Eaton To Pay $147.5M To Settle Trade Secrets Dispute

Jeff Amy, Associated Press

JACKSON, Miss. (AP) -- Power management company Eaton Corp. will pay $147.5 million to settle a long-running trade secret dispute with aerospace firm Triumph Group that exploded into scandal after Eaton lawyers paid to improperly influence an ex-Mississippi state judge who eventually served prison time.

The joint settlement announcement Wednesday by the companies covered the monetary terms but said other parts of the deal are secret. Under the deal, Triumph will dismiss lawsuits in Mississippi and North Carolina brought by what was then Frisby Aerospace. Triumph Group of Berwyn, Pennsylvania, in 1998, acquired the former Frisby, whose operations are based in Clemmons, North Carolina.

Eaton originally sued in 2004 in Mississippi state court. The company claimed Frisby hired six Eaton engineers who stole trade secrets used to make aircraft hydraulic pumps and motors from Eaton's Jackson plant.

The lawsuit was tossed out after it was revealed the company's lawyers were paying former Hinds County District Attorney Ed Peters to improperly influence then-Hinds County Circuit Judge Bobby DeLaughter. The ex-judge was convicted in 2009 for lying to the FBI about discussions with Peters outside of court about a legal-fee dispute involving now-disbarred Mississippi plaintiff's lawyer Dickie Scruggs. DeLaughter was sentenced to 18 months in prison.

Frisby denied Eaton's original claims and countersued in Mississippi state court and federal court in North Carolina, alleging anticompetitive behavior. The lawsuits sought at least $376 million in damages, according to a stock filing in February by Eaton, which was founded in Cleveland but is now based in Ireland.

"We believe it is in the best interests of our shareholders to put this matter behind us," Eaton Chairman and CEO Alexander M. Cutler said in a statement. "We have been pursuing the return of our information and documents for ten years, and we are pleased the information and documents will be returned as part of the settlement."

Federal criminal indictments against the engineers were dismissed in 2012.

Of the money, $135.3 million will go to Triumph, while $12.2 million will go into a settlement fund for distribution to the engineers, subject to court approval.

"The settlement announced today brings to an end almost ten years of costly and burdensome litigation, and should eliminate any doubt about Triumph's right to compete legitimately in the market for aerospace hydraulic pumps and motors and

hydraulic systems," Triumph CEO Jeffry D. Frisby said in a statement.

The Mississippi Supreme Court, in a unanimous decision in 2013, upheld a Hinds County judge's ruling that Eaton knew about and sanctioned secret actions that Peters took to influence DeLaughter, the initial judge on the case. Eaton was fined $1.5 million.

Best known for successfully prosecuting Byron De La Beckwith decades after he murdered civil rights leader Medgar Evers, DeLaughter has been released and now lives in New Orleans.

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