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*Zurich American Life Insurance
Company v. Nagel*

67 N.Y.L. SCH. L. REV. 81 (2022–2023)

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ZURICH AMERICAN LIFE INSURANCE COMPANY v. NAGEL

If you live in the United States, you have already fallen victim to the effects of trade secret theft, whether you know it or not. This is because each year, the crime of trade secret theft costs the American economy 2.1 million jobs and more than \$300 billion.¹ Already staggering, the risk of trade secret theft will continue to rise over time, a “foreseeable outgrowth of expanding international markets.”² Particularly troubling is the chilling effect that trade secret theft has on the incentive to innovate.³ By stifling innovation, trade secret theft undermines American entrepreneurialism.

A “trade secret” is information that derives economic value by virtue of being kept secret.⁴ Nearly any form of business data can qualify as a trade secret, including strategy, planning, pricing, and corporate governance information.⁵ Trade secret laws exist to fortify this intangible, yet invaluable, information against misappropriation.⁶ Under federal trade secret law, “misappropriation” occurs if a person acquires a trade secret through “improper means” or “use[s]” a trade secret without the owner’s consent.⁷ When such protections are withheld from aggrieved trade secret owners, innovation is threatened, and the American economy suffers as a result.

Such was the case in *Zurich American Life Insurance Company v. Nagel* (“*Zurich*”), a 2021 decision in which the U.S. District Court for the Southern District of New York (the “S.D.N.Y.”) refused protections to a deserving trade secret owner.⁸ Before the court was a question of first impression: whether a person “misappropriates” a trade secret under the Defend Trade Secrets Act of 2016 (DTSA)⁹ when they leverage possession of the trade secret to extort the owner of that secret.¹⁰ The case involved a trade secret misappropriation claim brought by Zurich American Life

1. S. REP. NO. 114-220, at 2 (2016).

2. COMM’N ON THE THEFT OF AM. INTELL. PROP., THE IP COMMISSION REPORT 41 (2013).

3. See S. REP. NO. 114-220, at 2.

4. UNIF. TRADE SECRETS ACT § 1(4) (UNIF. L. COMM’N 1985).

The right to own property, including the right to exclude others from one’s property, has been engrained in American society since the nation’s inception. See DECLARATION AND RESOLVES OF THE FIRST CONTINENTAL CONGRESS (OCT. 14, 1774), reprinted in THE AMERICAN REPUBLIC 154–55 (Bruce Frohnen ed., 2002) (claiming “by the immutable laws of nature,” American colonists’ rights to “life, liberty, and property”). Notably, the Framers of the U.S. Constitution drew inspiration from Enlightenment thinker and political philosopher John Locke, whose quintessential theory of private property held that once a person mixes their labor with something, it becomes their property to exclude others from. See JOHN LOCKE, TWO TREATISES OF GOVERNMENT 288 (Peter Laslett ed., Cambridge Univ. Press 1988) (1690). In the Declaration of Independence, Thomas Jefferson wrote of “certain unalienable Rights” to “Life, Liberty and the pursuit of Happiness”—a phrase borrowed from Locke’s concept of the natural rights to life, liberty, health, and property. Compare THE DECLARATION OF INDEPENDENCE para. 2 (U.S. 1776), with LOCKE, *supra*, at 271.

5. See UNIF. TRADE SECRETS ACT § 1(4) (UNIF. L. COMM’N 1985).

6. See S. REP. NO. 114-220, at 2.

7. Defend Trade Secrets Act of 2016, 18 U.S.C. § 1839(5).

8. 538 F. Supp. 3d 396 (S.D.N.Y. 2021).

9. 18 U.S.C. § 1836(b)(1).

10. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405.

Insurance Company (“Zurich Company”) against its former employee, Jon Nagel.¹¹ The crux of the claim was that Nagel misappropriated Zurich Company’s trade secrets when he forwarded confidential company information to his personal email address and leveraged his possession of that information to extort the company for a favorable settlement after he had been terminated.¹² The S.D.N.Y. dismissed Zurich Company’s trade secret misappropriation claim, finding it insufficient to establish that Nagel either acquired confidential information through improper means or used that information.¹³

This Case Comment contends that the S.D.N.Y. erred in two ways when it dismissed Zurich Company’s complaint for failure to state a claim under the DTSA. First, the court ignored persuasive precedent recognizing that a trade secret obtained through the violation of a confidentiality agreement is one acquired by improper means under the DTSA.¹⁴ Second, in holding that the use of a trade secret does not include leveraging possession of a trade secret to extort its owner, the S.D.N.Y. adopted an unduly narrow construction of the term “use” as it appears in the DTSA, contravening both Supreme Court precedent and congressional intent.¹⁵ The court’s ruling in *Zurich* denied relief to Zurich Company. It also closed the door on plaintiffs seeking to defend their trade secrets in federal court, thereby jeopardizing the innovation fundamental to American prosperity.

In 2011, Zurich Company sought to hire a senior paralegal.¹⁶ The individual hired for this position would support Zurich Company’s attorneys and senior management with corporate governance by preparing materials for quarterly board of directors and audit committee meetings.¹⁷ As such, this individual would have access to highly sensitive company information, including meeting minutes, financial records, risk reports, audit and compliance plans, and investment transaction information.¹⁸ Zurich Company hired Nagel to fill this role.¹⁹

To protect its information from misuse, Zurich Company included a confidentiality agreement in Nagel’s employment contract.²⁰ The confidentiality agreement was broad. It bound Nagel to exercise his “utmost diligence” to safeguard sensitive company information; prohibited him from disclosing, using for himself,

11. Complaint for Injunctive Relief and Damages, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091) [hereinafter Complaint].

12. *Id.* at 6–8, 11–13.

13. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 403–06.

14. *See id.* at 404–05.

15. *See id.* at 405–06.

16. *See* Complaint, *supra* note 11, at 3.

17. *See id.* at 3–4.

18. *See id.*

19. *Id.* at 3.

20. Complaint for Injunctive Relief and Damages Exhibit A, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091) [hereinafter Confidentiality Agreement].

copying, or taking such information; and required him to return all documents containing such information to Zurich Company upon his termination.²¹

Nine years passed without incident.²² But in October 2020, Zurich Company conducted a review of budget and compensation information, which indicated that Nagel's compensation was "significantly higher than expected."²³ Zurich Company's subsequent investigation revealed that Nagel had falsified timesheets for years, accruing over \$750,000 in unearned overtime pay.²⁴ An inspection of Nagel's email activity exposed further misconduct: Between March and November 2020, Nagel forwarded more than sixty documents containing confidential company information to his personal email account "nagelamerica@gmail.com."²⁵ These confidential files included corporate governance documents, board resolutions, financial reports, and personal information about senior executives.²⁶ Nagel was not authorized to send these documents to his personal email account and lacked an approved business reason for doing so.²⁷

Based on the results of its investigation, Zurich Company fired Nagel for cause on November 5, 2020.²⁸ The following day, Zurich Company sent a letter to Nagel reminding him of his duties under the confidentiality agreement: to maintain "in strict confidence" the company's trade secrets and to return to the company all copies of confidential information in his possession.²⁹

Nagel would not cooperate—at least not without remuneration.³⁰ He informed Zurich Company that he would be "perfectly willing" to comply with the confidentiality agreement, but only if the company agreed to furnish him with severance pay and clear his record.³¹ Zurich Company did not agree to these terms.³²

21. *Id.* at 1–2.

22. *See* Complaint, *supra* note 11, at 3–5.

23. *Id.* at 5.

24. *Id.* at 5–6.

25. *Id.* at 6–7.

26. *Id.*

27. *Id.* at 7.

28. *Id.*

29. Complaint for Injunctive Relief and Damages Exhibit B, *Zurich Am. Life Ins. Co. v. Nagel*, 538 F. Supp. 3d 396 (S.D.N.Y. 2021) (No. 20-cv-11091).

30. *See* Plaintiff's Response in Opposition to Defendant's Motion to Strike and Dismiss at 4, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091).

31. Complaint for Injunctive Relief and Damages Exhibit C at 2, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091). These terms were emailed to Zurich Company by Nagel's attorney. *Id.* Nagel, though, was not contractually entitled to severance pay. Complaint, *supra* note 11, at 8.

32. *See* Defendant's Memorandum of Law in Support of His Motion to Strike and Motion to Dismiss at 4, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091) [hereinafter Nagel's Brief].

In response, Nagel filed an age discrimination complaint in New York state court on December 29, 2020.³³ The next day, Zurich Company initiated a countersuit in the S.D.N.Y., alleging that Nagel had violated the DTSA.³⁴ In March 2021, Nagel filed a motion to dismiss Zurich Company's DTSA claim,³⁵ which the S.D.N.Y. granted in May 2021.³⁶

Laws dealing with trade secrets were initially left to the states, resulting in uneven regulation across the nation.³⁷ In an effort to centralize trade secret law, the Uniform Law Commission³⁸ promulgated the Uniform Trade Secrets Act (UTSA) in 1979.³⁹ Eventually, the UTSA was adopted by forty-eight states,⁴⁰ though its application varied from state to state.⁴¹ This inconsistency, coupled with the mounting risk of trade secret theft due to digitalization and globalization,⁴² prompted Congress to act.⁴³

33. *Id.* Nagel alleged that Zurich Company retaliated against him due to his previous complaints of age discrimination, by firing him three days before his seventieth birthday. *Id.*

34. Complaint, *supra* note 11. Although Zurich Company also brought claims against Nagel for breach of contract, breach of fiduciary duties, and unjust enrichment, *id.* at 8–11, 14, this Case Comment focuses only on the DTSA claim and so omits discussion of Zurich Company's other claims.

35. Notice of Motion, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091). Nagel also moved to strike the email correspondence between his attorney and Zurich Company, and all references to it in the Complaint, as inadmissible settlement negotiation statements. *Id.*; Nagel's Brief, *supra* note 32, at 5–6. The court denied Nagel's motion to strike. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 401.

36. Order, *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d 396 (No. 20-cv-11091). The S.D.N.Y. dismissed Zurich Company's DTSA claim but allowed other claims to proceed. *Id.* The case continues on other grounds. *See id.* Further discussion of the pending case is beyond the scope of this Case Comment.

37. *See* UNIF. TRADE SECRETS ACT, Prefatory Note (UNIF. L. COMM'N 1985).

38. The Uniform Law Commission, also referred to as the National Conference of Commissioners on Uniform State Laws, is a nonprofit organization that studies, drafts, and proposes laws to promote statutory uniformity across the United States. *About Us*, UNIF. L. COMM'N, <https://www.uniformlaws.org/aboutulc/overview> (last visited Apr. 21, 2023).

39. UNIF. TRADE SECRETS ACT (UNIF. L. COMM'N 1979).

40. *Trade Secrets Act*, UNIF. L. COMM'N, <https://www.uniformlaws.org/committees/community-home?CommunityKey=3a2538fb-e030-4e2d-a9e2-90373dc05792> (last visited Apr. 21, 2023) (reporting that New York and North Carolina are the only states that have not adopted a variation of the UTSA). *But see* S. 4729, 2023–24 Leg., Reg. Sess. (N.Y. 2023) (legislation pending to enact a version of the UTSA in New York).

41. *See* S. REP. NO. 114-220, at 2–3 (2016).

42. *See* COMM'N ON THE THEFT OF AM. INTELL. PROP., *supra* note 2, at 41.

When large multinational companies expand their overseas operations, they almost inevitably face challenges related to supply accountability and protection against [trade secret] theft. Their foreign manufacturing operations and joint-venture partners require customer lists, internal standards, manufacturing processes, information on sources of goods, recipes, and production and sales strategies in order to carry out their operational responsibilities.

Id.

43. S. REP. NO. 114-20, at 1–3. Prior to the enactment of the DTSA, a trade secret claim could not be brought in federal court absent diversity jurisdiction. Bret A. Cohen et al., *Explaining the Defend Trade Secrets Act*, AM. BAR ASS'N (Sept. 20, 2016), https://www.americanbar.org/groups/business_law/publications/blt/2016/09/03_cohen/.

On May 11, 2016, then-president Barack Obama signed the DTSA into law.⁴⁴ The DTSA equips a trade secret owner with a civil cause of action when their trade secret is misappropriated⁴⁵ and defines “misappropriation” in relevant part as the “(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (B) disclosure or use of a trade secret of another without express or implied consent.”⁴⁶

The Supreme Court has yet to rule on a case concerning the DTSA, but the statute has been interpreted by the lower federal courts.⁴⁷ To state a claim for trade secret misappropriation under the DTSA in the Second Circuit, for example, a plaintiff must plausibly allege that they possessed a trade secret misappropriated by the defendant.⁴⁸ Moreover, a plaintiff in the Second Circuit can establish misappropriation by asserting that the defendant “acquir[ed] a trade secret by improper means, or . . . disclos[ed] or us[ed] the trade secret without consent.”⁴⁹

Two issues regarding interpretation of the DTSA warrant discussion in the context of *Zurich*. The first concerns the definition of “improper means.” Per the statutory text, the term “improper means” includes the “breach of a duty to maintain secrecy.”⁵⁰ Courts in the Second Circuit have routinely found this definition satisfied if a defendant violates a “contractual agreement[] not to disclose or disseminate information.”⁵¹

For example, in the 2019 case *ExpertConnect, L.L.C. v. Fowler*, the S.D.N.Y. found a company’s DTSA claim sufficient to withstand a motion to dismiss when the company alleged that two former employees acquired trade secrets through improper means by downloading confidential company information in violation of their confidentiality agreements.⁵² The U.S. District Court for the Eastern District of New York (the “E.D.N.Y.”) followed suit in the 2020 case *Intertek Testing Services, N.A., Inc. v. Pennisi*.⁵³ In that case, the court found, a company established that a former employee acquired trade secrets through improper means when he forwarded

44. DTSA, Pub. L. No. 114-153, 130 Stat. 376 (2016) (codified as amended in scattered sections of 18 U.S.C.); *see also* Remarks on Signing the Defend Trade Secrets Act of 2016, 2016 DAILY COMP. PRES. DOC. 1 (May 11, 2016).

45. DTSA, 18 U.S.C. § 1836(b)(1).

46. *Id.* § 1839(5).

47. *See, e.g.*, *Mason v. AmTrust Fin. Servs., Inc.*, 848 F. App’x 447 (2d Cir. 2021); *Oakwood Lab’s LLC v. Thanoo*, 999 F.3d 892 (3d Cir. 2021); *Intertek Testing Servs., N.A., Inc. v. Pennisi*, 443 F. Supp. 3d 303 (E.D.N.Y. 2020); *Bramshill Invs., LLC v. Pullen*, No. 19-18288, 2020 WL 4581827 (D.N.J. Aug. 10, 2020); *ExpertConnect, L.L.C. v. Fowler*, No. 18 Civ. 4828, 2019 WL 3004161 (S.D.N.Y. July 10, 2019).

48. *ExpertConnect, L.L.C.*, 2019 WL 3004161, at *3.

49. *Id.* at *6 (citing *AUA Priv. Equity Partners, LLC v. Soto*, No. 17-cv-8035, 2018 WL 1684339, at *4 (S.D.N.Y. Apr. 5, 2018)).

50. 18 U.S.C. § 1839(6)(A).

51. *ExpertConnect, L.L.C.*, 2019 WL 3004161, at *6.

52. *Id.*

53. 443 F. Supp. 3d 303 (E.D.N.Y. 2020).

confidential company information to his personal email address, thereby breaching his confidentiality agreement.⁵⁴

The U.S. Court of Appeals for the Second Circuit signaled its support for the holdings reached in *ExpertConnect* and *Intertek* in the March 2021 summary order *Mason v. AmTrust Financial Services, Inc.*⁵⁵ There, when the district court dismissed a DTSA claim brought against an insurance company by a former executive, the Second Circuit affirmed, emphasizing that the former executive had allowed the company to use his trade secret without first signing a confidentiality agreement.⁵⁶

ExpertConnect, *Intertek*, and *Mason* stand for the proposition that the violation of a confidentiality agreement is tantamount to the breach of a duty to maintain secrecy. Demonstrating such a violation, therefore, is evidence sufficient in the Second Circuit to show that a trade secret was acquired through improper means per the text of the DTSA.

A second issue of interpretation concerns the “use” of a trade secret under the DTSA. Congress did not define the term “use” in the statute,⁵⁷ and so interpretation is left to the federal courts.

Absent Supreme Court precedent on the DTSA, the Court’s interpretation of the term “use” in another context is instructive. In the 1993 case *Smith v. United States*, the Court adopted a broad definition of the term, determining that the defendant used a firearm when he exchanged it for illegal drugs.⁵⁸ A statutory term left undefined, the Court directed, should be construed according to its ordinary meaning and congressional intent.⁵⁹

The Court supplemented this instruction in the 1998 case *Bragdon v. Abbott*, adding that “[w]hen administrative and judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its administrative and judicial interpretations as well.”⁶⁰ Furthermore, when a statutory term is left undefined, the Court encouraged adherence to “uniform” interpretations of the term in similar statutes as the “most faithful way to effect . . . congressional design.”⁶¹

While the Second Circuit has yet to define “use” as the term appears in the DTSA, other jurisdictions offer guidance. Notably, in the 2021 case *Oakwood Laboratories LLC v. Thanoo*, the U.S. Court of Appeals for the Third Circuit followed *Smith* and *Bragdon*, interpreting the term “use” under the DTSA based on its ordinary meaning, the purpose of the statute, and settled judicial interpretations of the term in other trade

54. *Id.* at 342.

55. 848 F. App’x 447 (2d Cir. 2021).

56. *Id.* at 450.

57. *See* DTSA, 18 U.S.C. § 1839.

58. 508 U.S. 223, 228–29 (1993).

59. *Id.* at 228–29, 240–41.

60. 524 U.S. 624, 645 (1998).

61. *Id.*

secret laws.⁶² There, the court construed “use” broadly, to include all the ways one can employ a trade secret to reap a financial benefit.⁶³

The Supreme Court made clear in *Smith* and *Bragdon* that a statutory term left undefined must be interpreted in accordance with its ordinary meaning and uniform judicial interpretations of the term in similar laws, to effect the statute’s intended purpose. The broad definition of “use” adopted in *Oakwood Laboratories* embodies these precedents in the DTSA context.

In *Zurich*, persuasive Second Circuit case law and binding Supreme Court precedent were before the S.D.N.Y. when it considered whether Nagel misappropriated trade secrets under the DTSA.⁶⁴ Zurich Company first argued that Nagel acquired trade secrets through improper means when he violated his confidentiality agreement by forwarding confidential company documents to his personal email address.⁶⁵ Second, Zurich Company contended that Nagel used trade secrets when he leveraged the confidential company information in his possession to extort Zurich Company during a settlement negotiation following his termination.⁶⁶

As to Zurich Company’s first argument, Nagel countered that he did not acquire the confidential company information improperly, because his confidentiality agreement did not explicitly forbid forwarding proprietary company information to his personal email account.⁶⁷ And as to Zurich Company’s second argument, Nagel posited that “mere knowledge” of trade secrets absent “disclosure” does not rise to the use of such secrets under the DTSA.⁶⁸

Ruling in favor of Nagel, the S.D.N.Y. held that Zurich Company failed to state a DTSA claim.⁶⁹ Zurich Company, according to the court, did not show that Nagel misappropriated trade secrets—a defect “fatal” to the company’s claim.⁷⁰ The court quickly disposed of Zurich Company’s allegation that Nagel acquired trade secrets

62. 999 F.3d 892, 908–10 (3d Cir. 2021). Although the Third Circuit decided this case in June 2021, following the S.D.N.Y.’s decision in *Zurich*, discussion of its holding is included here as a model for applying *Smith* and *Bragdon* in the DTSA context.

63. *Id.* at 910.

64. *See Zurich Am. Life Ins. Co. v. Nagel*, 538 F. Supp. 3d 396, 403–06 (S.D.N.Y. 2021).

65. *See* Complaint, *supra* note 11, at 11–13.

66. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405; *see also* Complaint, *supra* note 11, at 11–13.

67. Nagel’s Brief, *supra* note 32, at 15.

68. *Id.* at 16–17.

69. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 406.

As a preliminary matter, the court found Zurich Company’s description of the confidential information Nagel forwarded to his personal email account too “nebulous” to establish the existence of a specific trade secret. *Id.* at 404. But this flaw, the court indicated, could be remedied through an amended complaint. *Id.* This Case Comment does not take issue with this part of the court’s analysis.

70. *Id.*

through improper means, by finding that Nagel was implicitly authorized to forward confidential documents to his personal email account as part of his job.⁷¹

Zurich Company's remaining allegation, however, posed a question of first impression not as easily answered.⁷² This issue required the court to consider the meaning of "use" under the DTSA and, particularly, whether Nagel "used" trade secrets when he leveraged his possession of confidential company documents to extort Zurich Company.⁷³ Embracing a narrow construction of the term, the court articulated that "merely threatening to keep trade secrets [in one's possession], without threatening to use or disclose them, does not give rise to a DTSA claim."⁷⁴ Therefore, here too, the S.D.N.Y. ruled against Zurich Company, concluding that Nagel only threatened to retain the confidential company documents he possessed, and so he did not "use" trade secrets within the court's definition of the term.⁷⁵

a. The S.D.N.Y.'s Departure from Persuasive Precedent

There are two critical errors in the S.D.N.Y.'s analysis. First, the court departed from persuasive Second Circuit precedent recognizing that a trade secret is acquired by improper means when it is obtained through the breach of a confidentiality agreement.⁷⁶ According to this precedent, a confidentiality agreement binds an employee to keep secret their employer's sensitive information.⁷⁷ And when an employee breaches their confidentiality agreement, they violate their duty to maintain

71. *Id.* at 405.

That Nagel only began forwarding confidential documents to his personal email address at the onset of the COVID-19 pandemic appeared significant to the S.D.N.Y. Particularly, the court determined that the confidentiality agreement did not expressly bar Nagel from forwarding documents to his personal email address, and therefore his "pandemic-limited practice" of doing so did not constitute an improper use of trade secrets under the DTSA. *See id.* at 405 n.1. Zurich Company, though, had not updated its policy concerning confidential information. *See Confidentiality Agreement, supra* note 20.

72. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405.

73. *Id.*

74. *Id.*

75. *Id.*

In reaching its decision, the court distinguished *Zurich* from *Bramshill Investments, LLC v. Pullen*, No. 19-18288, 2020 WL 4581827 (D.N.J. Aug. 10, 2020). The S.D.N.Y. emphasized that, in *Bramshill*, the plaintiff plausibly alleged the existence of specific trade secrets, which the defendant actually disclosed to a competitor "qua trade secrets," while in *Zurich*, Zurich Company failed to describe its trade secrets with sufficient specificity and alleged that Nagel used the confidential information he possessed to extort Zurich Company. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405-06. These distinctions are not compelling. The S.D.N.Y. indicated that Zurich Company could plead the existence of a trade secret with specificity in an amended complaint, *id.* at 404, and, moreover, the text of the DTSA does not require that a trade secret be used as a trade secret, *see* DTSA, 18 U.S.C. § 1839(5).

76. *Compare Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405, *with* *Intertek Testing Servs., N.A., Inc. v. Pennisi*, 443 F. Supp. 3d 303, 341-42 (E.D.N.Y. 2020), *and* *Mason v. AmTrust Fin. Servs., Inc.*, 848 F. App'x 447, 450 (2d Cir. 2021).

77. *See Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 341-42; *Mason*, 848 F. App'x at 450.

secrecy, thereby acquiring a trade secret through improper means based on the text of the DTSA.⁷⁸

For example, in *Intertek*, which is particularly analogous to *Zurich*, a company claimed that its former employee acquired trade secrets improperly when he breached his confidentiality agreement by forwarding confidential company information to his personal email address before and after he resigned.⁷⁹ Importantly, the confidentiality agreement was broad but did not expressly prohibit the former employee from forwarding sensitive company information to his personal email address.⁸⁰ Nevertheless, the E.D.N.Y. determined that the former employee violated his confidentiality agreement and, thus, his duty to maintain secrecy.⁸¹ The court therefore found the company's allegations sufficient to establish that the former employee acquired trade secrets through improper means under the DTSA.⁸²

Further, the Second Circuit in *Mason* endorsed the notion that a confidentiality agreement is material to a DTSA analysis.⁸³ There, an insurance company continued to use a special pricing model created by a former executive after terminating him, which prompted the former executive to bring a trade secret misappropriation claim under the DTSA against the company.⁸⁴ The Second Circuit affirmed the district court's dismissal of the claim, citing as a ground the former executive's failure to protect his trade secret with a confidentiality agreement.⁸⁵

Had the court in *Zurich* relied on the persuasive case law from *Intertek* and *Mason*, it would have recognized Nagel's breach of his confidentiality agreement as compelling, if not dispositive, evidence that he improperly acquired Zurich Company's trade secrets. Like the former employee in *Intertek*, Nagel signed a broad confidentiality agreement that proscribed disclosing or using confidential company information but contained no express prohibition on forwarding such information to his personal email account.⁸⁶ Still, when Nagel forwarded more than sixty confidential company documents to his personal email address without authorization from Zurich Company, he violated the confidentiality agreement he was bound to honor, just like

78. 18 U.S.C. § 1839(6)(A); *see also Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 341–42; *Mason*, 848 F. App'x at 450.

79. *Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 323–24. As part of this case, Intertek made allegations against other former employees under the DTSA, but discussion of those defendants is omitted since their conduct did not involve forwarding confidential information to their personal email addresses and thus is not analogous to Nagel's. *See id.* at 311–24.

80. *Id.* at 323–24.

81. *Id.* at 342.

82. *Id.*

83. *Mason*, 848 F. App'x at 450.

84. *Id.* at 448–49.

85. *Id.* at 450.

86. *Compare Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 323–24, *with Confidentiality Agreement*, *supra* note 20, at 1–2.

the former employee in *Intertek*.⁸⁷ In addition, a strong argument can be made that Nagel's conduct was the functional equivalent of copying and transporting to his home physical confidential documents—behavior expressly prohibited by his confidentiality agreement.⁸⁸

The fact that the former employee in *Intertek* forwarded confidential company information to his personal email address before and after he resigned, while Nagel did so solely during his employment at Zurich Company, does not detract from the significant similarities between the two cases. And that Nagel only began sending confidential company information to his personal email address at the onset of the COVID-19 pandemic does not alter the analysis either, as his duties under the confidentiality agreement remained unchanged. The court in *Intertek*, moreover, was unpersuaded by a similar argument the former employee proffered: that he had forwarded confidential information to his personal computer because he was experiencing “network issues” at work.⁸⁹ Additionally, the former employee in *Intertek* leveraged the confidential information he possessed to solicit a client of Intertek,⁹⁰ but this is irrelevant to the improper means through which he had obtained the information. Therefore, per *Intertek*, Nagel breached his duty to maintain secrecy, which the S.D.N.Y. should have treated as strong evidence that Nagel acquired trade secrets through improper means based on the text of the DTSA.

Furthermore, unlike the former executive in *Mason* who failed to take reasonable steps to protect his trade secret, Zurich Company ensured that Nagel signed a confidentiality agreement before he gained access to confidential company documents.⁹¹ And different from the pricing model in *Mason*, the confidentiality of which was disputed, the company documents Nagel emailed to himself were unquestionably confidential.⁹² Accordingly, the S.D.N.Y. in *Zurich* should have regarded the confidentiality agreement as evidence that the parties understood the information Nagel had access to was confidential, and Nagel's breach of that agreement as compelling proof that he acquired confidential information improperly.

Yet the S.D.N.Y. in *Zurich* ignored the persuasive precedent from *Intertek* and *Mason* that equated the violation of a confidentiality agreement with the breach of a

87. Compare Complaint, *supra* note 11, at 6–7, with *Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 342.

88. See Confidentiality Agreement, *supra* note 20, at 1 (“I shall not, during and after my period of employment with the Company . . . make unauthorized copies of . . . Proprietary Information.”).

89. See *Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 323, 342.

90. *Id.* at 323–24.

91. Compare *Mason v. AmTrust Fin. Servs., Inc.*, 848 F. App'x 447, 448–50 (2d Cir. 2021), with Confidentiality Agreement, *supra* note 20.

92. Compare *Mason*, 848 F. App'x at 450 (finding that the plaintiff did not take reasonable steps to ensure the confidentiality of his pricing model), with Confidentiality Agreement, *supra* note 20, at 1–2 (defining “proprietary information” as “[c]ompany information of a business nature including but not limited to, marketing, pricing, claims, financial, strategic, risk engineering, underwriting, employee data, and planning and organizational data,” and requiring Nagel to return to Zurich Company upon his termination “proprietary information” in the form of “all documents, records, files, data, reports,” and the like).

duty to maintain secrecy.⁹³ In departing from this precedent, the S.D.N.Y. disregarded the text of the DTSA itself.⁹⁴ And by strictly construing the confidentiality agreement to permit Nagel’s conduct, the court ignored the steps Zurich Company took to safeguard its trade secrets and established a dangerous precedent in a modern era increasingly shaped by remote work.

b. The S.D.N.Y.’s Failure to Follow Binding Precedent

The court erred a second way in *Zurich*. When the S.D.N.Y. adopted an unduly restrictive definition of the term “use” under the DTSA, it contravened Supreme Court precedent.⁹⁵ If a term is left undefined in a statute, binding Supreme Court precedent mandates a construction consistent with the term’s ordinary meaning, congressional intent,⁹⁶ and settled judicial interpretations of the term in other statutes proscribing the same or similar conduct.⁹⁷

Notably, the Supreme Court in *Smith* adopted a broad definition of the term “use” when it determined that exchanging a gun for drugs constituted using a gun under 18 U.S.C. § 924(c)(1).⁹⁸ Adhering to the traditional rule that an undefined statutory term should be given its “ordinary or natural meaning,” the Court construed “use” to mean “employ” or “derive service from.”⁹⁹ In arriving at its conclusion, the majority spurned the dissent’s argument, “[t]o use an instrumentality . . . ordinarily means to use it for its intended purpose,” as overly restrictive.¹⁰⁰ Moreover, the majority considered Congress’s intent, that the statute address the “dangerous combination” of guns and drug trafficking—a purpose furthered by a broad construction of “use.”¹⁰¹

Additional guidance regarding undefined terms came from the Supreme Court in *Bragdon*.¹⁰² There, the Court interpreted the term “physical impairment,”

93. *Compare Zurich Am. Life Ins. Co. v. Nagel*, 538 F. Supp. 3d 396, 405 (S.D.N.Y. 2021), *with Intertek Testing Servs., N.A., Inc.*, 443 F. Supp. 3d at 342, *and Mason*, 848 F. App’x at 450.

94. *See* DTSA, 18 U.S.C. § 1839(6)(A).

95. *Compare Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405–06, *with Smith v. United States*, 508 U.S. 223, 228–29, 240–41 (1993), *and Bragdon v. Abbott*, 524 U.S. 624, 645 (1998).

96. *Smith*, 508 U.S. at 228–29, 240–41.

97. *Bragdon*, 524 U.S. at 645; *see also* *Oakwood Lab’s LLC v. Thanoo*, 999 F.3d 892, 910 (3d Cir. 2021).

98. *Smith*, 508 U.S. at 237. There, the statute at issue penalized any defendant who “during and in relation to any crime of violence or drug trafficking crime[,] use[d] or carrie[d] a firearm.” *Id.* at 227 (first alteration in original) (quoting 18 U.S.C. § 924(c)(1)).

99. *Id.* at 228–29 (quoting *Astor v. Merritt*, 111 U.S. 202, 213 (1884)).

100. *Id.* at 230 (quoting *id.* at 242 (J. Scalia, dissenting)). To support its conclusion, the Court offered the following example. Though “the first ‘use’ of a cane that comes to mind” might be “assisting one’s grandfather in walking,” the Court indicated, that is not a cane’s only use: Indeed, the Court pointed to the “caning” of then-senator Charles Sumner in 1856 as the “most infamous use of a cane in American history,” which, “had nothing to do with walking at all.” *Id.* at 230–31.

101. *Id.* at 240–41.

102. *Bragdon*, 524 U.S. 624.

undefined in the Americans with Disabilities Act, to include HIV infections.¹⁰³ In reaching its conclusion, the Court relied on a body of uniform administrative and judicial interpretations of “parallel definitions” in similar statutes, signaling the importance of maintaining uniform construction of the term.¹⁰⁴

In the DTSA context, *Oakwood Laboratories* illustrates proper application of these two Supreme Court precedents.¹⁰⁵ There, the court rejected a narrow interpretation of “use” as it appears in the DTSA, instead defining the term broadly to include “all the ways one can take advantage of trade secret information to obtain an economic benefit, competitive advantage, or other commercial value, or to accomplish a similar exploitative purpose.”¹⁰⁶ The Third Circuit determined that its expansive definition of “use” aligned with the term’s ordinary meaning,¹⁰⁷ Congress’s intent that the DTSA protect trade secret owners against all manner of misappropriation,¹⁰⁸ and the broad interpretation that other courts had ascribed to the term under state trade secret laws¹⁰⁹ and the UTSA.¹¹⁰

Had the S.D.N.Y. in *Zurich* followed binding Supreme Court precedent from *Smith* and *Bragdon*, it would have construed the term “use” broadly under the DTSA, like in *Oakwood Laboratories*, to include all the ways one can leverage a trade secret to gain an economic, competitive, or commercial benefit, or to achieve a “similar exploitative purpose.”¹¹¹ This broad construction of “use” comports with the term’s ordinary meaning, to “employ for the accomplishment of a purpose.”¹¹² Consistent with *Smith*, though leveraging possession of trade secrets to extort one’s former employer may not be the first use of trade secrets that “comes to mind,” Nagel’s behavior still falls squarely within the ordinary meaning of the term.¹¹³ Moreover, Nagel employed Zurich Company’s trade secrets for his own benefit—the precise

103. *Id.* at 631–37.

104. *Id.* at 631–37, 642–45.

105. *See Oakwood Lab’s LLC v. Thanoo*, 999 F.3d 892 (3d Cir. 2021).

106. *Id.* at 910.

107. *Id.* at 908–09.

108. *See id.* at 909–10.

109. *Id.* at 909 & n.18 (“Numerous cases, pre-dating the DTSA, demonstrate that [broad] understanding of the term.” (citing *Storagecraft Tech. Corp. v. Kirby*, 744 F.3d 1183, 1186 (10th Cir. 2014); *Stratienko v. Cordis Corp.*, 429 F.3d 592, 600 (6th Cir. 2005); *Penalty Kick Mgmt. Ltd. v. Coca Cola Co.*, 318 F.3d 1284, 1292 (11th Cir. 2003); *O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc.*, 399 F. Supp. 2d 1064, 1072 (N.D. Cal. 2005))).

110. *Id.* at 909–10 (noting that Congress was aware of the UTSA and its progeny when it enacted the DTSA).

111. *Id.* at 910.

112. *Use*, BLACK’S LAW DICTIONARY (11th ed. 2019); *see also Smith v. United States*, 508 U.S. 223, 228–29 (1993).

113. *Compare Smith*, 508 U.S. at 228–31, *with Zurich Am. Life Ins. Co. v. Nagel*, 538 F. Supp. 3d 396, 405–06 (S.D.N.Y. 2021).

conduct that the DTSA was intended to guard against.¹¹⁴ Pursuant to *Bragdon*, this broad interpretation also aligns with settled judicial interpretations of “use” as the term appears in state trade secret laws and the UTSA.¹¹⁵

If it had applied the proper definition of “use” in *Zurich*, the S.D.N.Y. would not have dismissed Zurich Company’s DTSA claim. Instead, the court adopted a narrow definition that equated “use” of a trade secret with “disclos[ure]” of or “access[.]” to the same.¹¹⁶ In doing so, the S.D.N.Y. ran afoul of clear Supreme Court precedent mandating that lower courts construe an undefined statutory term in line with its ordinary meaning, the purpose of the statute at issue, and established judicial interpretations of the term in similar laws.¹¹⁷

In conclusion, the S.D.N.Y. erred when it dismissed Zurich Company’s claim against Nagel for trade secret misappropriation under the DTSA. It ignored persuasive precedent indicating that a trade secret gained through the violation of a confidentiality agreement is one acquired by improper means. Further, it adopted an unduly narrow construction of “use,” skirting Supreme Court precedent, congressional intent, and well-settled judicial interpretations of the term.

The DTSA was enacted by Congress to protect innovators against the theft of their most treasured assets: their trade secrets.¹¹⁸ When the S.D.N.Y. failed to assess Zurich Company’s DTSA claim properly, it left one trade secret owner vulnerable and without redress. But, in effect, the S.D.N.Y.’s decision in *Zurich* threatens all trade secret owners with that same reality, by establishing a dangerous precedent that restricts the DTSA’s protections to plaintiffs whose trade secrets have been shared or directly relied upon by competitors. This troubling result is amplified by the procedural posture of this case, as a narrow pleading standard can foreclose meritorious claims prematurely. By failing to apply the DTSA broadly as Congress intended, the S.D.N.Y. cast a shadow over innovation, a fundamental tenet of American progress.

114. See Remarks on Signing the Defend Trade Secrets Act of 2016, *supra* note 44.

115. See *Oakwood Lab’s LLC*, 999 F.3d at 909–10 & n.18.

116. *Zurich Am. Life Ins. Co.*, 538 F. Supp. 3d at 405.

117. Compare *id.* at 405–06, with *Smith*, 508 U.S. at 228–29, 236–37, and *Bragdon v. Abbott*, 524 U.S. 624, 645 (1998), and *Oakwood Lab’s LLC*, 999 F.3d at 908–10.

118. See S. REP. NO. 114-220, at 1–3 (2016).

