

**IN THE SUPERIOR COURT OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY**

PROFESSIONAL INVESTIGATING &)	
CONSULTING AGENCY, INC., dba)	
PICA)	
)	
Plaintiff,)	
)	C.A. No. N12C-06-196 MMJ
v.)	CCLD
)	
HEWLETT-PACKARD COMPANY,)	
)	
Defendant.)	

Submitted: June 19, 2014
Decided: September 3, 2014
Redacted: September 10, 2014*

Upon Defendant Hewlett-Packard Company's Motion for Summary Judgment
GRANTED IN PART, DENIED IN PART

OPINION

C. Scott Reese, Esquire, Blake A. Bennett, Esquire (argued), Christopher H. Lee, Esquire, Gregory F. Fischer, Esquire, Cooch and Taylor, P.A., Attorneys for Plaintiff

William J. Wade, Esquire, Travis S. Hunter, Esquire, Richards Layton & Finger, P.A., Jeffrey T. Thomas, Esquire (argued), Nancy M. Olson, Esquire, Gibson, Dunn & Crutcher LLP, Attorneys for Defendant

* Opinion was originally Filed Under Seal. The Confidential material contained herein has been redacted.

JOHNSTON, J.

PROCEDURAL CONTEXT

This case arises out of the deterioration of the working relationship between Plaintiff Professional Investigating & Consulting Agency, Inc. (“PICA”) and Defendant Hewlett-Packard Company (“HP”).

PICA is an Ohio corporation with its principal place of business in Ohio. HP is a Delaware corporation with its principal place of business in Palo Alto, California.

PICA filed the original Complaint on June 22, 2012. PICA filed the Amended Complaint on February 27, 2013. On April 11, 2014, HP filed a Motion for Summary Judgment pursuant to Superior Court Civil Rule 56. The Court heard oral argument on the Motion for Summary Judgment on June 19, 2014.

STANDARD OF REVIEW

Motion for Summary Judgment

Summary judgment is granted only if the moving party establishes that there are no genuine issues of material fact in dispute and judgment may be granted as a matter of law.¹ All facts are viewed in a light most favorable to the non-moving party.² Summary judgment may not be granted if the record indicates that a material fact is in dispute, or if there is a need to clarify the application of law to

¹ Super. Ct. Civ. R. 56(c).

² *Hammond v. Colt Indus. Operating Corp.*, 565 A.2d 558, 560 (Del. Super. 1989).

the specific circumstances.³ When the facts permit a reasonable person to draw only one inference, the question becomes one for decision as a matter of law.⁴ If the non-moving party bears the burden of proof at trial, yet “fails to make a showing sufficient to establish the existence of an element essential to that party’s case,” then summary judgment may be granted against that party.⁵

DISCUSSION

Count One: Trade Secret Claims

Trade secrets are a protectable interest under Delaware law.⁶ Delaware statutorily defines a “trade secret” as:

[I]nformation, including a formula, pattern, compilation, program, device, method, technique or process, that:

- a. Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- b. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.⁷

³ Super. Ct. Civ. R. 56(c).

⁴ *Wooten v. Kiger*, 226 A.2d 238, 239 (Del. 1967).

⁵ *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).

⁶ *Beard Research, Inc. v. Kates*, 8 A.3d 573, 589 (Del. Ch. 2010).

⁷ 6 Del. C. § 2001(4).

To determine if the plaintiff has established a *prima facie* trade secret misappropriation claim under the Delaware Uniform Trade Secrets Act (“DUSTA”), the Court makes the following inquiries:

(1) Does a trade secret exist; *i.e.*, have the statutory elements—commercial utility arising from secrecy and reasonable steps to maintain secrecy—been shown; (2) has the secret been communicated by plaintiff to the defendant; (3) was such communication pursuant to an express or implied understanding that the secrecy of the matter would be respected; and (4) has the secret information been improperly (e.g., in breach of that understanding) used or disclosed by the defendant to the injury of the plaintiff?⁸

In Count One, PICA alleges that HP violated DUSTA by misappropriating (1) PICA’s Managed Channel Audit Proposal (“MCA Proposal”) and (2) PICA’s anti-counterfeiting (“ACF”) methods.⁹

The MCA Proposal originated from HP asking PICA’s Rudy Diaz to come up with a better way to police or manage HP’s distributors/channel partners to ensure compliance with contractual obligations.¹⁰ Diaz provided the MCA Proposal to HP’s Jeff Kwasny by email on March 18, 2010,¹¹ as well as—PICA

⁸ *Wilmington Trust Co. v. Consistent Asset Mgt. Co.*, 1987 WL 8459, at *3 (Del. Ch.).

⁹ Amended Complaint ¶ 62.

¹⁰ Volpi Aff. Ex. 10, at 157:6-159:19.

¹¹ Diulio Aff. Ex. 26.

contends—through discussions and written documents.¹² The MCA Proposal suggests that [REDACTED].¹³ Diaz testified at deposition that the proposed program would be [REDACTED].¹⁴ Diaz also testified that the proposed program [REDACTED].¹⁵

PICA alleges HP misappropriated PICA’s ACF methods. PICA states that between September 2004 and April 2012, HP had access to PICA’s “highly successful anti-counterfeiting measures and program, pursuant to an express and/or implied agreement that PICA was only doing so in exchange for further work for HP.”¹⁶ PICA identifies its ACF methods it claims constitute a trade secret:

PICA’s unique and highly successful means, methods, techniques and processes for reducing the amount of counterfeit goods in the marketplace, including but not limited to its unique knowledge of and contacts within the regions identified in PICA’s Amended Complaint, its proven means of developing leads and its proven means of interpreting and acting upon those leads.¹⁷

HP’s Position

HP argues that PICA’s trade secret claim regarding the MCA proposal fails for two reasons: (1) PICA has not disclosed the alleged trade secrets with

¹² Volpi Aff. Ex. 10, at 157:6-159:19; Volpi Aff. Ex. 11, PICA’s [Third Amended] Responses to HP’s First Set of Interrogatories (“PICA’s Responses”), p. 5-6.

¹³ Diulio Aff. Ex. 26.

¹⁴ Volpi Aff. Ex. 10, at 159:3-6.

¹⁵ *Id.* at 159:11-12.

¹⁶ PICA’s Responses, pp. 10-11.

¹⁷ *Id.* at 5.

reasonable particularity; and (2) HP has not implemented PICA's proposal.¹⁸ HP contends that PICA's trade secret claim regarding its ACF ways, means, and methods also fails for lack of specificity on the nature of the claimed means and methods.¹⁹ It is HP's position that PICA's only evidence for the trade secret claims are the MCA Proposal and a slide show HP presented at the International Security Management Association/Overseas Security Advisory Council ("ISMA/OSAC") in Bogota, Columbia on March 19, 2012. HP argues that summary judgment is warranted on the trade secret claims because PICA has failed to show evidence of legally valid damages caused by the alleged misappropriation.²⁰

¹⁸ Op. Br. pp. 14-16.

¹⁹ *Id.* at 20.

²⁰ *Id.* at 25.

PICA's Position

In support of its *prima facie* case of trade secret misappropriation, PICA's expert David Faulconer opines that both of PICA's alleged trade secrets—the MCA Proposal and the ACF methods—were unique at the relevant time and were not common “best practices.”²¹ Faulconer reviewed the MCA Proposal and found that, while elements of the MCA Program previously have been used by the government or other companies for investigative purposes, “PICA's proposed implementation of the MCA Program, specifically to address channel partner issues, the complex manner in which the program would function and to be indefinitely maintained, were unique.”²²

PICA argues that HP has implemented the MCA Proposal to some degree. After PICA had provided its MCA Proposal, HP's Jeff Kwasny emailed HP's LAR ACF Manager Julio Velez:

[REDACTED]²³

²¹ Volpi Aff. Ex. 60, p. 1.

²² *Id.* at 8.

²³ PICA Supp. Br. Ex. C.

Bob Cozzolina testified at deposition that HP [REDACTED].²⁴ Regarding PICA's ACF methods, Faulconer acknowledges that an effective anti-counterfeiting program is comprised of "best practices" and finds that "many of the investigative techniques employed by PICA do fall within these commonly known and successfully used techniques."²⁵ However, Faulconer opines that "PICA's claims of certain investigative techniques as trade secrets was valid at the time of their use in the LAR [Latin American Region] and application towards anti-counterfeiting imaging supplies efforts."²⁶

DUSTA requires that a trade secret be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy."²⁷ Rudy Diaz, Chief Operations Officer of PICA, emailed Jeff Kwasny of HP the MCA Proposal on March 18, 2010.²⁸ The document clearly states in the heading of the first page, "PICA Confidential."²⁹

PICA contends that circumstantial evidence shows that HP has used the MCA Proposal. Specifically, PICA argues that its emphasis on [REDACTED] in the MCA Proposal is evident in HP's subsequent actions. Prior to receiving the

²⁴ PICA Supp. Br. Ex. E, at 85:25-86:15.

²⁵ *Id.* at 5.

²⁶ *Id.* at 7.

²⁷ 6 *Del. C.* § 2001(4)(b).

²⁸ Diulio Aff. Ex. 26.

²⁹ *Id.*

MCA Proposal, HP [REDACTED].³⁰ After receiving the MCA Proposal, HP [REDACTED].³¹

HP mischaracterizes PICA's claim by stating "PICA *concedes* that it did not disclose the proposed Managed Channel Audits program with reasonable particularity, which means the idea cannot constitute a trade secret."³² PICA has not conceded its allegations lack reasonable particularity. PICA argues that the MCA Proposal was not solely the two-page document attached to the March 18, 2010 email, but that the MCA Proposal includes conversations and other writings between Rudy Diaz and Jeff Kwasny.

PICA asserts that damages for a trade secret claim can include unjust enrichment caused by the misappropriation of a trade secret.³³ The ISMA/OSAC slides indicate that for Fiscal Year 2010-2012, the Sales and Discount Fraud ("SDF") division relied at least in part on [REDACTED].³⁴ The SDF division listed its results for Fiscal Year 2010-2012 as:

[REDACTED]³⁵

³⁰ See Volpi Aff. Ex. 66.

³¹ See *id.*

³² Op. Br., p. 14 (emphasis in original).

³³ 6 *Del. C.* § 2003(a).

³⁴ Volpi Aff. Ex. 58.

³⁵ *Id.*

Analysis

The Court finds that the unique nature of PICA's supply chain management/test buy program and ACF methods are questions of fact for the finder of fact. "At the summary judgment stage, the plaintiff must do more than allege it has a trade secret, it must describe its trade secret with a 'reasonable degree of precision and specificity . . . such that a reasonable jury could find that plaintiff established each statutory element of a trade secret.'"³⁶ The Court is satisfied that a reasonable jury could find that either or both of the alleged trade secrets met the statutory definition of a "program . . . that derived independent economic value . . . from not being generally known to . . . other persons who could obtain economic value from its use" and was subject to a reasonable effort to maintain its secrecy.³⁷ The Court denies summary judgment on the trade secrets claims.

³⁶ *Savor, Inc. v. FMR Corp.*, 2004 WL 1965869, at *6 (Del. Super.) (citing *IDX Systems Corp. v. Epic Systems Corp.*, 165 F.Supp.2d 812, 816-17 (W.D. Wisc. 2001)).

³⁷ 6 *Del. C.* § 2001(4).

Count Two: Contractual Interference Claim

Tortious interference with contract/contractual relations requires the following elements: “(1) a valid contract, (2) about which the defendants have knowledge, (3) an intentional act by defendants that is a significant factor in causing the breach of the [contract], (4) done without justification, and (5) which causes injury.”³⁸

In Count Two, PICA asserts a cause of action against HP for tortious interference with contract/contractual relations. PICA alleges HP intentionally interfered with PICA’s employment contracts by soliciting or encouraging PICA’s personnel to accept positions with HP or its agents. Additionally, PICA alleges that HP intentionally interfered with PICA’s clients by making disparaging remarks about PICA in a location where PICA’s current and potential clients would have seen and would have heard the statements. PICA claims it has suffered pecuniary losses as a result of HP’s wrongful conduct.

HP’s Position

HP contends that PICA has not met its burden of establishing the elements of its tortious interference claim. HP takes the position that it did not know of and did not unjustifiably interfere with PICA’s employment contracts because no PICA

³⁸ *Wallace ex rel. Cencom Cable Income Partners II, Inc., L.P. v. Wood*, 752 A.2d 1175, 1182 (Del. Ch. 1999).

employees left PICA to work for HP. Moreover, HP stresses that PICA has not produced any evidence showing that HP induced PICA's employees to breach their employment contracts. HP points to PICA's CEO Vincent Volpi's testimony in which he concedes that he did not have any evidence demonstrating "that anybody from HP was involved in any of the former PICA people going to work for [HP's agent]." ³⁹

Additionally, in Count Two, PICA alleges that HP intentionally interfered with PICA's clients by making defamatory remarks about PICA where PICA's clients would have heard the statements. HP argues that PICA has no evidence that any current or prospective client overheard the statements, or acted on what they allegedly heard. HP points to Vincent Volpi's testimony that he was never told by a PICA client or potential client anything negative said by an HP employee. ⁴⁰ Further, HP relies on testimony from PICA's COO, Rudy Diaz, and PICA's CFO, Vaughn Volpi, who confirm that they are not aware of any specific comments to specific individuals that evidence HP made defamatory statements about PICA. ⁴¹

³⁹ Diulio Aff. Ex. 17, at 218:11-18.

⁴⁰ *Id.* at 204:9-205:2.

⁴¹ Diulio Aff. Ex. 2, at 239:4-13; Diulio Aff. Ex. 42, at 213:11-216:20.

Finally, HP argues that PICA fails to assert any damages arising from its employees being solicited by HP, or that PICA was damaged by its clients ending their relationships with PICA through no fault of HP.

PICA's Position

PICA argues that HP knew the identities of PICA's personnel who attended the Costa Rica training. PICA contends that during this training David Cooper, HP's Director of Global Anti-Counterfeiting Program, and HP employee Julio Velez approached PICA employees Mauro Chaves, Olavo Sant'anna, and Franklin Guerrini, among others. PICA asserts that it was during this conversation that Cooper asked these employees how much PICA was paying them and encouraged them to leave PICA for another vendor. Following the Costa Rica training and after being told by HP that two components of PICA's ACF program would be cut, PICA CFO Vaughn Volpi reminded HP employees Velez, Cooper, and Cozzolina that all of PICA's contracts contained non-disclosure and non-competition clauses. Additionally, PICA asserts that HP was aware of the restrictive covenants, due to numerous conversations PICA had with HP personnel. PICA points to a request received from HP the following month, in October 2010, in which Velez requested a list of all of PICA's personnel, including email addresses. PICA complied with the request, and PICA again reminded Velez that HP should not be contacting its personnel directly.

The next month, in November 2010, PICA argues that Bob Cozzolina, HP Global ACF Program Manager, notified Velez to keep track of who was leaving PICA. In April 2011, PICA's contract renewal negotiations with HP finally ended without an agreement. In August 2011, former PICA personnel Mauro Chaves and Jurucei Mattisinho attended HP's annual training on behalf of CGS, a competitor ACF vendor. Victor Mejias attended the HP training on behalf of IFPC-IGI, also a competitor ACF vendor. PICA asserts that both companies replaced them as HP's ACF vendors.

PICA alleges that during the International Supplies Coalition ("ISC") conference held in Miami, Florida in September 2010, HP held a meeting with PICA right outside of the conference doors. PICA's clients Brother, Canon, Epson, Samsung, and Xerox were at the ISC conference. PICA contends that HP defamed PICA in a location where PICA's existing and potential clients attending the conference would have seen. HP employees allegedly stated that PICA had poor performance in the LAR.

PICA also points to deposition testimony given by PICA's CEO Vincent Volpi regarding comments that he heard from Graham Pollock, PICA's former Regional Director in Europe. Volpi testified that Pollock told him that Matt Drew, an employee of PICA's client, Epson, was hired by HP. After being hired by HP, Drew told his former employer, Epson, that PICA was "*persona non grata*" with

HP. PICA lost the Epson account shortly thereafter. PICA points to the drastic reduction of its four accounts —Epson, Canon, Xerox, and Brother—beginning in 2010. By the end of 2011, there was zero account activity for these accounts.

PICA’s expert opinion identifies PICA’s damages as HP’s unjust enrichment from using former PICA employees to seize counterfeit goods. “Damages for tortious interference with contract may be measured in terms of the tortfeasor’s unjust enrichment, i.e., as the value of profits earned by the tortfeasor arising from its tortious interference.”⁴²

Analysis

For each alleged act of interference by HP, PICA must show that a valid contractual relationship existed, that HP knew of and unjustifiably interfered with that contract, inducing its breach, and that PICA suffered damages as a result.⁴³

PICA’s allegations of tortious interference with its contract/contractual relations is based on two theories: (1) HP’s unlawful solicitation of PICA’s employees, inducing the employees to leave PICA to join firms that HP hired to replace PICA; and (2) HP’s defamatory remarks made within potential viewing and earshot distance of PICA’s current and prospective clients.

⁴² *Great Am. Opportunities, Inc. v. Cherrydale Fundraising, LLC*, 2010 WL 338219, at *27 (Del. Ch.).

⁴³ *Great Am.*, 2010 WL 338219, at *9.

1. Summary Judgment Denied as to Employment Contracts

To withstand a motion for summary judgment for tortious interference with PICA's employment contracts, PICA must show that HP knew of, and unjustifiably interfered with the agreements PICA had with its employees by inducing PICA's employees to leave PICA and join firms that HP hired to replace PICA. The facts must be viewed in the light most favorable to PICA as the non-moving party.

HP argues that PICA has not produced evidence that HP knew of the existence or terms of PICA's contracts with its investigators. Additionally, HP argues that PICA has not produced evidence that HP induced PICA employees to leave and join other anti-counterfeiting investigative firms.

PICA asserts that HP: (1) knew the identities of PICA's personnel who attended the Costa Rica training; (2) knew that PICA's employees had employment contracts that included restrictive covenants prohibiting the employees from leaving PICA and joining a competitor firm working for HP; and (3) improperly induced PICA's employees to leave PICA to join competitor firms HP hired to replace PICA. Further, PICA offers an expert opinion identifying HP's unjust enrichment—HP's use of former PICA former personnel to seize counterfeit goods—as PICA's basis for damages.⁴⁴

⁴⁴ *Id.* at *27.

The Court finds that genuine issues of material fact exist regarding HP's interference with PICA's employment contracts. In a September 23, 2010 email, Vaughn Volpi reminded HP's Velez, Cooper, and Cozzolina that all of PICA's contracts contained non-compete clauses.⁴⁵ Three former PICA employees—Mauro Chaves, Jurucei Mattisinho, and Victor Mejias—attended HP's August 2011 annual training on behalf of firms HP hired to replace PICA. The Court denies summary judgment regarding tortious interference with PICA's employment contracts.

2. *Summary Judgment Granted as to Client Contracts*

PICA claims that HP's defamatory statements resulted in business losses to PICA. During argument on this Motion, PICA acknowledged that this claim relies exclusively on circumstantial evidence. To defeat a motion for summary judgment, a party must present some evidence, either direct or circumstantial, to support every element of its claim in which a jury reasonably could find for the plaintiff.⁴⁶

PICA argues that HP forced PICA to engage in a meeting during the ISC conference where PICA's existing and potential clients “would have seen” or “would have heard” HP make defamatory comments about PICA's performance in

⁴⁵ Volpi Aff. Ex. 39.

⁴⁶ *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986).

the LAR. PICA failed to present evidence that anyone actually heard or acted on the comments HP made at the ISC conference.

PICA also points to Vincent Volpi's deposition in which he states that Matt Drew, a former employee of Epson who later became an employee of HP, relayed information about HP's disenchantment with PICA back to Epson. Finally, PICA alleges that the decline in annual revenue from four of its clients, Epson, Canon, Xerox, and Brother, is a result of HP's interference beginning in September 2010. The record reflects declining sales from 2009 through 2012, with the exception of Brother, which has an increase in sales from 2010 to 2011.

The Court finds that no genuine issue of material fact exists regarding PICA's claim of HP's tortious interference with PICA's business contracts/contractual relations. The record is devoid of facts upon which an inference reasonably can be based.⁴⁷ A motion for summary judgment must be decided on the record presented and not on evidence potentially possible.⁴⁸ HP is entitled to summary judgment on PICA's claim of tortious interference with PICA's business contracts.

⁴⁷ *In re Asbestos Litig. (Helm)*, 2007 WL 1651968, at *16 (Del. Super.), *aff'd*, 945 A.2d 593 (Del. 2008).

⁴⁸ *United States v. Article Consisting of 36 Boxes*, 284 F.Supp. 107, 113 (D. Del. 1968), *aff'd* 415 F.2d 369 (3d Cir. 1969).

Counts Three & Four: Breach of Implied Covenant Claims

A party stating a claim of breach of implied covenant of good faith and fair dealing “must allege (1) a specific and contractual obligation, (2) a breach of that obligation by the defendant, and (3) resulting damage to the plaintiff.”⁴⁹ The implied covenant of good faith and fair dealing attaches to every contract.⁵⁰ “The implied covenant requires ‘a party in a contractual relationship to refrain from arbitrary or unreasonable conduct which has the effect of preventing the other party to the contract from receiving the fruits’ of the bargain.”⁵¹ The implied covenant of good faith and fair dealing, however, “cannot be used to circumvent the parties’ bargain.”⁵² Where a contract provision that directly addresses the conduct at issue “has been found to have not been violated, it is quite unlikely that a court will find by implication a contractual obligation of a different kind that has been breached.”⁵³

⁴⁹ *Kelly v. Blum*, 2010 WL 629850, at *13 (Del. Ch.).

⁵⁰ *Dunlap v. State Farm Fire & Cas. Co.*, 878 A.2d 434, 441-42 (Del. 2005).

⁵¹ *Id.* at 442 (citing *Wilgus v. Salt Pond Inv. Co.*, 498 A.2d 151, 159 (Del. Ch. 1985)).

⁵² *Dunlap v. State Farm Fire & Cas. Co.*, 878 A.2d at 441.

⁵³ *Shenandoah Life Ins. Co. v. Valero Energy Corp.*, 1988 WL 63491, at *8 (Del. Ch.).

PICA's Position

PICA alleges HP breached the implied covenant of good faith and fair dealing in three specific instances: (1) reducing PICA's compensation; (2) PICA employees attending training in Costa Rica in September 2010; and (3) HP's failure to approve investigation plans under the Asian Pacific Region ("APJ") Agreement. PICA acknowledges that HP had discretion in making these decisions.⁵⁴ However, PICA argues that HP made these discretionary decisions in bad faith.

First, PICA alleges HP breached the implied covenant when HP decided how much work it would approve under the APJ Agreement.⁵⁵ From July 2010 through August 2010, HP encouraged PICA to bid for ACF work in HP's Asian Pacific Region.⁵⁶ PICA won this bid.⁵⁷ Prior to 2010, PICA submitted nearly 1,000 proposals to HP. HP accepted approximately 98% of PICA's nearly 1,000 proposals or amended proposals.⁵⁸ After PICA won the APJ bid, HP approved one investigation proposed by PICA.⁵⁹

⁵⁴ Ans. Br. pp. 55-56.

⁵⁵ Amended Complaint ¶¶ 88-95.

⁵⁶ Volpi Aff. ¶ 18.

⁵⁷ *Id.*

⁵⁸ *Id.* ¶ 19.

⁵⁹ *Id.*

Second, PICA asserts that HP acted in bad faith in deciding PICA's compensation levels and methods. HP reduced PICA's compensation from \$150,000 per month to \$100,000 per month.⁶⁰ PICA argues that HP unilaterally moved from paying PICA a monthly flat fee to an "as-billed" basis in bad faith.

Third, PICA alleges that HP breached the covenant of good faith and fair dealing when it required PICA to bring as many employees as it could to the Costa Rica training in September 2010. PICA claims HP acted in bad faith by insisting that PICA bring its personnel to the Costa Rica training when HP knew: (1) it would be ending the Hotline and CMT programs days later; and (2) it would not be renewing its contract with PICA, which ended three months later. In May 2010, HP's Bob Cozzolina and Bob Granico suggested eliminating PICA's "Hotline" program.⁶¹ Around July 19, 2010, Cozzolina told PICA that it needed to bring as many employees as it could to the September 2010 training in Costa Rica.⁶² From September 14, 2010 through September 17, 2010, PICA and approximately forty-five of its personnel attended HP's Costa Rica training. A few days later, at an International Supplies Coalition ("ISC") meeting in Miami, Florida, HP told PICA that it was ending PICA's Hotline program and Case Management Team

⁶⁰ Diulio Aff. Ex. 2, at 259:20-25; Volpi Aff. Ex. 33.

⁶¹ See Volpi Aff. Ex. 18.

⁶² Vincent Volpi Aff. ¶ 17.

program.⁶³ On December 1, 2010, PICA's existing contract expired.⁶⁴ In January 2011 through March 2011 HP and PICA unsuccessfully attempted to negotiate a new contract.

Relevant Contract Provisions

The 2007 Latin America Region ("LAR") Agreement and the APJ Agreement both contain the following provisions:

1.4 Purchase order requirement. IC acknowledges and agrees that it will not commence any work for HP or incur any related expenses or costs unless and until it has received an HP purchase order expressly authorizing such work. IC further acknowledges and agrees that it shall not be entitled to recover, and hereby irrevocably waives its right to pursue, any fees, costs, loss or damages from HP under any legal or equitable theory in connection with any work that was commenced prior to receipt of such an HP purchase order. IC further agrees and acknowledges that absent a mutually agreed and written amendment to this provision, the foregoing shall be true notwithstanding any representation, promise or inducement, whether oral or written, made by any employee or agent of HP. *Nothing contained herein, nor in any statement of work or other agreement of the parties shall obligate HP to issue a purchase order under any circumstances.*⁶⁵

5.1 Basis of Compensation. IC will be paid for Services and be reimbursed for expenses according to the Contract Pricing specified in Exhibit B. . . . HP may use any appropriate cost method to compensate IC, including without limitation, (a) time and materials not-to-exceed, (b) fixed price (lump-sum), (c) unit cost or (d) any

⁶³ Volpi Aff. Ex. 39.

⁶⁴ See Diulio Aff. Ex. 4. ¶ 1.3.

⁶⁵ Diulio Aff. Ex. 4 ("2007 LAR Agreement") ¶ 1.4; Diulio Aff. Ex. 24 ("APJ Agreement") ¶ 1.4 (emphasis added).

combination of (a), (b) and (c). The method used will be specified in the applicable Statement of Work and Purchase Order.

5.2 Invoices. Provided that IC has received an HP Purchase Order consistent with Section 1.4 above, IC will be paid for Services and be reimbursed for expenses according to the contract pricing specified in Exhibit B Contract Pricing. IC will invoice HP monthly unless otherwise expressly stated in the Investigative Plan and Purchase Order or Exhibit B. With each invoice, IC will submit supporting documentation in a form satisfactory to HP and in detail sufficient for HP to identify the Services rendered and costs and expenses incurred in the performance of the Services. HP may deduct from IC's outstanding invoices any monies owed to HP by IC. . . .

5.3 Payment by HP. The IC shall submit for approval electronic invoice to the HP Supplier Manager on the fourth Monday of the month for investigative services performed during the previous month. . . . HP will pay the undisputed amount due IC within forty-five (45) days from the date of receipt of the invoice and any documentation required under this Section 5. If any amount claimed by IC in any invoice is disputed by HP, the parties will negotiate in good faith to resolve the dispute. IC's acceptance of payment will constitute a waiver of any claims of IC for payment for Services covered by the disputed invoice.

19.1 Termination. HP reserves the right to terminate this Agreement or any Investigative Plan hereunder without liability at any time, with or without cause, upon thirty (30) days prior written notice to IC. In such event, IC will deliver to HP all Services completed or in progress up to the date of termination, and IC will be paid only for Services completed and costs incurred prior to the effective date of termination, based on a reasonable determination by HP.

21.7 Non-restrictive Relationship. Nothing in this Agreement will be construed to preclude HP or any of its Subsidiaries or Affiliates from independently developing or providing services or materials which may be the same as or similar to the Services or related materials or from obtaining services or materials from a third party which are the same as or similar to the Services and related materials being provided

by IC under this Agreement. IC shall cooperate with any other investigative consultant retained by HP.⁶⁶

HP's Position

HP contends that its actions constituting the alleged breaches of the implied covenant of good faith and fair dealing were permitted by contract. HP viewed PICA as an approved, but not exclusive, vendor. HP argues that it did not arbitrarily reduce PICA's compensation. HP contracted that it could compensate PICA based on "any appropriate cost method,"⁶⁷ and asserts that the change from lump sum billing to an "as-billed" basis was within HP's discretion. In response to PICA's allegations that HP reduced PICA's compensation and failed to approve work under the APJ Agreement in bad faith, HP asserts that it never guaranteed PICA a certain amount of work. Regarding the Costa Rica training, HP relies on the contract provision which states, "[PICA] agrees to cover labor costs for HP mandatory training up to three full days annually."⁶⁸

HP's Contractually Permitted Actions

The Court grants summary judgment in favor of HP as to the claims: (1) that HP acted in bad faith by arbitrarily reducing PICA's compensation and disrupting PICA's cash flow; and (2) that HP failed to approve specific investigative plans in

⁶⁶ 2007 LAR Agreement ¶ 21.7; APJ Agreement ¶ 21.7.

⁶⁷ 2007 LAR Agreement ¶ 5.1; APJ Agreement ¶ 5.1.

⁶⁸ 2007 LAR Agreement, Ex. B ¶ 3.6(d).

bad faith. The Court finds that HP's actions regarding these claims were contractually permitted by the 2007 LAR Agreement and the APJ Agreement. HP was contractually permitted to compensate PICA by "any appropriate cost method."⁶⁹ In both the 2007 LAR Agreement and the APJ Agreement, HP contracted for the ability to issue purchase orders specifically authorizing work: "[PICA] acknowledges and agrees that it will not commence any work for HP or incur any related expenses or costs unless and until it has received an HP purchase order expressly authorizing such work."⁷⁰ The parties further agreed that "[n]othing contained herein, nor in any statement of work or other agreement of the parties shall obligate HP to issue a purchase order under any circumstances."⁷¹

Summary Judgment is Denied Regarding the Costa Rica Training

The Court denies summary judgment as to PICA's claim that HP breached its contract by encouraging PICA to bring its employees to the Costa Rica training. PICA has established a *prima facie* case that HP breached the implied covenant. A question of material fact exists as to when HP knew that it was going to terminate its contract with PICA. An email dated February 16, 2011, from HP employee Julio Velez to fellow HP employee David Cooper, stated: [REDACTED]

⁶⁹ 2007 LAR Agreement ¶ 5.1; APJ Agreement ¶ 5.1.

⁷⁰ 2007 LAR Agreement ¶ 1.4; APJ Agreement ¶ 1.4.

⁷¹ 2007 LAR Agreement ¶ 1.4; APJ Agreement ¶ 1.4.

[REDACTED]⁷² The Court finds that whether HP breached the implied covenant of good faith and fair dealing regarding PICA's attendance at the Costa Rica training is a question of fact.

Counts Five & Six: Fraud Claims

A fraud claim requires the following elements: (1) a false representation; (2) the defendant's knowledge or belief that the representation was false, or was made with reckless indifference to the truth; (3) an intent to induce the plaintiff to act or refrain from acting; (4) the plaintiff's action or inaction taken in justifiable reliance upon the representation; and (5) as a result, the plaintiff suffered damages.⁷³ PICA alleges fraud claims regarding the Costa Rica training and the APJ Agreement. The relevant evidence is previously discussed under the good faith and fair dealing claims.

In Count Five, PICA asserts a fraud claim regarding PICA's attendance at the Costa Rica Training. PICA alleges that HP employee Cozzolina instructed PICA to bring as many employees as possible, including PICA's CMT and Hotline personnel, to the training when HP knew that it would be terminating the CMT and Hotline programs immediately after the training.⁷⁴ PICA alleges that HP knew that it would not be renewing PICA's contract and that there was no legitimate reason

⁷² See Volpi Aff. Ex. 48.

⁷³ *Stephenson v. Capano Dev., Inc.*, 462 A.2d 1069, 1074 (Del. 1983).

⁷⁴ Amended Complaint ¶ 97.

for PICA to receive any further training.⁷⁵ PICA claims it has suffered pecuniary losses as a result of HP's wrongful conduct.

The Court denies summary judgment as to Count Five. PICA has established a *prima facie* case of fraud. Questions of fact include when HP knew that it would be terminating PICA's Hotline and CMT programs, or that it would not be renewing PICA's contract.

In Count Six, PICA asserts a fraud claim with respect to the APJ Agreement. In late July 2010, HP sent PICA a request for a proposal concerning investigatory services in the APJ.⁷⁶ PICA alleges that HP falsely represented that it intended to engage PICA for investigatory services if it won the bidding process. PICA claims it has suffered pecuniary losses as a result of HP's wrongful conduct.

The Court grants summary judgment in favor of HP on Count Six. The Court finds that the parties specifically contracted to allow the alleged fraudulent behavior. The APJ Agreement provides: "Nothing contained herein, nor in any statement of work or other agreement of the parties shall obligate HP to issue a purchase order under any circumstances."⁷⁷ PICA fails to establish that a false representation was made, for example, a guarantee of a certain amount of work

⁷⁵ *Id.* ¶ 100.

⁷⁶ *Id.* ¶ 107.

⁷⁷ APJ Agreement ¶ 1.4.

under the APJ Agreement. PICA did complete one project under the APJ Agreement.

Count Seven: Defamation Claim

A defamation claim requires: (1) a defamatory communication; (2) publication; (3) the communication refers to the plaintiff; (4) a third party's understanding of the communication's defamatory character; and (5) injury.⁷⁸ Oral defamation is slander, which generally requires proof of special damages.⁷⁹ Four categories of slander are considered slander *per se* and are actionable without proof of special damages.⁸⁰ Statements which "malign one in a trade, business or profession" are considered slander *per se*.⁸¹ "There is a presumption of damages with respect to statements that 'malign one in a trade, business or profession.'"⁸²

PICA asserts a slander *per se* claim. PICA alleges that HP employees made defamatory statements that maligned PICA's business performance on three separate occasions: (1) at the Costa Rica training; (2) at the ISC meeting in Miami, Florida; and (3) directly to PICA's clients.

⁷⁸ *Eaton v. Raven Transp., Inc.*, 2010 WL 4703397, at *2 (Del. Super.).

⁷⁹ *Id.* at *2.

⁸⁰ *Spence v. Funk*, 396 A.2d 967, 970 (Del. 1978).

⁸¹ *Id.*

⁸² *Gannett Co., Inc. v. Kanaga*, 750 A.2d 1174, 1184 (Del. 2000) (citing *Spence v. Funk*, 396 A.2d at 970).

At the Costa Rica Training in September 2010, PICA alleges that HP's Bob Moore and David Cooper maligned PICA's business reputation in front of PICA's employees and competitors. During a presentation, Cooper said that the LAR was the most poorly performing region.⁸³ Cooper testified at deposition that this statement was based on seizures, not the achievement of goals by any vendor, and that he did not know what the vendors' goals were.⁸⁴ Moore stated that the LAR had the worst record of any region in the world and was the most poorly managed.⁸⁵

The week after the Costa Rica training, Cooper allegedly made defamatory statements about PICA at the ISC conference in Miami, Florida. PICA contends that the statements were made at a meeting in an open, public area of the hotel in the presence of several of PICA's existing and potential clients.⁸⁶ Cooper stated that PICA had the worst record and that the Latin American region was the worst managed.⁸⁷

⁸³ Volpi Aff. Ex. 36, at 105:16-106:13.

⁸⁴ *Id.*

⁸⁵ Ans. Br. p. 61.

⁸⁶ Amended Complaint ¶ 128.

⁸⁷ *Id.*

HP allegedly made defamatory statements directly to PICA's other printing and imaging clients, stating that HP was ending its relationship with PICA due to performance issues.⁸⁸

PICA relies on two pieces of evidence that defamatory statements were made to its clients. First, PICA's clients attended the ISC meeting in Miami where defamatory statements were made. Second, Vincent Volpi testified during his deposition that he heard from Graham Pollock, a PICA employee, "when Matt Drew was hired from Epson to HP, that basically he had told HP that – or told Epson that we were persona non grata with HP and that was the end of [the Epson] account."⁸⁹

HP's Position

HP asserts that it is a question of law whether actionable statements were made in Costa Rica, Miami, or directly to PICA's clients. HP defends the statements made in Costa Rica, arguing that the statements were expressions of opinion protected by the First Amendment. HP argues that the Miami statements do not qualify as defamation because PICA cannot demonstrate the "publication" of the statements. HP contends that the statements made in Miami were in a

⁸⁸ Ans. Br. p. 64.

⁸⁹ Volpi Aff. Ex. 64, at 203:14-204:8.

secluded location and at a meeting attended only by HP and PICA personnel. HP argues that PICA lacks any evidence that HP made statements, defamatory or otherwise, to PICA's other clients.

PICA's Position

PICA contends that Moore and Cooper's comments irreparably damaged PICA's reputation with its employees, colleagues, and competitors. PICA claims that after the defamatory statements were made, PICA began to lose several of its key personnel. PICA is seeking to recover humiliation damages. PICA argues that it may recover humiliation damages even without proving that the comments directly or proximately caused the loss of business.

In *Gannett Co., Inc. v. Kanaga*, the Delaware Supreme Court found that "under Delaware law, injury to reputation is permitted without proof of special damages."⁹⁰ The Court looked to *Spence v. Funk*,⁹¹ which established that there is a presumption of damages with respect to defamatory statements that "malign one in a trade, business or profession."⁹² The jury in *Kanaga* awarded \$2.6 million dollars for "actual damages," without distinguishing humiliation damages from

⁹⁰ *Gannett Co., Inc. v. Kanaga*, 750 A.2d at 1184.

⁹¹ 396 A.2d 967 (Del. 1978).

⁹² *Gannett Co., Inc. v. Kanaga*, 750 A.2d at 1184 (citing *Spence v. Funk*, 396 A.2d at 970).

economic damages.⁹³ The *Kanaga* Court found that the presumption established in *Spence v. Funk* would have sustained a “separate humiliation award in this case had one been rendered.”⁹⁴

Summary Judgment is Denied as to Count Seven

The Court denies summary judgment on the defamation claim. PICA has established a *prima facie* case of defamation regarding Moore and Cooper’s statements at the Costa Rica training. The Court finds that PICA need not prove economic injury to establish a *prima facie* case where the defamatory oral statements malign PICA’s trade or business, because damages are presumed under the circumstances.⁹⁵ The Court finds that genuine issues of material fact exist regarding the element of defamation that requires a third party’s understanding of the communication’s defamatory character.

The Court is not persuaded by HP’s argument that Moore and Cooper’s statements in Costa Rica and Miami were opinions protected under the First Amendment and therefore the statements were not defamatory. The Delaware Supreme Court held in *Kanaga v. Gannett Co., Inc.* that granting summary judgment for the defendant was inappropriate where the defamatory material, expressed as an opinion, implied the existence of facts which a jury could find to

⁹³ *Gannett Co., Inc. v. Kanaga*, 750 A.2d at 1184.

⁹⁴ *Id.*

⁹⁵ *See id.* (citing *Spence v. Funk*, 396 A.2d at 970).

be false.⁹⁶ Even if the Court were to assume that Moore and Cooper's statements were opinions, opinions are not categorically excluded from defamation if a reasonable jury could find that the statements implied a false assertion of fact.⁹⁷

CONCLUSION

The Court denies summary judgment on Count I, finding that the unique nature of PICA's supply chain management [REDACTED] program and ACF methods present genuine issues of material fact. On Count II, the Court denies summary judgment regarding HP's interference with PICA's employment contracts and grants summary judgment with respect to PICA's client contracts. The Court denies summary judgment as to Count III, breach of the covenant of good faith and fair dealing, as it relates to PICA's attendance at the Costa Rica training. The Court grants summary judgment on Count III with respect to PICA's allegations that HP reduced PICA's compensation in bad faith. The Court grants summary judgment on Count IV, finding that HP's failure to approve work under the APJ Agreement was contractually permitted. The Court denies summary judgment on Count V, finding that genuine issues of material fact exist on the fraud claim with respect to HP requiring PICA's attendance at the Costa Rica training. The Court grants summary judgment on Count VI, finding that PICA

⁹⁶ 687 A.2d 173, 174 (Del. 1996).

⁹⁷ *See id.*

fails to establish that a false representation was made regarding the APJ Agreement. The Court denies summary judgment on Count VII, defamation, finding that genuine issues of material fact exist regarding HP employees' statements at the Costa Rica training.

THEREFORE, HP's Motion for Summary Judgment is hereby **GRANTED IN PART, DENIED IN PART**.

Plaintiff PICA's Motion to Strike HP's Unauthorized Surreply in Support of its Motion for Summary Judgment is hereby **DENIED AS MOOT**. The Court has considered all submissions, however, neither the Surreply nor the Motion to Strike altered the Court's conclusions.

IT IS SO ORDERED.

/s/ Mary M. Johnston
The Honorable Mary M. Johnston