



BLOGS

Trade Secrets

Virginia Federal Court Dismisses Franchisor's Trade Secret Claim for Failure to Plead with Specificity

A Virginia federal court recently granted a motion to dismiss all six counts of a franchisor's complaint against a competing former franchisee for failure to plead with specificity under the Defend Trade Secrets Act of 2016 (DTSA), Plaintiff's sole basis for federal jurisdiction. *JTH Tax LLC v. Cortorreal*, 2024 WL 897605 (E.D. Va. Mar. 1, 2024).

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The court only made a determination as to the DTSA claim, ruling that JTH Tax failed to plead with sufficient specificity that its client lists, methods of operation, and information contained in the Operations Manual were, in fact, trade secrets. Faulting JTH Tax for "conclusory assertions without any support," the court held that although "client lists and marketing strategies are considered trade secrets under the DTSA," JTH Tax failed to allege specific factual details about their development and why "competitors cannot readily ascertain the client lists." The court also held that JTH Tax failed to allege a nexus between interstate or foreign commerce sufficient to support a claim under the DTSA. Because the DTSA claim provided the only basis for federal jurisdiction, the court was without supplemental jurisdiction to address the remaining five counts, all of which arose under state law. The dismissal was without prejudice and with leave to amend.

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