a misappropriation claim, the Plaintiff must prove that the information is "of an appropriate nature to qualify . . . as a trade secret." *Jet Spray Cooler, Inc. v. Crampton*, 385 N.E.2d 1349, 1355 (Mass. 1979) ("*Jet Spray II*"); *Junker v. Plummer*, 67 N.E.2d 667, 669 (Mass. 1946). As detailed above, Plaintiff did not disclose any trade secrets to THD. Nor has Plaintiff adduced sufficient evidence of misappropriation. In a common law misappropriation claim, "[r]elief is granted to protect the secret only where one is attempting to use or disclose it in violation of some general duty of good faith." *Junker*, 67 N.E.2d at 670. TIAI has not provided evidence that THD used the information obtained during its discussions with TIAI, and the comparison alone of the two programs -- TIAI's business plan and THD's dumpster rental program -- does not demonstrate such use. Thus, Defendant's motion for summary judgment with respect to Plaintiff's trade secret claim under Counts II and III will be granted.

C. Breach of Contract

Plaintiff alleges in Count I that Defendant breached the

1997 nondisclosure agreement by engaging in the rental of dumpsters at THD locations with firms such as Trash Bee Gone in 2002 and after. Because (1) TIAI did not disclose a trade secret, and (2) no other confidential or proprietary information was communicated to THD, this claim fails as a matter of law.

The NDA at issue states that THD "agrees that it will utilize the Confidential Proprietary Information in its possession for the sole purpose of evaluating the business of TIAI," and "shall hold the Confidential Proprietary Information in strict confidence." The term "Confidential Proprietary Information" is not defined in the agreement. As discussed above, I have concluded that Plaintiff has failed to demonstrate the existence of a trade secret, so to the extent that confidential proprietary information means trade secrets, the agreement has not been violated.

TIAI, however, argues that confidential proprietary information has a broader meaning than trade secrets alone. Massachusetts case law does not always define clearly whether trade secrets are synonymous with confidential or proprietary business information. See *Foster-Miller, Inc. v. Babcock & Wilcox Canada*, 210 F.3d 1, 8 (1st Cir. 2000) (finding in Massachusetts case law "some doubt about whether and how the Massachusetts courts differentiate among confidential information, proprietary information, and trade secrets").

Nevertheless, the case law does suggest that trade secrets and confidential business information "are essentially identical concepts." *United Rug Auctioneers, Inc. v. Arsalen*, 16 Mass. L. Rptr. 420, 2003 WL 21527545, at *6 (Mass. Super. Ct. Apr. 11, 2003). A confidentiality agreement "cannot make secret that which is not secret, and it remains for the court to determine whether an alleged trade secret is in fact such." *Lanier Prof'l Servs., Inc. v. Ricci*, 192 F.3d 1, 5 (1st Cir. 1999) (quoting *Dynamics Research Corp. v. Analytic Sciences Corp.*, 400 N.E.2d 1274, 1288 (Mass. App. Ct. 1980)).

TIAI does not specify the legal or contractual principle, other than the trade secret categorization, that should lead me to conclude that communications between TIAI and THD were either confidential or proprietary. Nothing in the agreement specifies which component of the communications between THD and TIAI were to be designated confidential and proprietary; nor does the record indicate that such specification was made orally during the course of TIAI's conversation with Grady Stewart. The only potential basis for the confidentiality of these communications was their status as trade secrets, an argument I have rejected in discussing the trade secret allegations in Counts II and III. I therefore grant summary judgment for THD on Count I.

D. Violations of Chapter 93A

Finally, Plaintiff alleges that THD deceptively led TIAI to

believe that it would keep TIAI's business plan confidential, and that THD's use of that information constituted an unfair and deceptive business practice in violation of Mass. Gen. Laws ch. 93A, § 11. TIAI alleges that these unfair and deceptive practices apply not only to the misappropriation of trade secrets, but also to the misappropriation of other confidential and proprietary information that was conveyed.

As stated in reference to the breach of contract claim, TIAI has failed to demonstrate that confidential and proprietary information was in fact conveyed to THD. Chapter 93A does not protect against the unauthorized use of any information developed by one party "where that information does not rise to the level of protected intellectual property." *Incuse, Inc. v. Timex Corp.*, 421 F. Supp. 2d 226, 240 (D. Mass. 2006). Without a demonstration that a trade secret has been misappropriated, I grant summary judgment to THD on the alleged violation of Chapter 93A.

III. CONCLUSION

For the reasons set forth above, Plaintiff's motion for partial summary judgment is DENIED and Defendant's motion for summary judgment on all counts is GRANTED.

/s/ Douglas P. Woodlock
DOUGLAS P. WOODLOCK
UNITED STATES DISTRICT JUDGE