

Recent Trade Secret Lawsuit Involves Theft Between Rival Hotels

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On February 25, 2020, the owners of Los Angeles luxury hotel, The Peninsula Beverly Hills (Peninsula) filed a motion seeking leave of court to add Hilton Domestic Operating Company, Inc. (Hilton) as a defendant to an ongoing lawsuit. The Peninsula alleges that Hilton engaged in corporate espionage and unfair business practices by stealing thousands of Peninsula trade secrets and proprietary documents to “jump start” the opening of the rival Waldorf Astoria Beverly Hills (Waldorf Hotel), located across the street.

The Peninsula alleges that Hilton, in partnership with its Waldorf Astoria management division, and L.A. property owner Oasis West Realty, LLC, conspired with a former Peninsula manager, Housseem Tasco, to steal thousands of documents, including guest lists, marketing plans, and financials over a period of 14 months with the goal of bringing business to the Waldorf Hotel. Tasco eventually left the Peninsula to join the Waldorf Hotel. The Peninsula alleges that once Tasco finally joined the Waldorf Hotel, he assisted the Hilton in using Peninsula’s stolen information to lure away lucrative Peninsula clients and solicit its employees and continued to use the “Peninsula blueprint” to build up their own hotel operations. Further, the Peninsula alleges that this “scheme” was “successful”, noting that after only one year of operation, the Waldorf Hotel was able to achieve profitability without “the relevant experience or established client base” necessary to succeed in the market.

After discovering the thefts in early 2017, the Peninsula approached Hilton to inquire if it knew anything about the misappropriation of information by Waldorf executives. Hilton responded that after conducting a thorough internal review, they found no trace of any of Peninsula’s proprietary information in their records. In April 2017, the Peninsula sought legal action only against Tasco, believing that he was the only orchestrator of this misappropriation scheme. Only after a two-year legal fight did the Peninsula obtain access to Tasco’s personal computer and phone under covering the Hilton and the Waldorf’s involvement in this scheme. In addition to injunctive relief and compensatory damages, the Peninsula is seeking punitive damages twice the sum of compensatory damages and disgorgement of all the defendants’ ill-gotten gains resulting from this alleged conduct.

TIP: Companies across industries have valuable trade secrets that require protection, even from what seems to be trusted employees, with a high-risk point being when employees leave the company.

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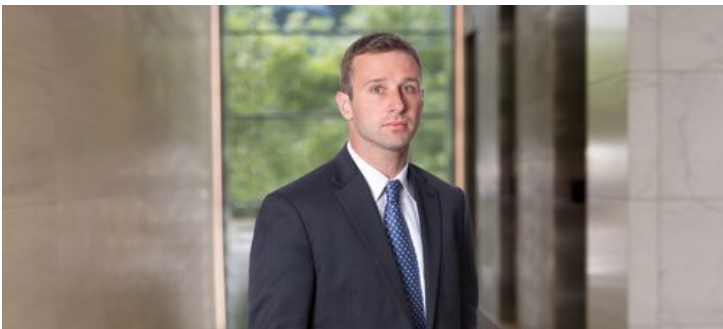
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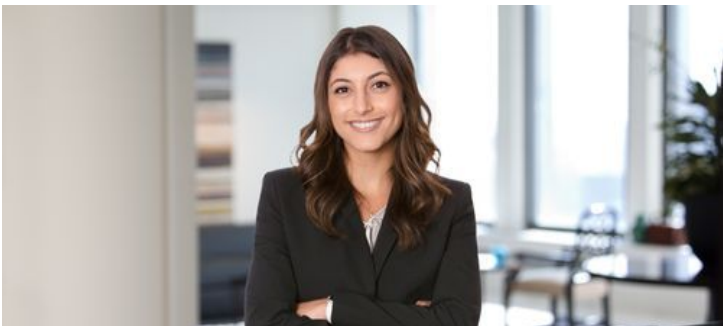
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