

HP's Antitrust, IP Claims Nixed In Turbon Pact Suit

By **Allison Grande**

Law360, New York (March 8, 2011) -- A New York federal judge on Tuesday rejected Turbon International Inc.'s claims that Hewlett-Packard Co. engaged in unfair competition, false advertising and trade secrets theft after renegeing on a replacement printer cartridge supply contract it awarded to Turbon.

In granting HP's motion to dismiss in part Turbon's complaint, Judge Victor Marrero of the U.S. District Court for the Southern District of New York nixed the plaintiff's misappropriation of trade secrets, unfair competition and false advertising claims on the grounds that the suit failed to provide adequate proof for these claims.

With respect to the claim that HP stole trade secrets related to the manufacture of replacement printer cartridges, Judge Marrero found that Turbon had not sufficiently alleged the existence of a trade secret or shown that HP used any confidential information it obtained while exploring a potential business relationship with Turbon.

Instead, Turbon alleged only that HP expanded its printing supplies return and recycling programs following the termination of the parties' partnership, an allegation that "in effect concedes that the program predated HP's business relationship with Turbon and undermines any claim that the program exploits Turbon's secret information," according to the order.

"To find that HP's recycling program could establish use of Turbon's secret information, the court would have to find that the 'very idea' of refilling empty printer cartridges for sale is a trade secret," Judge Marrero said. "That interpretation is not supported by the complaint."

Because Turbon's unfair competition claim was premised on the same factual and legal theories as its misappropriation claim, the unfair competition claim also failed, the ruling added.

Judge Marrero additionally shot down the allegation that HP's advertising campaign aimed at discouraging customers from purchasing after-market cartridges violated the the Lanham Act, finding that Turbon had failed to show that these advertisement were literally false or have the potential to mislead or confuse consumers.

"Turbon has not alleged any facts regarding the quality or reliability of aftermarket cartridges in general that could support a finding of falsity," the judge said.

Turbon's claim for alleged tortious interference with prospective economic advantage, which the court has reserved ruling on until it determines if defendant Hewlett-Packard (Thailand) Ltd. is subject to personal jurisdiction in New York, as well as additional fraudulent inducement and injunctive relief claims, which HP has not challenged, remain in the suit, according to the ruling.

Turbon, a Cinnaminson, N.J.-based aftermarket printer-parts maker, filed suit in June, accusing HP of engaging in unfair competition by stealing trade secrets, launching a false advertising campaign, and sending letters to Turbon's potential client, Ramathibodi Hospital in Thailand, persuading it to not purchase aftermarket cartridges.

Following a January 2009 meeting to discuss HP's plans to begin offering remanufactured cartridges to customers of its managed print services, the parties entered into two separate confidential disclosure agreements that gave HP access to Turbon's facilities, technologies, engineering and nonpublic financial information while the parties explored the possibility of Turbon supplying these cartridges to HP, according to the suit.

HP awarded Turbon the right to supply remanufactured cartridges for two of its models in October 2009 and added a third model to the deal in October 2009, but after Turbon filled HP's first orders in November and December 2009, HP informed Turbon that it had decided not to offer remanufactured cartridges and terminated its relationship with Turbon, the suit said.

Following this termination, HP began proactively using advertising and marketing tools to push its customers to recycle, rather than replace, cartridges "in hopes of starving Turbon ... of one of [its] key raw materials" and maintain its standing as an "industry titan," according to the suit.

Turbon is represented by Pryor Cashman LLP.

HP is represented by Bartlit Beck Herman Palenchar & Scott LLP.

The case is Turbon International Inc. v. Hewlett-Packard Co., case number 1:10-CV-04540, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Nick Brown. Editing by Andrew Park.

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