

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

SC BOTANICALS, LLC,)	
)	
Plaintiff,)	
)	
v.)	C.A. No. 20-1698-JLH
)	
INTRAGENIX HOLDINGS, LLC and REM)	REDACTED VERSION
TECHNOLOGIES LLC,)	
)	
Defendants.)	

MEMORANDUM OPINION

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Wilmington, Delaware



JENNIFER L. HALL, U.S. MAGISTRATE JUDGE

It no longer violates the Controlled Substances Act to grow hemp and sell hemp products such as CBD oil, but only if they contain less than 0.3% THC. Raw CBD oil extracted from hemp contains more than 0.3% THC, so extractors must “remediate” the oil to reduce the concentration of THC to a legal level.

Plaintiff SC Botanicals, LLC (“Plaintiff” or “SCB”) says that Defendants Intragenix Holdings, LLC (“Intragenix”) and REM Technologies LLC (“REM”) (collectively, “Defendants”) misappropriated its secret process for remediating THC from CBD oil. (D.I. 1.) Pending before the Court is Plaintiff’s motion for a preliminary injunction to stop the sale of REM’s D970L and D915L remediation systems.

Having considered the parties’ extensive filings (*see, e.g.*, D.I. 20, 21, 22, 23, 24, 25, 26, 46, 47, 48, 49, 50, 51, 55, 57, 58), and having heard lengthy oral argument on April 16, 2021, the Court will deny Plaintiff’s preliminary injunction motion.

I. BACKGROUND

Hemp contains a number of chemical compounds, including cannabidiol (CBD) and Δ -9-tetrahydrocannabinol (THC). CBD oil can be extracted from hemp and has beneficial health effects. THC is the compound that’s primarily responsible for the effects of marijuana on a person’s mental state.

The Agriculture Improvement Act of 2018 (aka the 2018 Farm Bill) removed hemp and hemp-derived products that contain no more than 0.3% THC from regulation under the Federal Controlled Substances Act.¹ Because raw CBD oil extracted from hemp contains a higher

¹ *See* Agriculture Improvement Act of 2018, Public Law 115-334; *see also* U.S. FOOD & DRUG ADMIN., *Scientific Data and Information About Products Containing Cannabis or*

concentration of THC, CBD extractors must remediate it to reduce the concentration of THC to a legal level. One way to reduce the THC concentration in CBD oil is by diluting it with other liquids. Another way is to use chromatography to physically remove the THC. Other common methods of physically separating compounds, such as distillation, are known to be ineffective at remediating THC without causing significant CBD loss. (D.I. 23 ¶ 7.)

A. SCB’s remediation process

Plaintiff SCB is a CBD oil extraction and THC remediation company. (D.I. 1 ¶¶ 5, 14.) In 2019, it hired Dr. Allison Justice to research and develop potential methods of remediating THC from raw full spectrum CBD oil. (D.I. 23 ¶ 6; D.I. 22 ¶ 3.) Dr. Justice knew that THC could be oxidized to cannabinol (CBN), but, to her knowledge, such a process had not been used commercially to remediate THC from CBD oil. (D.I. 23 ¶ 8.) SCB set up a secure laboratory for Dr. Justice to perform experiments to investigate whether THC oxidation was a viable commercial method for remediating THC from CBD oil. (*Id.* ¶ 9; D.I. 22 ¶¶ 3-4.)

Through experimentation, Dr. Justice determined that approximately [REDACTED] was the optimal temperature to facilitate THC oxidation without losing significant amounts of CBD. (D.I. 23 ¶¶ 11-14.) She further determined that [REDACTED] and that she could increase the oxidation rate by [REDACTED] [REDACTED] (*Id.* ¶¶ 12, 14.) She also determined that the time it takes to remediate THC by oxidation varies based on how refined the CBD oil is. (*Id.* ¶ 17.)

Having successfully conducted small-scale experiments, Dr. Justice and other SCB employees worked on scaling up the process. (*Id.* ¶ 18.) They purchased a commercial off-the-

Cannabis-Derived Compounds; Public Hearing; Request for Comments, 84 Fed. Reg. 12969, 12970 (Apr. 3, 2019).

shelf [REDACTED] from USA Lab. (*Id.*; D.I. 24 ¶¶ 3-4; D.I. 47 ¶¶ 42-54.) They attached to the reactor unit an off-the-shelf [REDACTED] of the reaction vessel. (D.I. 24 ¶ 5; D.I. 47 ¶¶ 53, 103; D.I. 25 ¶ 9; D.I. 23 ¶ 18.)

Using a chemical reactor unit, heater, and vacuum pump to perform a chemical reaction was well known and, indeed, common practice in 2019. (D.I. 47 ¶¶ 49-54; *id.*, Ex. E.) To that setup, SCB attached a custom-built [REDACTED] consisting of a [REDACTED] [REDACTED] unit during the reaction. During the reaction process, [REDACTED] [REDACTED] in the CBD oil. (*Id.* ¶¶ 55-61; D.I. 24 ¶ 5.) The [REDACTED] as it comes to the surface. (D.I. 47 ¶ 59.)

B. License to Intragenix

Intragenix was formed in February 2019 as a hemp processing business. (D.I. 49 ¶ 9.) Intragenix had an internal need to remediate CBD oil and it also desired to remediate CBD oil extracted by its customers. (*Id.* ¶ 11.) Intragenix met with several potential business partners to discuss developing its own in-house remediation process or entering into contractual/outsourcing relationships. (*Id.*)

In April 2019, Intragenix met with SCB to discuss potential business opportunities, including obtaining a license to the remediation process developed by SCB. (*Id.* ¶¶ 11-14.) In the summer of 2019, Intragenix's CEO, Todd Lewis, told SCB that Intragenix was exploring other methods of THC remediation in addition to SCB's method, and that Intragenix would need the terms of any potential license to be limited to the specific process developed by SCB to prevent disputes from arising in the future if Intragenix ultimately decided to move in another direction.

(*Id.* ¶ 17.) Subsequently, in October 2019, the parties entered into a licensing agreement (the “Licensing Agreement”), the stated purpose of which was for Intragenix to use SCB’s “specific process to conduct THC remediation for winterized hemp oil.” (D.I. 1, Ex. B.) The parties concurrently executed a non-disclosure agreement (the “NDA”). (*Id.*, Ex. C.)

The Licensing Agreement defines the “Licensed Trade Secrets” as “the Licensor’s techniques and methods to conduct THC remediation for winterized hemp oil, including all Improvements owned by Licensor or licensed to Licensee – specifically Licensor’s techniques and other equipment necessary to conduct THC remediation for winterized hemp oil.” (*Id.*, Ex. B § 1.13.) In exchange for SCB’s disclosure of and license to the Licensed Trade Secrets, Intragenix agreed to pay \$200,000 and a 2% royalty on gross oil sales. (*Id.*, Ex. B § 2.2.)

The Licensing Agreement and NDA also contain certain confidentiality provisions that, among other things, restrict Intragenix from using SCB’s confidential information—including the Licensed Trade Secrets—“for any purpose other than in connection with the conduct of its business pursuant to this [Licensing] Agreement.” (*Id.* § 10.3.2; *Id.*, Ex. C § 5.1.) The Licensing Agreement provides that violation of the confidentiality provisions shall constitute “irreparable injury for which there will be no adequate remedy at law.” (*Id.*, Ex. B § 10.4.) But the confidentiality restrictions do not apply to information that “is or hereafter becomes public” (*id.* § 10.3.2.1), “was already in the receiving party’s possession” (*id.* § 10.3.2.2), or “has been or is thereafter obtained from a third party” (*id.* § 10.3.2.3).² The Licensing Agreement also expressly provides that Intragenix is not prohibited from “pursuing and conducting business with technology that is separate from the Licensed Trade Secrets.” (*Id.* § 11.1.)

² The NDA contains similar provisions. (*See id.*, Ex. C §§ 5, 6, 12.1.)

After the parties executed the agreements, SCB's Director of Operations, Christopher Cortina, sent Intragenix an e-mail instructing it to purchase a number of off-the-shelf items from USA Lab, including a [REDACTED] (D.I. 50, Ex. B.) Cortina stated that "[t]he custom component for [REDACTED] is something that I'll . . . bring to you." (*Id.*) After Intragenix purchased the equipment from USA Lab, Cortina travelled to Intragenix's Kentucky facility to install SCB's custom [REDACTED] and off-the-shelf [REDACTED] components. (D.I. 50 ¶ 8; D.I. 24 ¶ 8.) Cortina explained to Intragenix employee Aaron Simon Pitman how SCB's process worked to oxidize THC, and Cortina later sent Pitman an email attaching SCB's "Standard Operating Procedure" for the "Operation of Remediation System." (D.I. 50 ¶ 9; *id.*, Ex. E; D.I. 24 ¶ 8.)

When Intragenix tried to use the apparatus and method to remediate THC from CBD oil, it encountered numerous problems and equipment failures. (D.I. 48 ¶¶ 9, 11-14; D.I. 49 ¶¶ 28-31.) According to Lewis, "[b]etween the machine first being installed on October 28, 2019 and February 2020, there were multiple times when SCB's system failed to properly remediate oil for weeks at a time, which rendered Intragenix incapable of remediating THC for its customers." (D.I. 49 ¶ 30.) In February 2020, Intragenix returned the [REDACTED] to SCB, and Intragenix told SCB that it would not make any more payments under the Licensing Agreement. (D.I. 1 ¶ 29; D.I. 49 ¶ 35.)

Around the same time, the individuals behind Intragenix formed REM "to separate Intragenix's extraction line of business from its continued development and commercialization of its own THC remediation system." (D.I. 49 ¶ 37.) Intragenix CEO Lewis is also the CEO of REM, and Intragenix employee Pitman is a REM employee. (D.I. 49 ¶ 3; D.I. 50 ¶ 11.) In August 2020, SCB discovered that REM was marketing and selling its own THC remediation machines, called

the D970L and D915L remediation systems. (D.I. 22 ¶¶ 13-18.) When SCB learned that REM was operated by the same individuals who operated Intragenix, it filed suit. (*Id.* ¶ 18.)

SCB's Complaint sets forth six counts against Intragenix, REM, and three individual defendants (Lewis, Pitman, and Michael Wigrizer, another Intragenix employee). On April 28, 2021, the Court dismissed the claims against the individual defendants for lack of personal jurisdiction. (D.I. 77.) Earlier today, the Court dismissed Counts II (tortious interference with contract), V (fraud and fraudulent inducement), VI (conversion), and VII (conspiracy) for failure to state a claim.

Three counts remain. Count I alleges that Intragenix breached the Licensing Agreement and NDA by "withholding its final \$50,000 licensing payment, failing to pay any royalties, and using and disclosing information about [SCB's] trade secrets." Counts III and IV allege that Intragenix and REM misappropriated SCB's trade secrets in violation of the Delaware Uniform Trade Secrets Act, 6 Del. C. §§ 2001-2009, and the federal Defend Trade Secrets Act, 18 U.S.C. §§ 1831-1839, respectively.

In December 2020, the parties agreed to an early discovery procedure under which (1) SCB would first answer an interrogatory requiring identification of each trade secret that it alleges was misappropriated, without "any objections or reservations to supplement"; and (2) each side would subsequently permit inspection and testing of its remediation process by the other side and its experts.³ (D.I. 26, Ex. A; D.I. 67, Ex. A.) SCB served its interrogatory response on December 18, 2021 (D.I. 47, Ex. B), and the parties' experts did their inspections (*see* D.I. 25, 47).

³ *See SmithKline Beecham Pharm. Co. v. Merck & Co.*, 766 A.2d 442, 447 (Del. 2000) ("In cases involving trade secrets, the plaintiff is required to disclose, before obtaining discovery of confidential proprietary information of its adversary, the trade secrets it claims were misappropriated.").

On February 5, 2021, SCB filed a motion for a preliminary injunction to stop Intragenix and REM from “further unlawful acquisition, use, and disclosure of Plaintiff’s trade secrets and confidential information” and to stop REM from selling its D970L and D915L remediation systems. (D.I. 20.) In its motion, SCB contends that REM’s sale of its remediation systems constitutes misappropriation of SCB’s trade secrets and is a breach of Intragenix’s obligations under the Licensing Agreement and NDA. SCB further contends that it is being irreparably harmed by the sale of REM’s remediation systems and will continue to be so harmed prior to trial in this matter unless the Court grants preliminary injunctive relief. Briefing on SCB’s motion was complete on March 15, 2021, and the Court scheduled oral argument for April 16, 2021 (consistent with the availability of the parties’ attorneys and the Court). (Tr. __.)

II. LEGAL STANDARDS

A preliminary injunction is “extraordinary” relief. *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008). To obtain a preliminary injunction, the movants have the burden to

demonstrate (1) that they are reasonably likely to prevail eventually in the litigation and (2) that they are likely to suffer irreparable injury without relief. If these two threshold showings are made the District Court then considers, to the extent relevant, (3) whether an injunction would harm the [defendants] more than denying relief would harm the plaintiffs and (4) whether granting relief would serve the public interest.

Par Pharm., Inc. v. QuVa Pharma, Inc., 764 F. App’x 273, 277 (3d Cir. 2019) (quoting *K.A. ex rel. Ayers v. Pocono Mountain Sch. Dist.*, 710 F.3d 99, 105 (3d Cir. 2013)); *Capriotti’s Sandwich Shop, Inc. v. Taylor Fam. Holdings, Inc.*, 857 F. Supp. 2d 489, 499 (D. Del. 2012). “A plaintiff’s failure to establish any element in its favor renders a preliminary injunction inappropriate.” *NutraSweet Co. v. Vit-Mar Enterprises, Inc.*, 176 F.3d 151, 153 (3d Cir. 1999).

III. DISCUSSION

A. Likelihood of Success

The first factor is the likelihood of success on the merits. SCB's preliminary injunction motion is based on its federal and state trade secret claims and its breach of contract claim. SCB does not distinguish between its trade secret claims and, indeed, it acknowledges that the federal Defend Trade Secrets Act is "in general comport" with the Delaware Uniform Trade Secrets Act. (D.I. 21 at 11 (quoting *In re Patriot Nat'l Inc.*, 592 B.R. 560, 577 (Bankr. D. Del. 2018).) And SCB's contract claim is based on the same information as its trade secrets claims. (D.I. 11 at 23.) SCB suggests in passing that its contract claim might prevail even if the information at issue does not qualify as a trade secret. (*Id.*) However, as explained above, the confidentiality provisions in the Licensing Agreement do not apply to information that "is or hereafter becomes public" or "has been or is thereafter obtained from a third party," and the Licensing Agreement expressly provides that Intragenix may "pursu[e] and conduct[] business with technology that is separate from the Licensed Trade Secrets." (D.I. 1, Ex. B §§ 10.3.2.1, 10.3.2.3, 11.1) Accordingly, the Court focuses its analysis on trade secret misappropriation, for which the parties agree that Delaware law supplies the governing standards.

"To prove trade secret misappropriation, the plaintiff must demonstrate that: (1) a trade secret exists; (2) the plaintiff communicated the secret to the defendant; (3) there was an express or implied understanding that the secrecy of the matter would be respected; and (4) the secret information was improperly used or disclosed to the injury of the plaintiff." *Elenza, Inc. v. Alcon Labs. Holding Corp.*, 183 A.3d 717, 721 (Del. 2018); *see also Beard Research, Inc. v. Kates*, 8 A.3d 573, 590 (Del. Ch. 2010) ("The plaintiff bears the burden of proving both the existence and misappropriation of a trade secret."), *aff'd sub nom. ASDI, Inc. v. Beard Rsch., Inc.*, 11 A.3d 749 (Del. 2010).

1. Existence of a trade secret

The threshold question in this case is whether SCB has adequately demonstrated that it is likely to succeed on the merits of the first element of trade secret misappropriation—the existence of a trade secret. A trade secret is information that “[d]erives 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.” 6 Del. C. 2001(4); *see also* 18 U.S.C. § 1839(3). Whether a trade secret was “generally known or readily ascertainable . . . is a question of fact.” *SmithKline Beecham Pharm. Co.*, 766 at 448.

As an initial matter, Defendants argue that SCB has failed to identify with the requisite particularity what trade secrets were misappropriated. The Court appreciates Defendants’ position, as not only has SCB been less than clear about the identity of its trade secrets, their definition has also been something of a moving target. In its interrogatory response—which SCB agreed that it would not supplement after it inspected Defendants’ process—SCB identified five alleged trade secrets. (D.I. 47, Ex. B.) In its preliminary injunction briefing after the inspection, SCB’s definitions changed. SCB now identifies the following three trade secrets allegedly misappropriated by Defendants:

- (1) a method of using heat, aeration, agitation, and/or ██████████ ██████████ to remediate THC from raw full spectrum CBD oil by oxidizing THC to CBN;
- (2) the optimal parameters and conditions to accelerate this oxidation reaction while minimizing concurrent CBD loss; and
- (3) the mechanical implementation of (1) and (2) in a large-scale apparatus for up to 40 liters of CBD oil.

(D.I. 21 at 11.) Whether and how those alleged trade secrets are different than the definitions set forth in SCB’s interrogatory response need not be sorted out here, as the Court concludes that SCB

has not demonstrated a likelihood of success on its trade secret misappropriation claim even with its new definitions.

Starting with (1), SCB's definition is not only general, it uses the modifier "and/or," which suggests to the Court that SCB is attempting to claim as a trade secret the idea of oxidizing THC into CBN. If so, the Court rejects it. As SCB acknowledged at oral argument, the process of oxidation, and more particularly the fact that THC oxidizes into CBN, was well known in 2019. (Tr. 8:22-9:3; *see also* D.I. 47 ¶¶ 64-66, 70.)

If what SCB really means is that its trade secret is [REDACTED] [REDACTED] the Court finds that SCB has failed to demonstrate a likelihood of success that the information is not generally known or readily ascertainable. Notably, SCB put forth no expert testimony supporting an assertion that the idea of using [REDACTED] THC in CBD oil is not readily ascertainable. Defendants' expert, in contrast, proffered a number of references along with expert testimony that the references disclose the alleged trade secret. (D.I. 47 ¶¶ 63, 70-99, Exs. I-N.) *See Olaplex, Inc. v. L'Oreal USA, Inc.*, No. 2020-1382, 2021 WL 1811722, at *6 (Fed. Cir. May 6, 2021) ("Information in published patents or patent applications is readily ascertainable by proper means."; applying Delaware law); *ID Biomedical Corp. v. TM Techs., Inc.*, No. 13269, 1995 WL 130743, at *14 (Del. Ch. Mar. 16, 1995) (stating that information contained in "patent applications is readily ascertainable through appropriate means."); *see also Atl. Research Mktg. Systems, Inc. v. Troy*, 659 F.3d 1345, 1357 (Fed. Cir. 2011) ("A trade secret is secret. A patent is not. That which is disclosed in a patent cannot be a trade secret.").

For example, U.S. Patent Publication 2020/0131146 ("Stantchev") describes an apparatus that uses a heater, an aeration device, and agitation to oxidize THC from a CBD solution in order

to reduce the THC concentration below 0.3%. (D.I. 47, ¶¶ 73-76, Ex. J at [0003-07], [0038-39].) SCB's expert points out that Stantchev does not explicitly refer to the use of a [REDACTED] to remove volatiles from the reaction vessel (D.I. 25 ¶ 63), but he did not opine that using a [REDACTED] would not be readily ascertainable from the disclosure. And, indeed, Defendants' expert explained—and SCB's expert did not dispute—that it is both generally known and “common practice” for a chemist to connect a [REDACTED] to a chemical reactor to [REDACTED] from the system.⁴ (D.I. 47 ¶ 53.)

SCB's expert also criticizes Stantchev on the basis that it “does not delineate specific parameters discovered by [SCB] to specifically affect the conversion of Δ9-THC to CBN” or the use of [REDACTED] . . . to provide reaction at a reasonable rate in the viscous hemp extract oil.” (D.I. 25 ¶ 63.) But neither of those things are part of SCB's definition of trade secret (1), so the fact that Stantchev fails to disclose them is irrelevant to the question of whether it is a protectable trade secret.

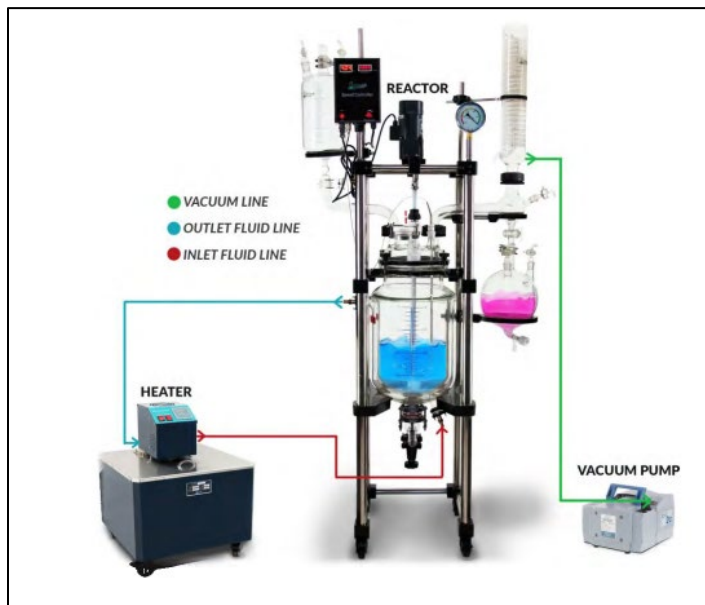
For much the same reasons, the Court finds that SCB has failed to demonstrate a likelihood of success that definition (3) qualifies as a trade secret. For starters, SCB's contention that its claimed secret constitutes “the mechanical implementation” of its THC oxidation process “in a large-scale apparatus for up to 40 liters of CBD oil” does not sufficiently inform the Court or the Defendants about what parts of the apparatus constitute the secret. *See Givaudan Fragrances Corp. v. Krivda*, 639 F. App'x 840, 845 (3d Cir. 2016) (“It is patently obvious that trade secrets

⁴ The parties don't discuss whether Stantchev (or the information it discloses) was available at the time the alleged misappropriation originally occurred. But that probably does not matter for purposes of this preliminary injunction motion: if the information is no longer a trade secret because it is now readily ascertainable from Stantchev, the Court will not enjoin Defendants' future use of it.

must be identified with enough specificity to put a defendant on notice of what is actually alleged to have been stolen.”).

SCB’s preliminary injunction brief provides further details about the parts of its apparatus that are claimed to be a trade secret but, notably, SCB does not include as part of the definition its [REDACTED] SCB appears to contend that its trade secret is the use of the following combination of components to perform a THC oxidation [REDACTED]

[REDACTED] (D.I. 21 at 17-20.) However, as Defendants’ expert pointed out, and SCB’s expert did not dispute, using such a setup to perform a chemical reaction is well known, routine, and publicly disclosed in instruction manuals for off-the-shelf USA Lab products, as demonstrated by the following photograph from a USA Lab heater manual:



(D.I. 47 Ex. E at 10; *see also id.* ¶¶ 42, 45, 49-53, Ex. D at 4 (USA reactor manual labeling the stirring motor and rod).) Defendants’ expert further explained that the off-the-shelf lab equipment in SCB’s apparatus is all “used according to their intended purposes.” (D.I. 47 ¶ 47 (explaining

that the USA Lab [REDACTED] in conjunction with the [REDACTED] is designed

[REDACTED]
[REDACTED] On this record, I find that SCB has failed to establish a likelihood of success in showing that its claimed trade secret apparatus is not readily ascertainable.

In concluding that definitions (1) and (3) likely do not qualify as trade secrets, the Court is cognizant that a unique combination of techniques or components may constitute a trade secret even if the individual parts are publicly known. *iBio, Inc. v. Fraunhofer USA, Inc.*, No. 10256-VCF, 2020 WL 5745541, at *6 (Del. Ch. Sept. 25, 2020) (“A trade secret can be the combination of steps into a process . . . , even if all the component steps are known, so long as it is a ‘unique process which is not known in the industry.’” (quoting *Elenza, Inc.*, 183 A.3d at 722)). Here, however, SCB has failed to identify any such unique combination.⁵ In short, SCB has failed to demonstrate any non-trivial differences between its alleged secret process (1) and the process disclosed in Stantchev, or between its alleged secret apparatus (3) and a standard chemical reactor setup.

The Court is also mindful that information need not satisfy patentability requirements in order to be protectable as a trade secret. Still, to qualify for trade secret protection, the information needs to derive its value from being “not being generally known” and “not . . . readily ascertainable” by those who might use it. 6 Del. C. 2001(4); *cf. Cataphote Corp. v. Hudson*, 444

⁵ *Cf. Nickelson v. Gen. Motors Corp.*, 361 F.2d 196, 199 (7th Cir. 1966) (“The combination must differ materially from other methods taught by the prior art[,]” and “[t]rivial advances or differences in . . . process operations are not protectible as trade secrets.”); *Struthers Sci. & Int’l Corp. v. Gen. Foods Corp.*, 51 F.R.D. 149, 153 (D. Del. 1970) (“If Struthers is, in fact, relying for its trade secret allegations on a unique combination of known components disclosed to General Foods, Struthers should be required to specifically describe what particular combination of components it has in mind, how these components are combined, and how they operate in a unique combination.”).

F.2d 1313, 1315–16 (5th Cir. 1971) (“Although a trade secret need not be so unique or novel as to be patentable, it must possess at least that modicum of originality which will separate it from everyday knowledge.”). On this record, the Court cannot find that SCB’s definitions of trade secrets (1) and (3) encompass information that is not public knowledge and not readily ascertainable.

Alleged trade secret (2)—the specific “parameters and conditions” employed by SCB’s process—presents a closer question. SCB’s briefing does not spell out what those parameters are, but its interrogatory response sets forth the following:⁶

- a. The hemp extract at a temperature of [REDACTED]
- b. [REDACTED] the hemp extract;
- c. [REDACTED] created by gas flowing through a [REDACTED] at a pressure of [REDACTED]
- d. [REDACTED] into the hemp extract at a pressure sufficient to create [REDACTED]
- e. [REDACTED] of the hemp extract with a [REDACTED] and/or
- f. [REDACTED]

(D.I. 47, Ex. B.) The Court will assume for purposes of the argument that the use of that combination of parameters in a THC remediation reaction is not readily ascertainable and may therefore qualify as a trade secret. However, for the reasons explained below, SCB has failed to demonstrate a likelihood that Defendants misappropriated that secret.

⁶ When asked at oral argument what specific parameters and conditions constituted the trade secret, SCB’s counsel referred to SCB’s interrogatory response. (Tr. 26:22-27:15.)

2. Misappropriation

A significant portion of SCB's briefing and expert reports is devoted to detailing the similarities between SCB's process and Defendants' process. But the key question is not whether the machines or methods are similar in general or have more similarities than not, but rather whether Defendants' process is similar to Plaintiff's *with respect to the trade secret information*.⁷ See *Vital State Canada, Ltd. v. DreamPak, LLC*, 303 F. Supp. 2d 516, 521 (D.N.J. 2003) (denying preliminary injunction motion where the plaintiff "offered exhaustive detail about the similarities between the two companies' formulas, but has not rested the similarity argument on the necessary foundation of a specific and consistent definition of the trade secrets it claims"; applying law of states that adopted versions of the Uniform Trade Secrets Act similar to DUTSA); cf. *Stratienko v. Cordis Corp.*, 429 F.3d 592, 602 (6th Cir. 2005) ("Dr. Stratienko must demonstrate similarity between his *secret idea* (not his product in general) and Cordis' device."). SCB has failed to demonstrate a likelihood of success on this point.

For example, SCB's expert Dr. Smith spends a significant number of pages explaining his opinion that Defendants' process utilizes an oxidation mechanism to remediate THC from CBD oil. The Court finds his opinion on that point credible. But, as explained above, the use of oxidation to remediate THC from CBD oil is disclosed in Stantchev and is not protectible as a trade secret. (See D.I. 25 ¶¶ 11-33.) The Court also finds credible Dr. Smith's opinion that Defendants' process employs [REDACTED]

⁷ Of course, it is possible that non-trade-secret-eligible similarities between the parties' processes may supply evidence that a defendant had access to and/or misappropriated aspects of a plaintiff's process that are eligible for trade secret protection. In this case, the Court does not find the alleged similarities particularly probative. As explained above, the idea of removing THC from CBD oil via an oxidation reaction is disclosed in Stantchev. And, given that both sides use typical off-the-shelf lab equipment for its intended purposes, the Court is unpersuaded that any similarities in equipment likely resulted from misappropriation.

(*Id.* ¶¶ 36-40.) But, as explained above, SCB has failed to demonstrate a likelihood of success in showing that ██████████ convert THC to CBN in CBD oil is a protectible trade secret. The Court further finds credible Dr. Smith’s opinion that Defendants’ apparatus has many of the same components as SCB’s system. (*Id.* ¶¶ 43-55.) But, again, SCB’s use of off-the-shelf components in this case is not a protectible trade secret.

When it comes to Defendants’ alleged use of the specific “parameters and conditions” of alleged trade secret (2), SCB’s evidence is thin. There is no evidence in the record that Defendants employ a ██████████ (parameter (c)). (Tr. 13:4-9.) Defendants’ process does not ██████████ into the CBD oil to form ██████████ (parameter (d)).⁸ (D.I. 25 ¶ 50; D.I. 47 ¶ 62.) Defendants do not ██████████ (parameter (e)) or anywhere close to it. (D.I. 25 ¶¶ 20, 50, 54.) Accordingly, I conclude that SCB is unlikely to show that Defendants use the combination of specific parameters that SCB claims to be a trade secret.⁹

⁸ In making this finding, the Court does not disbelieve Dr. Smith’s testimony that Defendants’ use of a higher ██████████ to is “functionally identical” to SCB’s ██████████ in that both aerate and agitate the oil. (*See, e.g.*, D.I. 25 ¶¶ 20, 50, 54.) Rather, the Court discounts that testimony because, as explained above, the use of aeration and agitation is not protectable as a trade secret.

⁹ Although SCB’s position is not entirely clear, its use of the “and/or” modifier in its interrogatory response suggests that it might be seeking to claim as trade secrets each of the individual “parameters and conditions” set forth in its interrogatory response and every possible permutation. As Defendants’ expert points out, that’s 57 potential combinations of trade secrets. (D.I. 47 ¶¶ 29, 30.) SCB does not provide separate argument as to any particular permutation, making it impossible for the Court to determine which combinations of “parameters and conditions” it intends to press. *Cf. Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1266 (7th Cir. 1992) (“It is not enough to point to broad areas of technology and assert that something there must have been secret and misappropriated. The plaintiff must show concrete secrets.”).

That said, the Court finds it unlikely that “perform[ing a] remediation method for a period of 24 to 48 hours, to be adjusted depending on the exact composition of the starting material” (parameter (f)) is a not-readily-ascertainable trade secret. Stantchev discloses, and neither side seriously disputes, that the goal of the reaction is to reduce the THC concentration to a legal level of less than 0.3%, and that the reaction should be carried out until that goal is reached. (*See, e.g.*,

In sum, the Court is not persuaded on this record that SCB is likely to succeed in showing that Defendants misappropriated trade secret (2).

B. Irreparable Harm

Having found that SCB has failed to show a likelihood of success on the merits of its trade secrets claim, the Court must deny the preliminary injunction motion. Accordingly, the Court need not address SCB's arguments regarding irreparable harm. Nevertheless, the Court is unpersuaded that SCB will suffer irreparable harm if Defendants are not enjoined.

“In order to demonstrate irreparable harm the plaintiff must demonstrate potential harm which cannot be redressed by a legal or an equitable remedy following a trial. The preliminary injunction must be the *only* way of protecting the plaintiff from harm.” *Campbell Soup Co. v. ConAgra, Inc.*, 977 F.2d 86, 91 (3d Cir. 1992) (quoting *Instant Air Freight Co. v. C.F. Air Freight, Inc.*, 882 F.2d 797, 801 (3d Cir. 1989)).

Here, Plaintiff's primary argument regarding irreparable harm stems from the “injunctive relief” clause in the Licensing Agreement, in which the parties acknowledge that a breach of

D.I. 47, Ex. J [0005]; D.I. 57 ¶ 13.) The use of [REDACTED] to aerate the solution (parameter (b)) is also disclosed in Stantchev (*see, e.g.*, D.I. 47, Ex. J, [0039]), and SCB provided no expert testimony that it isn't readily ascertainable.

As for heating the hemp extract to a temperature of [REDACTED] (parameter (a)), Defendants' expert opined that it is disclosed in U.S. Patent Publication 2017/0020943 (“Raderman”), suggesting that it may be readily ascertainable. (D.I. 47 ¶ 72, Ex. I, Abstract (disclosing “converting a second portion of the THC to CBN by heating the lipid-based extract to between 130°C.-150°C. for at least 10 min.”), [0020-21].) Although SCB's expert testified that the overall process disclosed in Raderman is different, SCB's expert did not opine that the selection of [REDACTED] for the oxidation reaction was not readily ascertainable from the publicly-available art. Moreover, the evidence is equivocal as to whether the CBD oil in Defendants' process is heated to [REDACTED]. Although SCB's expert noted that the heating fluid in Defendants' apparatus was [REDACTED], SCB's expert measured an oil surface temperature of [REDACTED] for Defendants' process (compared to [REDACTED] for SCB's process). (D.I. 25 ¶ 36.) In sum, in view of the arguments and evidence before the Court, it cannot conclude that SCB is likely to succeed in showing that the individual parameters in definition (2) both are protectible trade secrets and were misappropriated.

confidentiality “shall cause . . . irreparable injury.” (D.I. 1, Ex. B § 10.4.) As set forth above, however, I find that SCB has failed to establish a likelihood of success that Intragenix breached its confidentiality obligations.

Nor has SCB otherwise demonstrated how it would be irreparably harmed. For example, SCB has not provided evidence concerning loss of market share or goodwill or any other harm that could not be remedied by money damages after trial. Rather, the record reflects that SCB was and is willing to license its process to customers (D.I. 58 ¶ 3), suggesting that the damages it claims to have suffered could be calculated. *See Frank’s GMC Truck Ctr., Inc. v. Gen. Motors Corp.*, 847 F.2d 100, 102 (3d Cir. 1988) (“The availability of adequate monetary damages belies a claim of irreparable injury.”).

C. Balancing the Equities

SCB has not demonstrated the first two elements required for a preliminary injunction. Accordingly, I need not consider whether an injunction would harm Defendants more than denying relief would harm SCB or whether granting relief would serve the public interest.

IV. CONCLUSION

Plaintiff’s request for a preliminary injunction is denied.

This Memorandum Opinion relies on material set forth in filings that remain under seal. Accordingly, I am issuing this Memorandum Opinion under seal, pending review by the parties. In the event that any party contends that portions of this Memorandum Opinion should be redacted, the parties shall jointly submit a proposed redacted version by no later than May 26, 2021, for review by the undersigned, along with a motion supported by a declaration that includes a detailed explanation as to why disclosure of any proposed redacted material would “work a clearly defined and serious injury to the party seeking closure.” *See In re Avandia Mktg., Sales Practices & Prods.*

Liab. Litig., 924 F.3d 662, 672 (3d Cir. 2019) (quoting *Miller v. Indiana Hosp.*, 16 F.3d 549, 551 (3d Cir. 1994) (internal quotation marks omitted)). The Court intends to issue a public version of this Memorandum Opinion on or around May 28, 2021.