Software Developer Wins Preliminary Injunction Against the U.S. Navy in Trade Secrets Act Case

Virginia Rocket Docket Blog

RELATED PROFESSIONALS

Robert A. Angle | Dabney J. Carr IV | Laura Anne Kuykendall

We recently about the seeking preliminary relief under the Rocket Docket's procedures. A recent decision from Judge Alston in the Alexandria Division is a good example of the speed in which the court acts in the context of the unique circumstances of a private litigant seeking a preliminary injunction against the U.S. government. CACI, Inc. v. United States Navy, Civil Action No. 1:23CV478 (RDA/IDD), 2023 U.S. Dist. LEXIS 88297 (E.D. Va. May 19, 2023).

The decision touches on a host of issues ranging from the law of trade secrets to the many procedural hurdles a party faces when asserting a claim against the government, while also illustrating how the fight over preliminary relief can, as a practical matter, be case dispositive.

CACI's Proprietary Software

CACI involves a straightforward claim of alleged theft of trade secrets by a software company against its customer, the difference being that the customer in this case was the U.S. Navy. The plaintiff, CACI, developed a complex software application called Automated Data Capture System (ADCS) used to inspect and maintain the Navy's aircraft. In simple terms, ADCS guides a technician through the steps in repairing any of tens of thousands of components in a single aircraft.

ADCS uses a highly complex relational database. One of the most important aspects of a relational database is the database schema, which acts as a blueprint for building the database and understanding how the software manages its data. In ADCS, the database schema must account for every component of an aircraft and how those components affect one another. Because of its proprietary nature, CACI implemented numerous security measures for ADCS and the database schema, including passwords, encryption, confidentiality markings, and strictly limiting the number of its customers' personnel who can access the program.

Over time, the Navy became dissatisfied with ADCS and began the process of developing its own software, called AEW, to replace ADCS. In late 2022 and early 2023, CACI became concerned that the Navy was not ensuring the confidentiality of ADCS. Those concerns culminated in February 2023 when CACI discovered that a contractor working on development of AEW had uploaded portions of the ADCS database schema to a Navy-shared website in violation of the ADCS security procedures. Over the next several weeks, CACI and the Navy had numerous communications about measures that CACI felt the Navy should take to protect the confidentiality of ADCS, but in

April, the Navy informed CACI that it intended to resume its transition to AEW.

CACI Seeks Preliminary Injunction for Alleged Trade Secret Act Violations

After the Navy stopped responding to its inquiries about protecting ADCS' confidentiality, CACI moved swiftly to obtain judicial relief. On April 11, CACI filed suit under the Administrative Procedure Act (APA), claiming that the Navy's actions constituted violations of the Trade Secret Act (18 U.S.C. § 1905) — which is a criminal statute that prohibits the unauthorized disclosure of trade secrets by the government.

CACI served the complaint along with a motion for a preliminary injunction on April 13. Judge Alston ordered the Navy to respond to the preliminary injunction motion by April 28 and held a hearing on the motion on May 10. The Court issued its ruling granting a preliminary injunction on May 19, just over five weeks after CACI filed suit.

Subject Matter Jurisdiction and APA Applicability

CACI faced numerous legal hurdles to obtain a preliminary injunction, the first of which was establishing that the Court had subject matter jurisdiction. The Navy argued that CACI's claim was a contract dispute governed by the Contract Disputes Act (CDA), and so the U.S. Court of Federal Claims had exclusive jurisdiction. The Court rejected that argument because the source of CACI's claim was the APA and alleged violations of the Trade Secrets Act, not its contract with the Navy, and the injunctive relief CACI sought were not contract damages.

Next, CACI needed to establish that the Navy had waived its sovereign immunity. The APA contains a waiver of sovereign immunity, but the Navy claimed that the APA did not apply because there had been no final agency action. Final agency action, the Navy argued, required a formal agency decision-making process. The Court rejected that argument, noting that "agency action" covers every manner in which an agency exercises its power and finding that the Navy's statements that it had decided to move forward with developing AEW to replace ADCS constituted final action.

The APA also required CACI to show either that the Navy's decision clearly determined its rights or obligations, or that legal consequences flowed from the Navy's decision. Judge Alston found that CACI satisfied both criteria. The Navy's decision that it had the right to use the database schema had a concrete impact on CACI's rights and legal consequences for both sides flowed from the Navy's decision.

Finally, relief under the APA required CACI to show it had no other adequate remedy. The Navy argued that CACI could have brought a breach of contract action under the Tucker Act, but the Tucker Act only provides for money damages. The Court had "no problem" finding that the value of ADCS to CACI could not be adequately compensated "by a hypothetical claim in the Court of Claims" under the Tucker Act.

Satisfying Preliminary Injunction Factors

CACI sought a "mandatory" preliminary injunction to require the Navy to take action to protect the secrecy of ADCS, as opposed to the more common "prohibitive" preliminary injunction that seeks to maintain the status quo. The same test applies to both types of injunctions, but mandatory injunctions are disfavored and warranted in only the most extraordinary circumstances. Regardless, Judge Alston concluded that CACI had met its burden on each

of the traditional factors for an award of a preliminary injunction.

First, to show a likelihood of success on the merits, CACI argued that the Navy's decision violated the Trade Secrets Act, and so was "not in accordance with the law" under the APA. The Navy did not contest that it had disclosed ADCS's database schema, and the Court found that CACI had easily met its burden of establishing that the database schema was a trade secret. The only disagreement between the parties was whether the disclosure was authorized by law. The Navy argued that regulations in the Defense Federal Acquisition Regulation Supplement (DFARS), which were incorporated into CACI's contract, gave it an "unrestricted right" to access the database schema, and so authorized any disclosure of the schema.

DFARS, however, only permits the Navy to access "form, fit, and function data" defined as technical data that describes the required overall characteristics of an item. Under DFARS, the definition of "technical data" includes a "computer database" but does not include "computer software." The court had little trouble concluding that the database schema was the blueprint for the database, not the database itself. The database, in contrast to the database schema, was the underlying maintenance information organized by the database schema. Further, it was undeniable that the Navy's disclosure of the database schema involved more than just technical data about the physical characteristics of ADCS as defined in DFARS.

RELATED INDUSTRIES + PRACTICES

- Business Litigation
- Intellectual Property