

Defense rivals waging a trade-secrets war

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ORLANDO -- While the real shooting may be going on in Iraq, two defense contractors are doing a great imitation here in Florida as they snipe at each other in a court case involving the purported theft of trade secrets.

Orlando's [OSI Defense Systems LLC](#) contends in a lawsuit filed in May that a competitor, Centreville, Va.-based [Universal Systems & Technology Inc.](#), broke a confidentiality agreement, lured away OSI employees and stole proprietary information regarding a laser training simulation system, which enabled Universal to land contracts from the U.S. Air Force and U.S. Army.

In response, Universal, which has a Winter Park branch office, has offered up several arguments. The most recent of these is that if OSI wins its case for injunctive relief and damages, it would prevent Universal from completing its contract and therefore harm the nation's national security interests in a time of war.

"One of the concerns during the bid process was that not only can you give us this new and updated gear, but can you do this in this time frame? We need to get this stuff to our troops," Orlando attorney Griffith J. Winthrop III, representing the defendants, told U.S. Magistrate Judge James G. Glazebrook during an Aug. 26 hearing.

According to a transcript of the hearing, Winthrop added: "So I think it's a national security interest in that we have troops waiting at Camp Lejeune, we have troops at Fort Bragg waiting for this equipment; and if we can't produce it, they're not going to have it to train to go fight a war."

Winthrop, of the law firm of Alvarez, Sambol, Winthrop & Madson P.A., was making the argument at a hearing to decide whether the case should be heard in the business division of state court -- as OSI wants -- or in federal court as Universal wants.

Remanded to state court

Judge Glazebrook ultimately sided with OSI, remanding the case to state court partly because Universal could show no overriding reason why a federal court needed to hear the case. He noted during the hearing that despite his express invitation to the government to come and explain its interest in the case, nobody bothered to show up.

"That is consistent with the finding that the federal government really doesn't have an interest in this dispute between private corporations over trade secrets and unfair trade practices," Glazebrook said.

Winthrop declines to talk about active litigation, while Roy Kobert, the Broad and Cassel attorney for the plaintiff, is muted in his remarks.

"It's unfortunate we're in a dispute over our proprietary information," Kobert says. "We're hopeful the court will rule in our favor and protect our intellectual property from unauthorized use."

13 employees hired away

However, OSI's complaint is chock full of the details of what it views as Universal's skullduggery and the perfidy of 13 former OSI employees, who OSI also is suing.

The complaint notes that California-based [OSI Systems Inc.](#) and Orlando-based weapons simulation business [Schwartz Electro-Optics Inc.](#) entered into a purchase agreement for \$3.6 million in July 2003. OSI later formed OSI Defense Systems LLC and assigned the subsidiary the bill of sale and the intellectual property rights acquired from Schwartz in the deal.

This included the proprietary rights to a product known as the Multiple Integrated Laser Engagement System -- known in the industry as the "MILES" training system -- which provides the military, security and police forces with the latest simulation training system for tactical engagement.

The complaint states that OSI (including Schwartz Electro-Optics) and Universal started doing business together in the late 1990s. OSI developed and manufactured the simulation source code, software and products for the training system and Universal was the pass-through bidder selling OSI's products and repair and maintenance services.

In June 2004, Universal sent OSI a letter saying it wanted to acquire OSI, including the weapons simulation business. In turn, OSI required Universal to sign a confidentiality agreement so it could have access to the company for due diligence purposes, the complaint states.

Buyout idea rescinded

A few weeks later, though, Universal decided not to buy OSI, sending a letter on July 7 to that effect, according to the complaint.

Shortly after, the complaint notes, Universal began soliciting OSI employees who had full access to the company's trade secrets.

All 13 of the employees named in the complaint previously had signed non-disclosure and confidentiality agreements, yet breached them when they went to work for Universal, the complaint says.

OSI became convinced of the theft of its proprietary source code and software, in part, after being alerted by another employee who had left OSI to work for Universal, according to the complaint.

That employee, a software engineer who stayed at Universal for just two days in April, discovered on Universal's computers an algorithm he had written while he was a software engineer for OSI, the complaint says.

Besides injunctive relief, OSI is seeking damages from Universal's "unjust enrichment."