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

TOTAL CARE PHYSICIANS, P.A., and TOTAL CARE PHYSICIANS,	)
GLASGOW, P.A.,	)
	)
Plaintiffs,	)
	)
V.	) C.A. No. 99C-11-201-JRS
	)
KEVIN W. O'HARA, M.D., et al.,	)
	)
Defendants.	)
Date Submit	ted: July 12, 2002

### **MEMORANDUM OPINION**

Date Decided: October 29, 2002

DECISION AFTER NON-JURY TRIAL
AND POST-TRIAL MEMORANDA.
VERDICT FOR PLAINTIFF ON COUNT VI.
JUDGMENT FOR DEFENDANTS
AS A MATTER OF LAW AS TO COUNTS I AND VII.

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# SLIGHTS, J.

### I. INTRODUCTION

Plaintiff, Total Care Physicians, P.A. ("TCP"), initiated this litigation against defendants, Kevin W. O'Hara, M.D. ("O'Hara") and Millcreek Medical Associates P.A. ("Millcreek"), after O'Hara terminated his employment with TCP to form Millcreek with another physician. TCP has alleged that O'Hara wrongfully solicited TCP patients to join him at his new medical practice. The Court previously addressed this case on cross-motions for summary judgment and, at the conclusion of that process, substantially pared down the issues remaining for trial. Three counts of the plaintiff's amended complaint survived summary judgment: Count I - unjust enrichment; Count VI - misappropriation of trade secrets; and Count VII - breach of fiduciary duty. The Court ordered bifurcation of the issues of liability and damages.

The matter was tried to the Court over three days in June, 2002. At the

<sup>&</sup>lt;sup>1</sup>Total Care Physicians, P.A. v. O'Hara, 798 A.2d 1043 (Del. Super. 2001).

 $<sup>^{2}</sup>Id$ .

<sup>&</sup>lt;sup>3</sup>Prior to trial, the parties requested the Court to clarify this order, specifically with respect to causation, in the hopes that clarification might assist the parties in their efforts to settle the case. Specifically, the parties inquired whether the Court was expecting to receive evidence in the first phase of the trial on the issue of whether any misappropriation of trade secrets that may have occurred proximately caused damages to TCP. As the issue was refined, the question evolved into whether TCP would have to prove that each patient who left TCP to join O'Hara at Millcreek did so as a proximate result of the alleged misappropriation. While the Court did provide the parties with some advisory guidance with respect to this issue as requested, ultimately the Court told the parties that the causation issue would be addressed in the second phase of the trial to the extent a second phase was necessary.

conclusion of the trial, the Court requested the parties to submit post-trial memoranda focusing on the distinction between, on the one hand, a physician properly *notifying* his patients of his departure from one medical practice to join another practice in keeping with his ethical responsibilities and, on the other hand, a physician improperly *soliciting* patients of a medical practice to join him in a new practice. The Court advised the parties that the notification-versus-solicitation distinction likely would be at the heart of the Court's decision on at least one of TCP's three claims for relief.

As can be discerned below, the Court has determined that O'Hara improperly solicited TCP patients to transfer their care to Millcreek. The Court also has determined that O'Hara identified the targets of his solicitation by utilizing TCP's confidential and proprietary information. Consequently, the Court has concluded that O'Hara misappropriated TCP's trade secrets. Accordingly, the Court's verdict is in favor of TCP on Count VI of the complaint. As to Counts I and VII, the Court will enter judgment as a matter of law in favor of the defendants for the reasons stated below.

### II. FINDINGS OF FACT

### A. O'Hara's Practice At TCP

O'Hara joined TCP in June of 1992. The letter agreement memorializing

O'Hara's relationship with TCP, dated June 2, 1994 (the "letter agreement"), provided that O'Hara would "provide medical services for [TCP] as an independent contractor." In the years that followed, O'Hara developed a large following of patients whom O'Hara considered to be his own. He would also, on occasion, treat individuals he considered to be patients of TCP or other individual TCP physicians.

The letter agreement required TCP to offer O'Hara a "financial interest" in TCP no later than December 30, 1995. When O'Hara became convinced that no such offer would be forthcoming from TCP, he began to explore other opportunities in the Wilmington medical community. These explorations led O'Hara to Stuart Felzer, M.D. ("Felzer") who was looking for a physician to join his practice for the purpose of sharing an existing (and ever-growing) patient load. Felzer did not plan to add new patients to his practice. Nevertheless, O'Hara acknowledges that Felzer did not discourage him from bringing patients with him from TCP, and O'Hara's conduct after he struck a deal with Felzer suggests that he did not wish to leave patients behind when he left TCP.

## B. O'Hara Leaves TCP

O'Hara notified TCP of his intent to leave the practice by letter dated December 29, 1995. Near the end of March or beginning of April, 1996, O'Hara met

<sup>&</sup>lt;sup>4</sup>(Pl.'s Ex. 1 at ¶1)

briefly with Dr. Constantine Michell ("C. Michell"), a principal of TCP, to discuss O'Hara's impending departure from the practice. Both parties agree that during this brief encounter O'Hara and C. Michell discussed the need to notify O'Hara's patients that he was leaving TCP and to advise them where he was going.

That a discussion occurred and that it addressed generally the topic of patient notification are the only aspects of this key piece of the factual puzzle on which the parties agree. O'Hara recalls that C. Michell authorized him to notify his patients but did not specify the means or the content of such notification. According to O'Hara, this "blanket authorization" later was echoed by TCP's other principal, Dr. Theodore Michell ("T. Michell"). C. Michell testified that he gave O'Hara very specific instructions that the notification was to be provided orally when patients came to see O'Hara, and that the notification should be limited to: (i) the fact that O'Hara was leaving TCP; (ii) where he was going; and (iii) advising the patients that they may chose to follow O'Hara or remain at TCP. C. Michell believes that he specifically admonished O'Hara not to send a mass-mailed letter to patients.

The preponderance of the evidence supports O'Hara's recollection of this discussion. C. Michell readily acknowledged that O'Hara had a professional and ethical responsibility to notify his patients that he was leaving TCP and to advise them where he was going. This duty did not extend only to those patients who

happened to see O'Hara in the office between April and June, 1996.<sup>5</sup> The duty to notify patients extended to all of O'Hara's patients, whether they were seen in the office or not. The limitations imposed upon O'Hara in C. Michell's rendition of his conversation with O'Hara would allow no means by which patients not seen by O'Hara in the office would be notified. This result would be contrary to the stated goal of both TCP and O'Hara that all of O'Hara's patients receive notification of O'Hara's move. The Court finds, as a matter of fact, that TCP authorized O'Hara to notify patients and did not restrict him with respect to the means by which the notification would occur.

Having concluded that O'Hara was authorized by TCP to notify his patients of his departure from the practice, and that he was not restricted in the means by which he could effect this notification, the Court next must consider whether O'Hara was authorized to utilize TCP's records to obtain the information needed to contact the patients he did not see in the office. O'Hara acknowledges that he did not discuss this issue with anyone from TCP. Instead, he assumed that implicit in the authorization to notify patients was the authority to obtain patient identity and address information

<sup>&</sup>lt;sup>5</sup>Both parties agreed that O'Hara was authorized to begin notifying patients of his departure in April, 1996. He left TCP at the end of June, 1996.

from TCP's records. O'Hara utilized TCP's super bills,<sup>6</sup> insurance lists and medical records to compile a list of his patients and their addresses so that he could send a mass-mailed letter purportedly to advise patients of his departure from TCP and his new association with Felzer. O'Hara estimates that the letter went to as many as 900 patients.

TCP's general endorsement of O'Hara's authority to notify patients of his departure compels the conclusion that O'Hara was authorized to use TCP information to compile a list of patients (with addresses) to effect the notification. TCP acknowledges that it assumed no responsibility whatsoever for notifying O'Hara's patients; O'Hara was to perform whatever notification was to occur on his own. Under these circumstances, when TCP authorized O'Hara to notify patients, it implicitly authorized him to utilize the TCP information that was available to him to compile a list of his patients and their addresses. To conclude otherwise would be to conclude that TCP authorized O'Hara to notify all of his patients but forbade him from determining the identity and addresses of those patients. Nothing in the record suggests that TCP had resorted to this kind of gamesmanship in its dealings with O'Hara or with patients.

<sup>&</sup>lt;sup>6</sup>A "super bill" is a written compilation of patient data, including the patient's identity, diagnosis, treatments, insurance and address information used by the practice internally to process requests for reimbursement for medical services from insurance carriers and government programs.

#### C. O'Hara's Mass-Mailed Letter to Patients

On June 17, 1996, O'Hara mailed the following letter to more than 900 of his TCP patients:<sup>7</sup>

I am pleased to inform you that on July 1, 1996 I will be leaving Total Care Physicians to join Stuart Felzer in our new office listed above [the letterhead provided Felzer's office address]. Dr. Felzer is an excellent physician whom I have known since 1982.

You can feel confident that we will provide top quality healthcare for you and your family in our new location. We are board certified physicians who offer comprehensive and preventative care for patients starting from the age of six. Our office is conveniently located at the center of many health services, including on-site laboratory, radiology, physical therapy, and many additional medical services close by.

You are receiving this letter because either we have an established relationship and/or you have selected me as your primary care physician (PCP) with your insurance plan. In order for me to continue as your PCP at my new location, the insurers require that <u>you</u> notify them directly. You will not automatically be transferred with me.

Therefore, if you wish to retain me as your PCP, please contact your member services number listed below and inform them of your intentions as soon as possible. Please make sure to include all applicable family members. Failure to do so may result in problems with insurance coverage for office visits.

<sup>&</sup>lt;sup>7</sup>The letter was dated June 1, 1996 but mailed on June 17. At trial, the parties disputed whether all 900 patients who received this letter were, in fact, O'Hara's patients. TCP contends that some of the 900 patients had never been treated by O'Hara and others had been treated by O'Hara on a limited basis on behalf of other physicians at TCP. TCP did not prove this contention by a preponderance of the evidence. The record was, at best, opaque with respect to this issue. The Court has determined that all of the patients who received O'Hara's letter had an interest in knowing that he was leaving TCP.

Also, Total Care Physicians will require a signed request in order to forward your records to my new office. Therefore, I have included a records request form for that purpose. Simply list all family members requesting transfer, sign the form, and mail it to the office where your records are filed.

I appreciate your taking the time to do these tasks now as this will make the transition much smoother for all of us.

Sincerely,

Kevin W. O'Hara, M.D.8

O'Hara constructed this letter on his own; he did not seek input from Felzer or from legal counsel. And he did not clear the letter with TCP before sending it. According to TCP, between June 17 (the date the letter was mailed) and July 3, TCP received upwards of 500 requests for records from patients who had received O'Hara's letter. On average, TCP fielded 15-20 calls per day from O'Hara's patients in the weeks following his departure. Needless to say, the transition, from TCP's perspective, was anything but smooth. O'Hara estimates that approximately 640 patients ultimately left TCP to join him in his new practice.

The Court already has determined that TCP authorized O'Hara to *notify* his patients of his departure from the practice and of his new location. Thus, to the extent the letter simply notified patients as authorized by TCP, there can be no actionable

<sup>&</sup>lt;sup>8</sup>(Pl.'s Ex. 5)(emphasis in original).

claim based on the letter, even if its sending caused disruption at TCP. The question, then, prompted by the evidence is: did O'Hara's letter constitute an authorized *notification* of patients or an unauthorized *solicitation* of patients? The answer to this question is significant because if O'Hara utilized (appropriated) TCP's trade secret information to solicit TCP's patients without TCP's permission, then O'Hara may be liable for, among other claims, misappropriation of trade secrets. The resolution of this issue, and the implications flowing therefrom, implicate mixed questions of law and fact. The Court will address them below.

### III. CONCLUSIONS OF LAW

# A. Misappropriation of Trade Secrets

In Delaware, the claim of misappropriation of trade secrets is a creature of statute.<sup>9</sup> The elements of the claim are well-settled: (1) a trade secret; (2) communicated by the plaintiff to the defendant; (3) pursuant to an express or implied understanding that the secrecy of the matter would be respected; and (4) which the defendant improperly has used to the injury of the plaintiff.<sup>10</sup> The Court will address the proof with respect to these elements *seriatim*.

<sup>&</sup>lt;sup>9</sup>See Del. Code Ann. tit. 6, §§2001-2009 (1999).

<sup>&</sup>lt;sup>10</sup>Total Care Physicians, P.A., 798 A.2d at 1053 (citation omitted).

### 1. The Existence and Communication of Trade Secrets

The Court already has determined that TCP's super bills constituted trade secrets and were entitled to the statutory protection from misappropriation codified in Delaware's Uniform Trade Secrets Act. And the parties do not dispute that TCP "communicated" the trade secrets -- the super bills -- to O'Hara by giving him unfettered access to them. Nothing in the trial record suggests to the Court that its conclusions in this regard should be revisited.

# 2. Did O'Hara Understand That the Super Bills Were to Remain Secret?

O'Hara was not a rookie when he joined TCP. He had associated with at least one other medical practice prior to associating with TCP and had left that practice in a context which required him to adhere to restrictive covenants. He also was a savvy businessman, as recognized by the Court in its prior decision. The manner in which he secured, copied, and later used the super bills reflects an understanding on his part that the information contained in those documents was valuable to TCP (and its physicians) and that it was not for public consumption. Finally, even though he did

<sup>&</sup>lt;sup>11</sup>*Id.* at 1053-54.

<sup>&</sup>lt;sup>12</sup>*Id.* at 1054.

<sup>&</sup>lt;sup>13</sup>*Id.* at 1052 (noting that O'Hara negotiated a favorable contract with conditional restrictive covenants which were triggered only if TCP offered him an equity stake in the practice, and that he carefully conducted his activities in accordance with the contract to avoid its restrictive covenants).

not sign the document, the record reflects that O'Hara was made aware of a revised contract TCP was asking its physicians to sign which expressly provided that all TCP documents were to be kept confidential.<sup>14</sup>

Based on the foregoing, the Court is satisfied that TCP proved by a preponderance of the evidence that O'Hara used the super bills with an implied (if not express) understanding that the information was to be kept secret and was to be utilized only in accordance with TCP's authorization.

# 3. Did O'Hara Improperly Use The Trade Secret Information?

"Misappropriation' shall mean ... [d]isclosure or use of a trade secret of another without express or implied consent by a person who, ... [a]t the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade [sic] was ... [a]cquired under circumstances giving rise to a duty to maintain its secrecy or limits its use." The success of TCP's claim of misappropriation turns on whether O'Hara's use of the trade secret information was with or without TCP's "express or implied consent."

To reiterate, the Court has concluded, as a matter of fact, that TCP implicitly authorized O'Hara to utilize its trade secret information (super bills and other patient

 $<sup>^{14}</sup>$ (Pl.'s Ex. 4 at ¶18).

<sup>&</sup>lt;sup>15</sup>Del. Code Ann. tit. 6, § 2001(2)(b)(2)(B)(1999).

identifiers) for the purpose of notifying appropriate TCP patients that he was departing the practice and advising them of his new location. Even if TCP had not authorized O'Hara to notify patients (expressly or implicitly), the Court, for reasons discussed below, would conclude that applicable standards of professional ethics and Delaware public policy compelled O'Hara to notify his patients that he was leaving TCP and joining Millcreek. Accordingly, to the extent the June 1 letter simply notified patients, O'Hara's use of TCP's trade secrets to construct and/or mail the letter would not constitute a misappropriation of trade secrets. Such use either was expressly authorized by TCP, implicitly authorized by TCP, or mandated by governing rules of professional responsibility and Delaware public policy. <sup>16</sup>

The Court also has concluded, as a matter of fact, that TCP did not authorize O'Hara to solicit patients from TCP to his new practice at Millcreek. Thus, to the extent O'Hara used TCP's super bills to launch an unauthorized solicitation of TCP patients, the Court would be obliged to conclude that O'Hara misappropriated TCP's

<sup>&</sup>lt;sup>16</sup>By no means should this conclusion be read as an endorsement of a patient's right of action against a physician for failure of the physician to notify the patient of his departure from a medical practice. This question is not before the Court. Nor has the Court concluded as a matter of law that all employees leaving an employer may utilize the employer's trade secret information to notify customers of their departure. The Court's holding in this case is limited to the factual scenario presented here: a physician with an existing patient base who departs one medical practice to join another.

trade secrets.<sup>17</sup>

To determine whether O'Hara's June 1, 1996 letter was a notification or solicitation, and to confirm that this distinction is relevant in the context of a physician's responsibilities and proscriptions when departing a medical practice, the Court has sought direction from ethical standards of the American Medical Association ("AMA"), Delaware's public policy as embodied in its statutes, and analogous case law.<sup>18</sup>

### a. The AMA Code of Medical Ethics

The AMA begins its analysis of the physician's duty to patients when he departs one medical practice to join another with the fundamental (practically Hippocratic) recognition that "[t]he interest of the patient is paramount in the practice of medicine, and everything that can reasonably and lawfully be done to serve that interest must be done by all physicians who have served or are serving the patient."<sup>19</sup> In this regard, the AMA has determined that the best interests of the patient mandate

<sup>&</sup>lt;sup>17</sup>Del. Code Ann. tit. 6, § 2001(2)(b)(2)(B)(1999).

<sup>&</sup>lt;sup>18</sup>At the outset, the Court notes that O'Hara has never argued that he was authorized by TCP, or otherwise permitted, to solicit TCP patients to join him at Millcreek. Instead, he has argued that he was authorized by TCP to *notify* patients and that his letter to patients did nothing more than that. And, although he cites to AMA ethical standards and Delaware statutes in support of his argument that patient notification was mandated, O'Hara has not utilized this authority to justify the actual text of his June 1, 1996 letter to patients.

<sup>&</sup>lt;sup>19</sup>American Medical Association, Code of Medical Ethics §7.01 (1994).

that when a physician leaves a group practice, the physician's patients "must be notified that the physician is leaving the group." Patients of the physician must also be notified of the physician's new address and offered the opportunity to have their medical records forwarded to the departing physician at his or her new practice." Finally, the AMA admonishes that "[i]f the responsibility for notifying patients falls to the departing physician rather than to the group, the group should not interfere with the discharge of these duties by withholding patient lists or other necessary information." <sup>22</sup>

The AMA's Code of Medical Ethics provides meaningful guidance on at least two fronts. First, it confirms that the departing physician's ethical duty is to "notify", not solicit, patients when he leaves a medical practice.<sup>23</sup> Second, it confirms that the practice from which the physician is departing has responsibilities along with the departing physician -- the practice either notifies the appropriate patients of the departure of one of its physicians or it stands out of the way of the departing

 $<sup>^{20}</sup>Id.$  at §7.03.

 $<sup>^{21}</sup>$ *Id*.

 $<sup>^{22}</sup>Id.$ 

<sup>&</sup>lt;sup>23</sup>Notification, from the AMA's perspective, involves: (1) telling the patient the physician is leaving; (2) telling the patient where the physician is going; and (3) telling the patient that he may follow the physician if he so chooses. *Id*.

physician as he discharges his duty to notify.<sup>24</sup> Either way, it is understood that all patients of the departing physician will be notified and that it may be necessary to utilize patient lists or other confidential information to identify these patients and to facilitate the notification.

At trial, both TCP and O'Hara recognized the mandate of patient notification as codified by the AMA. For its part, TCP contended that the AMA did not require TCP to permit O'Hara to notify his patients of his departure by a mass-mailed letter. The Court already has concluded that TCP's proffered alternative method of notification was, at best, unreasonable and, more likely, chimerical. The AMA supports the notion that all patients must be notified of the physician's departure, not just those patients who happen to see the physician in the office before he leaves the practice. For his part, O'Hara claims that he was motivated, at least partially, to prepare his June 1 letter by the mandate of the AMA's ethical standards. Yet, when pressed, he admitted that he had not referred to them when he actually constructed the letter. Thus, it appears that he was unaware that while the AMA required him to notify his patients of his departure, to advise them of his new location, and to provide a means by which they could transfer their records to the new practice if they wished

<sup>&</sup>lt;sup>24</sup>Here, the evidence clearly demonstrated that TCP did nothing to notify its patients of O'Hara's departure. The responsibility for doing so, therefore, fell to O'Hara.

to do so, it did not give him license to solicit their business.

# b. Delaware's Public Policy

Although at times expressed by our courts, Delaware's public policy most frequently is expressed in the voice of our General Assembly. And, when it comes to a patient's right of access to healthcare, Delaware's General Assembly has spoken loud and clear. Delaware provides a right to healthcare to eligible citizens who are unable to pay for care,<sup>25</sup> rights to fair treatment from healthcare insurers,<sup>26</sup> and a highly regulated framework within which physicians are licensed, are required to obtain continuing medical education, and are subject to discipline.<sup>27</sup> The General Assembly also has recognized the importance of maintaining the continuity of care by protecting the physician-patient relationship. Not only has the physician-patient relationship been recognized to create a protected privilege,<sup>28</sup> it also is the source of Delaware's statute prohibiting restrictive covenants in physician "employment, partnership or corporate agreements."<sup>29</sup> Indeed, the synopsis to Senate Bill 294

 $<sup>^{25}</sup>$ Del. Code Ann. tit. 31, §505 (1997).

<sup>&</sup>lt;sup>26</sup>Del. Code Ann. tit. 18, §§ 3301-3343, 3501-3566, 3401-3409, 4401-4420, 6301-6309, 6401-6408, and 7101-7109 (1999).

<sup>&</sup>lt;sup>27</sup>Del. Code Ann. tit. 24, § 1701 (1997).

<sup>&</sup>lt;sup>28</sup>See Del. R. Evid. 503 (codifying the physician-patient privilege).

<sup>&</sup>lt;sup>29</sup>Del. Code Ann. tit. 6, §2707 (1999).

recognizes that "[b]ecause patients establish relationships with their physicians and/or enter into courses of treatment with particular physicians, the patients should not be deprived of the services of the physician of their choice because of an economic contract entered into between two physicians." It is not surprising, then, that one year after disallowing contracts that restrict a physician's right to provide medical services to his patients within the State, the General Assembly enacted a law which required physicians to notify their patients when they discontinue their practice within the State for any reason.<sup>31</sup>

It is against this statutory framework, in which the sanctity of the physician-patient relationship is embroidered in the fabric of Delaware's public policy, that the Court takes comfort in recognizing a physician's right to notify his patients when he departs one medical practice and joins another. Thus, as stated above, even if TCP had not expressly or implicitly authorized O'Hara to notify his patients of his departure, the Court would have sanctioned his notifications in any event as an act compelled by the spirit (if not the letter) of Delaware's statutory treatment of the physician-patient relationship. But nothing in Delaware's statutes or public policy

<sup>&</sup>lt;sup>30</sup>S.B. 294, 132nd Gen. Assem., Reg. Sess. (synopsis)(Del. 1983)(enacted as Del. Code Ann. tit. 6, §2707).

<sup>&</sup>lt;sup>31</sup>DEL. CODE ANN. tit. 24, §1761(a)(1997)(enacting H.B. 870, 132nd Gen. Assem., Reg. Sess. (Del. 1984)).

encourages or authorizes a physician to solicit patients from one medical practice to another, particularly when he uses the protected trade secrets of the target medical practice to accomplish the inducement.

The Court is satisfied that the distinction it seeks to fashion between a proper notification of patients and an improper solicitation of patients is well-grounded in Delaware's public policy. Aside from confirming that the distinction is valid, however, Delaware statutory law offers nothing by way of interpretive guidance in determining whether O'Hara's letter notified patients or solicited them.

# c. The Distinction Between Notification and Solicitation As Recognized in the Case Law

The parties have suggested that the propriety of a physician's conduct when communicating with patients regarding his departure from a medical practice raises questions of first impression in Delaware. This may be so, but at least one Delaware court has offered meaningful guidance. In *Dickinson Medical Group, P.A. v. Foote*, <sup>32</sup> Chancellor Brown addressed a medical practice's claim that a departing physician had misappropriated trade secrets by surreptitiously removing confidential patient records for use in starting a new practice. Like O'Hara, the departing physician (Foote) argued that she had a "professional responsibility" to notify patients that she was

<sup>&</sup>lt;sup>32</sup>1984 Del. Ch. LEXIS 429 (Del. Ch.).

leaving the medical practice (Dickinson) to start her own practice. And, like O'Hara, Foote argued that she should be permitted to utilize Dickinson's patient lists to make contact with patients for whom she had provided care. The Court disagreed. Concluding that the patient lists were trade secrets,<sup>33</sup> the court enjoined Foote from utilizing the lists to make direct contact with Dickinson's patients.<sup>34</sup>

Chancellor Brown's holding reveals that he was concerned that Foote would solicit Dickinson's patients improperly and that Dickinson would be harmed irreparably as a result.<sup>35</sup> But the court also recognized that Dickinson's patients should be notified that Foote no longer was practicing with Dickinson and that they should be offered a choice of where to seek medical care. Accordingly, the court directed Dickinson to notify patients of Foote's departure and of her "professional whereabouts" and also to advise patients that they may continue to treat with Dickinson, follow Foote to her new practice, or seek a new physician of their choice.<sup>36</sup> While perhaps not directly addressed by Chancellor Brown in *Dickinson*, the distinction between notifying and soliciting patients was at least implicitly

 $<sup>^{33}</sup>Id.$  at \*6-7.

 $<sup>^{34}</sup>Id.$  at \*7.

<sup>&</sup>lt;sup>35</sup>*Id.* at \*2-3("Dickinson seeks an order temporarily enjoining Dr. Foote from using the patient for purposes of [a] competing business solicitation....").

<sup>&</sup>lt;sup>36</sup>*Id.* at \*8.

recognized by him as he "fashioned [the court's] remedy to fit the occasion."<sup>37</sup>

Courts elsewhere have addressed the distinction more directly. For instance, when interpreting California's Uniform Trade Secrets Act, the United States Court of Appeals for the Ninth Circuit has held:

The UTSA definition of "misappropriation" has been clarified by case law which establishes that the right to announce a new affiliation, even to trade secret clients of a former employer, is basic to an individual's right to engage in fair competition, and that the common law right to compete fairly and the right to announce a new business affiliation have survived the enactment of the UTSA. (citation omitted) However, misappropriation occurs if information from a customer database is used to solicit customers. (citation omitted) Merely informing a former employer's customers of a change of employment, without more, is not solicitation. (citation omitted)<sup>38</sup>

Several other courts have drawn this distinction as well.<sup>39</sup>

The Supreme Court of California has referred to Black's Law Dictionary to define "solicit":

"Solicit" is defined as: 'To ask for the earnestness, to make petition to, to endeavor to obtain, to awake or excite to action, to appeal to, or to invite.' (Black's Law Dictionary, 3d ed., p. 1639) 'It implies personal

 $<sup>^{37}</sup>$ *Id*.

<sup>&</sup>lt;sup>38</sup>MAI Systems Corp. v. Peak Computer, Inc., 991 F.2d 511, 521 (9<sup>th</sup> Cir. 1993).

<sup>&</sup>lt;sup>39</sup>See e.g., Rao v. Verde, 635 N.Y.S.2d 660, 661 (N.Y. Supr. 1995)(deciding that physician may notify patients of departure but may not solicit); Core v. Martin, 543 So.2d 619, 622 (La. App. 1989)(stating that veterinarian may announce his departure but may not solicit); Maryland Metals, Inc. v. Metzner, 382 A.2d 564, 568 (Md. App. 1978)(asserting that employee may notify customers of departure but may not solicit); Crane Co. v. Dahle, 576 P.2d 870, 872 (Utah 1978)(same); Alder, Barish, Daniels, Levin & Creskoff v. Epstein, 393 A.2d 1175, 1184-86 (Pa. 1978)(same).

petition and importunity addressed to a particular individual to do some particular thing ...' (citation omitted) It means: "To appeal to (for something); to apply to for obtaining something; to ask earnestly; to ask for the purpose of receiving; to endeavor to obtain by asking or pleading; to entreat, implore, or importune; to make petition to; to plead for; to try to obtain."<sup>40</sup>

In a later decision of the California Court of Appeals, the court referred to *Aetna's* definition of "solicit" when considering the propriety of the following letter written by an insurance agent to customers of his former firm as he was departing the business:

After almost fifteen years as both an agent and policyholder, I have left [ACI] and am very pleased to announce the formation of an independent insurance agency. I shall continue to specialize in Credit Insurance but will now primarily be representing Fidelity and Deposit Company of Maryland, who [sic] is offering companies a very interesting alternative to the types of policies being written by both [ACI] and Continental. If you would like to learn more about the [F&D] policy, I will be happy to discuss it in detail with you when you are ready to review your ongoing credit insurance needs at renewal time. In the meantime, ACI will assign a new agent to your policy. If I can be of assistance to you during the transition period or answer any questions for you at any time, please do not hesitate to call me. I have really enjoyed our past association and hope we don't lose touch!<sup>41</sup>

After recognizing the agent's right to announce her departure from the firm to customers with whom she had conducted business, the court held that her letter to

<sup>&</sup>lt;sup>40</sup>Aetna Building Maintenance Co., Inc. v. West, 246 P.2d 11, 15 (Cal. 1952).

<sup>&</sup>lt;sup>41</sup> American Credit Indemnity Co. v. Sacks, 213 Cal. App. 3d 622, 625 (Cal. App. 1989).

customers "went beyond an appropriate professional announcement and constituted a solicitation of the ACI customer list." The court went on to explain how the "announcement letter" was transformed into an improper solicitation:

Although the letter begins as an announcement of her departure from ACI and affiliation with F&D, it soon assumes a different tone. Sacks (the agent) informs ACI's customers of the interesting competitive alternative F&D offers as compared to ACI's policies. She invites their inquiry about the F&D policy and indicates she would be happy to discuss it in detail when they are ready to renew. She personally petitions, importunes and entreats ACI's customers to call her at any time for information about the better policies F&D can provide and for assistance during the agent transition period. Phrased in the terms used in the *Aetna* definition, Sacks is endeavoring to obtain their business. Sacks, in a word, solicited. Therefore, as a matter of law, Sack's letter ... constituted a solicitation.<sup>43</sup>

In contrast, a mass-mailed letter to customers of an accounting firm by a departing accountant which simply announced his departure and provided the name, address and telephone number of his new firm was deemed not to be an improper solicitation.<sup>44</sup> "Merely informing customers ... of a change of employment, without more, is not solicitation."<sup>45</sup> And, when approached by customers, the former employee

<sup>&</sup>lt;sup>42</sup>*Id.* at 633.

<sup>&</sup>lt;sup>43</sup>*Id.* at 636.

<sup>&</sup>lt;sup>44</sup>See Moss, Adams & Co. v. Shilling, 179 Cal. App. 3d 124, 127 (Cal. App. 1986).

<sup>&</sup>lt;sup>45</sup>*Aetna*, 246 P.2d at 15.

may discuss transferring the customer's business to the new firm. 46

#### d. O'Hara's Letter Solicited TCP Patients

The Court has discerned the following guidance from the AMA standards, Delaware public policy and the case law: (1) a proper notification will supply the patient with information which will allow him to continue to receive care from the physician after he leaves a medical practice; (2) this information should include the fact that the physician is leaving a practice, the location of the new practice, and the means by which the patient can transfer his medical records from the old practice to the new practice if he so chooses; and (3) the notification should not include statements which will either encourage the patient to leave the physician's former practice or transfer care to the new practice -- stated differently, the physician should not "endeavor to obtain [the patient's] business."

O'Hara's June 1 letter "endeavors to obtain [the] business" of TCP patients. Like the insurance agent in *Sacks*, O'Hara begins his letter with a proper announcement of his departure from TCP and relocation to Millcreek. This was authorized by TCP and mandated by governing rules of professional responsibility

<sup>&</sup>lt;sup>46</sup>See Hilb, Rogal & Hamilton Ins. Sevs. Of Orange County v. Robb, 33 Cal. App. 4<sup>th</sup> 1812 (Cal. App. 1995)(deciding that former employee did not misappropriate customer list and other client information by informing agency's clients of his change of employment and then complying with their instructions to move their accounts).

<sup>&</sup>lt;sup>47</sup>Sacks, 213 Cal. App. 3d at 636.

and Delaware public policy. Later in the letter, O'Hara advises patients how to transfer their records to Millcreek if they so choose. Again, this information is proper in that it does not encourage the transfer of care; it simply provides the means by which a transfer would occur if the patient elects to follow O'Hara to Millcreek.<sup>48</sup> But, like the agent in *Sacks*, O'Hara did not stop there. He goes on to tout the quality of care that will be offered at the new practice and the quality of the facilities in which the care will be rendered. This is solicitation.<sup>49</sup> Since TCP did not authorize O'Hara to utilize its trade secrets to solicit TCP patients, and the Court can see no other basis to sanction the solicitation, the Court must conclude that O'Hara misappropriated TCP's trade secrets.

# e. TCP May Proceed To The Second Phase Of The Trial To Prove Its Damages

The Court ordered bifurcation of the issues of liability and damages. Having concluded that misappropriation has occurred, the Court must look ahead to the next phase of these proceedings. Certainly, TCP may now endeavor to prove its damages. Yet the Court must confess that its vision of how the damages phase of the trial will unfold, or at least the framework in which it will proceed, is less than clear. The

<sup>&</sup>lt;sup>48</sup>See American Medical Association, supra note 19.

<sup>&</sup>lt;sup>49</sup>O'Hara has offered no justification for this portion of the letter and the Court can think of none other than to entice patients to leave TCP and join O'Hara at Millcreek.

Court has determined that some portions of the June 1 letter were proper, others were not. Arguably, TCP would be required to prove that patients left TCP as a result of the solicitous portions of the letter, as opposed to those portions of the letter which properly announced O'Hara's departure from the practice.<sup>50</sup> The Court will expect the parties to address this issue in advance of the next phase of the trial.

# **B.** Unjust Enrichment

"The elements of unjust enrichment are: (1) an enrichment, (2) an impoverishment, (3) a relation between the enrichment and the impoverishment, (4) the absence of justification, and (5) the absence of a remedy at law." In light of the Court's decision on TCP's misappropriation of trade secrets claim, the unjust enrichment claim may be disposed of as a matter of law. TCP has an adequate remedy at law: its claim for damages resulting from the misappropriation of its trade

<sup>&</sup>lt;sup>50</sup>See Marsico v. Cole, 1995 Del. Ch. LEXIS 78, at \*25 (Del. Ch.) ("No reliable or credible evidence was presented as to the extent to which [the departing physician] has been enriched, if at all, by virtue of the misappropriation of trade secrets."); Williams v. Riedman, 529 S.E.2d 28 (S.C. App. 2000)(noting that there was no evidence presented that clients' decision to transfer their business to defendant's new employer was the result of the solicitation on the part of the employee); Western Electro-Plating Co. v. Henness, 196 Cal. App. 2d 564, 571-72 (Cal. App. 1961)(asserting that trial court should receive evidence that transfer of business to employee's new business was not the result of solicitation); Dunsmore & Assoc., Ltd. v. D'Alessio, 2000 Conn. Super. LEXIS 114, at \*33 ("Actual loss in this context [a misappropriation claim] means the amount of money that the plaintiff lost from the defendant's misappropriation; it is measured by how much better off the plaintiff would have been but for the defendant's misappropriation.").

<sup>&</sup>lt;sup>51</sup>Jackson Nat'l Life Ins. Co. v. Kennedy, 741 A.2d 377, 393 (Del. Ch. 1999)(citations omitted).

secrets. It need not invoke this Court's sense "of justice or equity and good conscience" to secure relief.<sup>52</sup> When a plaintiff may avail itself of an adequate remedy at law, this Court will not hear a claim sounding in unjust enrichment.<sup>53</sup> The Court will enter judgment for the defendants on TCP's unjust enrichment claim is dismissed as a matter of law.<sup>54</sup>

# C. Breach of Fiduciary Duty

In its decision on the cross motions for summary judgment, the Court determined that O'Hara owed a fiduciary duty to TCP to protect TCP's trade secrets. This determination was made after reviewing an undisputed record with respect to the nature of the relationship between TCP and O'Hara as recounted in TCP's amended complaint. The Court also relied upon then Vice Chancellor Chandler's decision in

<sup>&</sup>lt;sup>52</sup>See Fleer Corp. v. Topps Chewing Gum, Inc., 539 A.2d 1060, 1062 (Del. 1988)("Unjust enrichment is defined as 'the unjust retention of a benefit to the loss of another ... against fundamental principles of justice or equity or good conscience."").

<sup>&</sup>lt;sup>53</sup> See e.g., R.M. Williams Co., Inc. v. Frabizzio, 1993 Del. Super. LEXIS 55, at \*42-44 (Del. Super.) (dismissing unjust enrichment claim when remedy at law was available to the plaintiff).

be displaced by the misappropriation of trade secrets claim. *Cf. Leucadia, Inc. v. Applied Extrusion Techs.*, 755 F. Supp. 635, 637 (D. Del. 1991)(stating that the Uniform Trade Secrets Act "was intended to preserve a single tort cause of action under state law for misappropriation ... and ... to eliminate other tort causes of action founded on allegations of trade secret misappropriation")(citing Del. Code Ann. tit. 6, §2007(a)(1999)). On reflection, the Court has determined that it is more accurate to say that the misappropriation of trade secrets claim affords TCP an adequate remedy at law which, in turn, disables its unjust enrichment claim. The unjust enrichment claim is not a tort-based claim and is not, therefore, subject to the statutory preemption addressed in *Leucadia*.

<sup>&</sup>lt;sup>55</sup>Total Care Physicians, P.A., 798 A.2d at 1058.

Marsico v. Cole in which he concluded that an independent contractor physician owed "a duty of loyalty" to the medical practice in which he worked to "protect[] trade secrets or confidential, proprietary information." 56

Unfortunately, at no time during the pendency of the cross motions for summary judgment did either of the parties advise the Court that the Court of Chancery had already addressed the breach of fiduciary claim when the case was pending there. Specifically, in connection with a motion to dismiss filed on behalf of all defendants, the Court of Chancery concluded that it lacked jurisdiction over the controversy because TCP had failed to plead a claim for breach of fiduciary duty. <sup>57</sup> By its order dismissing the case for lack of equitable jurisdiction, the Court of Chancery, in effect, dismissed the breach of fiduciary duty claim. This is the law of the case. Absent a finding by this Court that the Vice Chancellor's ruling was "clearly erroneous." the issue should not be re-litigated here. <sup>58</sup>

Although it is not clear whether the Court of Chancery considered *Marsico* in reaching its conclusion that a fiduciary duty could not exist under the circumstances

<sup>&</sup>lt;sup>56</sup>Id. at 1059 (citing *Marsico*, 1995 Del. Ch. LEXIS 78, at \*5-7).

<sup>&</sup>lt;sup>57</sup>See Total Care Physicians, P.A. v. O'Hara, C.A. No. 16313-NC (Del. Ch. Nov. 8, 1999)(Tr. at 29)("I don't think that the allegation suffices to plead to the facts creating a special relationship between Dr. O'Hara and Total Care. In fact, I'd be quite troubled to recognize such a fiduciary obligation.").

<sup>&</sup>lt;sup>58</sup>See Gannett Co., Inc. v. Kanaga, 750 A.2d 1174, 1181 (Del. 2000).

presented here, the Court is not "left with the definite and firm conviction that a mistake has been committed." Reasonable minds could differ with respect to the nature and character of the parties' relationship. Accordingly, the Court will respect the law of the case. Judgment will be entered in favor of the defendants on Count VII as a matter of law.

### IV. CONCLUSION

The Court has concluded that O'Hara misappropriated TCP's trade secrets by using them to conduct an unauthorized solicitation of TCP's patients. TCP may now attempt to prove its damages with respect to this claim. The Court also has determined that judgment should be entered as a matter of law in favor of the defendants as to Counts I and VII. The Prothonotary will enter these judgments on the docket forthwith.

IT IS SO ORDERED.

Judge Joseph R. Slights, III

Original to Prothonotary

<sup>&</sup>lt;sup>59</sup>Berglund v. Horgan, 1997 Del. Ch. LEXIS 153, at \*12 (Del. Ch.) (defining "clearly erroneous").