

Leidos Says Ex-Workers Stole Secrets For Gov't Contract Bid

By **Bryan Koenig**

Law360, New York (June 22, 2015, 2:35 PM ET) -- Leidos Inc. hit a new contractor and the four former employees who formed it with a lawsuit in Virginia federal court Friday accusing them of stealing sensitive proprietary information in a bid to wrest away a U.S. Federal Highway Administration contract.

Leidos alleged that defendants Julie Evans, Khalid Ahmad, Iman Jaward and Christopher Armstrong stole corporate information while working as Leidos managers on a research contract for the Highway Administration's Saxton Transportation Operations Laboratory, or STOL, in order to bolster their own bid for the next round of the contract with their new company, ITS Roads LLC.

"After working on the government contract for some time, the defendants sought to enrich themselves and parlay their knowledge of the contract by forming their own company, ITS, to compete with Leidos," Leidos said in its complaint. "The individual defendants stole Leidos' business sensitive, proprietary information. They did this by either forwarding Leidos' proprietary information to their home email addresses, or by copying this proprietary information onto personal storage devices."

According to the lawsuit, the alleged unauthorized copying of proprietary information, some of which occurred even after the employees left Leidos, amounts to violations of the Computer Fraud and Abuse Act, the Virginia Uniform Trade Secrets Act and the Virginia Computer Crimes Act.

"Defendants left behind in Leidos' computer system numerous smoking guns demonstrating their theft," Leidos said.

ITSR was registered with the state of Virginia, where both it and Leidos are based, Feb. 13. Shortly after, according to Leidos, the former workers notified their supervisors of their intent to leave the company and compete with their former employer for work on Phase II of the STOL contract.

"Defendants attempted to coerce Leidos into cooperating with their plan. They told Leidos that they were in discussions with one of Leidos' rivals, Booz Allen Hamilton Inc., to team with BAH instead of with Leidos for the STOL II contract," Leidos said. "Defendants later told Leidos that they not only wanted their new company to win the STOL II contract with BAH, but they also wanted to poach some of the current work on the existing STOL contract from Leidos."

Proposals for Phase II are due July 17, Leidos said. The current contract calls for Leidos to provide "management, personnel and third-party team members that analyze test plans for new vehicles at Saxton," according to the complaint. The contractor said that it has been working for months on a

“capture strategy” to win the follow-on contract — a strategy that contains sensitive information and that the former employees helped to develop.

The workers all signed employee intellectual property agreements limiting their use of Leidos' proprietary information and prohibiting them from copying or sending that information for non-business purposes, according to the complaint.

The employees finally resigned their positions to become principals and owners at ITSR May 18, Leidos said. Since then, Leidos alleges, they have sought to poach other Leidos employees to join them in the new company, in part using the proprietary information they stole. Leidos alleged that the employees deleted other vital information from Leidos' servers, which the contractor said was likely either to sabotage Leidos' own contract bid or to cover their tracks.

“Defendants' theft and misuse of Leidos' proprietary information affords defendants many unfair competitive advantages, by allowing defendants to understand or predict Leidos' technical, management, and cost/price proposals,” Leidos said. “Under federal acquisition law, Leidos' confidential information constitutes contractor bid or proposal information and its unauthorized possession by other competitors such as ITSR violates acquisition requirements.”

In addition to the claims under Virginia and federal law, the lawsuit seeks damages for alleged breach of contract, breach of duty of loyalty and fiduciary duty, conversion and business conspiracy.

Leidos is also asking for a preliminary injunction against ITSR to keep it from competing for the new STOL contract.

The injunction, if granted, would force ITSR to return the proprietary information and the devices on which it has been stored for forensic examination and would forbid the defendants from using “any of Leidos' proprietary information for any purposes whatsoever, other than as expressly authorized by Leidos,” Leidos said. Additionally, “defendants shall not assist or participate in any proposal in response to the RFP for the Federal Highway Administration's STOL II competition.”

An attorney representing Leidos did not immediately respond Monday to a request for comment.

ITSR did not immediately respond Monday to a press inquiry.

Leidos is represented by Douglas Paul Lobel of Cooley LLP.

Attorney information for ITSR was not immediately available Monday.

The case is Leidos Inc. v. ITS Roads LLC et al., case number 1:15-cv-00785 in the U.S. District Court for the Eastern District of Virginia.

--Editing by Jeremy Barker.