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Business Plans And Strategies As Legally Protected Trade Secrets: Florida and National Perspectives

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BUSINESS PLANS AND STRATEGIES AS LEGALLY PROTECTED TRADE SECRETS: FLORIDA AND NATIONAL PERSPECTIVES

FRANK J. CAVICO*

I.	INTRODUCTION	2
II.	The Common Law – The Restatement of Torts	4
	A. <i>Introduction</i>	4
	B. <i>Overview of the Restatement</i>	6
	C. <i>“Plans and Strategies” Case Law</i>	11
	D. <i>Conclusion</i>	15
III.	STATE STATUTES – THE UNIFORM TRADE SECRET ACT	15
	A. <i>Introduction</i>	15
	B. <i>Overview of the Uniform Trade Secret Act</i>	17
	C. <i>“Plans and Strategies” Case Law</i>	23
	1. THE “INFORMATION” REQUIREMENT	23
	a. <i>“Information” Not Found</i>	23
	b. <i>“Information” Present</i>	25
	2. THE “VALUE” REQUIREMENT	27
	a. <i>“Value” Not Found</i>	27
	b. <i>“Value” Present</i>	32
	3. THE “SECURITY” REQUIREMENT	38
	a. <i>“Secrecy” Not Found</i>	38
	b. <i>“Secrecy” Present</i>	41
	D. <i>Conclusion</i>	46
IV.	THE COMMON LAW – THE RESTATEMENT (THIRD) OF UNFAIR COMPETITION	48
	A. <i>Introduction</i>	48
	B. <i>Overview of the Restatement</i>	49
	C. <i>“Plans and Strategies” Case Law</i>	51
	D. <i>Conclusion</i>	51
V.	FEDERAL STATUTE – THE ECONOMIC ESPIONAGE ACT	52
	A. <i>Introduction</i>	52
	B. <i>Overview of the Economic Espionage Act</i>	53
	C. <i>“Plans and Strategies” Case Law</i>	55
	D. <i>Conclusion</i>	56

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VI. THE LEGAL FEASIBILITY OF BUSINESS PLANS AND STRATEGIES AS TRADE SECRETS 57

VII. PRACTICAL RECOMMENDATIONS 58

 A. *Former Employers* 58

 B. *New Employer* 62

 C. *Employees* 64

VIII. CONCLUSION 65

I. INTRODUCTION

In this mobile, highly competitive, technology-driven, “e-commerce,” entrepreneurial, information age, the preservation of a company’s valuable, proprietary information and knowledge – its intellectual property - emerges as a paramount business concern. Naturally, it requires a great deal of time, effort, and money to create and develop such information and knowledge. This type of proprietary information typically allows a firm to differentiate itself from others, and affords a company a competitive advantage. Yet, for a firm to use efficaciously sensitive information, it typically has to reveal it to a variety of people inside and outside the company. However, a firm certainly does not want this information and knowledge being improperly used by a current or former employee, or third party, or disclosed to a competitor.

Certain types of information can be protected, however, by a wide variety of legal doctrines, such as federal patent, copyright, and trademark law, as well as state contractual covenant not to compete and confidentiality-non-disclosure law. Federal intellectual property law, moreover, has been held by the U.S. Supreme Court not to have preempted state trade secret law.¹ Significantly, the law of trade secrets serves to protect a firm’s valuable proprietary information even when there is no patent or copyright to the material and even when an enforceable contractual covenant not to compete agreement or confidentiality-non-disclosure agreement does not exist. Additionally, trade secrets, as opposed to patents, copyrights, and trademarks,

¹ Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 474 (1974) (patent law). The Copyright Act “preempts only those state law rights that may be abridged by an act which, in and of itself, would infringe one of the exclusive rights provided by federal copyright law.” To escape preemption, a state law claim must require proof of an “extra element” in lieu of or in addition to the acts sated above. “A state law claim is not preempted if the extra element changes the nature of the action so that it is qualitatively different from a copyright infringement claim.” Under the “extra element” test, state law claims of unfair competition based on trade secrets or breach of confidential relationship and fiduciary duty survive preemption.

All Pro Sports Camp, Inc. v. Walt Disney Co., 727 So. 2d 363, 366-67 (Fla. 5th DCA 1999) (citations omitted).

theoretically can endure forever, if properly safeguarded.² The well-versed corporate attorney, business manager, and incipient entrepreneur, therefore, needs to be fully cognizant of all aspects of trade secret law; not only to protect the firm's secret information, but also to avoid becoming entangled in intellectual property legal disputes. The astute observer, in addition, will discern the important fact that a firm's employees, and not only its scientists, engineers, and technological people, are exposed to and acquire valuable proprietary information during the course of their employment. Marketing personnel, for example, regularly utilize highly confidential and valuable information regarding the firm's business plan and marketing strategy.

However, determining whether a firm's business plans and strategies are legally protected trade secrets that belong to the firm, especially in the role of former employer, is an arduous task. The definition and elements to a legal trade secret are not universally agreed upon. There is yet no single trade secret law; rather, there are trade secret laws. Reference must be made to three very important parts of this area of intellectual property law: 1) the common law, especially as exemplified by those states that still adhere to the venerable Restatement of Torts' explication of a trade secret; 2) state statutes, most notably the Uniform Trade Secrets Act, and the cases interpreting that key statute; and 3) a recent federal trade secret statute, the Economic Espionage Act of 1996, and the cases interpreting that significant statute. Additionally, the very new *Restatement (Third) of Unfair Competition*, treats trade secret law as part of the *corpus* of "unfair competition" law. The common law, the statutes, and the cases construing the statutes supply definitions of the foundational term "trade secret," and demonstrate when certain business information can be deemed a legally protected trade secret. From an examination of the statutes and legal precedents, one should be able to discern the relevant legal criteria, and ascertain whether business plans and

² Trade secret law, nevertheless, according to the United States Supreme Court, may provide: Far weaker protection in many respects than patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates "against the world," forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof.

Kewanee Oil Co., 416 U.S. at 489-90.

The protection afforded by the [trade secret] rule stated in this Section is in some respects greater and in some respects less than that afforded by the patent law. It is greater in that it is not limited to a fixed number of years and does not require novelty an invention as in the case of patents. It is less in that secrecy of the process and impropriety of the method of procuring the secret are requisite here but not in the case of patents.

RESTATEMENT OF TORTS § 757, cmt. a (1939).

strategies are trade secrets. If plans and strategies are legally recognized trade secrets, then a firm, especially the former employer, has the legal right to protect this kind of information; and the former employee, as well as his or her new employer, have a legal duty not to disclose or use such information.

This Article, accordingly, will examine trade secret law, and in particular will attempt to ascertain whether a company's business plans and strategies can rise to the level of legally protected trade secrets. If plans and strategies are accorded such legal status, a determination must be made as to the legal rights and responsibilities of the employer, the employee, and the new employer. This Article especially will examine the steps a firm must take to guard the confidentiality of its intellectual property and to help establish its business plans and strategies as legally protected trade secrets.

II. THE COMMON LAW – THE RESTATEMENT OF TORTS

A. Introduction

Pursuant to traditional common law principles, an employee is free to leave his or her job and use the general information and knowledge gained, as well as skills acquired thereby, even in competition with the former employer, so long as there are no elements of unfair competition or contractual restrictive covenant violations involved.³ The common law stood strongly in favor of the right of an employee, upon leaving a firm, to continue to use his or her general information and knowledge, mental ability and aptitude, as well as dexterity, skills, and experience, in a new job or in an entrepreneurial manner.⁴

While he or she was employed, moreover, the common law recognized the employee's right to organize and plan a competing business and even to notify the employer's customers of the new business venture. A former employee possesses the common law right to engage in a competitive

³ See, e.g., *Elm City Cheese Co. v. Federico*, 752 A.2d 1037 (Conn. 1999).

⁴ See *Utah Med. Prods., Inc. v. Clinical Innovations Assocs., Inc.*, 79 F. Supp. 2d 1290, 1312 (D. Utah 1999); *W. Med. Consultants, Inc. v. Johnson*, 80 F.3d 1331, 1337 (9th Cir. 1996); *Christopher M's Hand Poured Fudge, Inc. v. Hennon*, 699 A.2d 1272, 1275 (Pa. Super. Ct. 1997); *Campbell Soup Co. v. Desatnick*, 58 F. Supp. 2d 477, 489-90 (D.N.J. 1999).

"It is well settled that an employer cannot claim as a trade secret an individual's general knowledge of how to do his job." Actual application of the rule is quite difficult, in part because it is affected by issues of fundamental policy in the balancing of the employer's interest in protecting the fruits of research as against the employee's interest in being able to move to a new job.

James Pooley, *The Litigation and Enforcement of Trade Secrets*, 574 PRAC. LAW INST. 619, 624 (1999) (Citations omitted).

business for himself or herself and to enter into competition with the former employer, even for the business of those who previously had been the customers of the former employer, "provided such competition is fairly and legally conducted."⁵ Of course, the common law construed an employee's actual competition against his or her current employer as an actionable breach of the duty of loyalty to that employer.⁶

Finally, the common law recognized that a firm has the right to use its own employees' knowledge and skills that legitimately have been acquired and obtained. "The privilege to compete with others . . . includes a privilege to adopt their business methods, ideas or processes of manufacture. Were it otherwise, the first person in a field with a new process or idea would have a monopoly which would tend to prevent competition."⁷

Yet, the common law also consistently held that an employee owes a duty of good faith and loyalty to his or her employer. Accordingly, during the employment relationship, and even after the employment relationship is terminated, the employee is prohibited from using trade secrets and other confidential business information, acquired in the course of employment, to the detriment of his or her employer.⁸

The common law has long recognized that there is certain vital information that gives a firm a distinct competitive advantage. This information, moreover, very likely was costly and difficult to develop or secure, and thus represents a financial investment by the firm. When an employee, especially a highly sophisticated employee, moves from one firm to another, taking information, knowledge, and skills with him or her, and then shares or uses it at the new company, difficult issues arise as to the legal, ethical, and practical propriety of any disclosure or use. Trade secret law, therefore, poses a complex set of problems regarding the rights and obligations of companies, their competitors, and employees.

Underscoring the importance of this area of the law, the U.S. Supreme Court has commented on trade secret policy concerns. Discussing a Pennsylvania Supreme Court common law decision, the U.S. Supreme Court emphasized "the importance of trade secret protection to the subsidization of research and development and to increased economic

⁵ See *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d. 1111, 1112 (N.D. Cal. 1999).

⁶ See, e.g., *MQS Inspection, Inc. v. Bielecki*, 963 F. Supp. 771, 773 (E.D. Wis. 1995).

⁷ *RESTATEMENT OF TORTS* §757, cmt. a (1939).

⁸ See *Utah Med. Prods., Inc.*, 79 F. Supp. 2d. at 1312.; *Elm City Cheese Co., Inc.*, 752 A.2d at 1037; Thierry Olivier Desmet, *The Economic Espionage Act of 1996: Are We Finally Taking Corporate Spies Seriously*, 22 *HOUS. J. INT'L L.* 93, 102 (Fall 1999) ("At common law, employers had a property right in their trade secrets, and the disclosure of such confidential information in violation of an employment relation was a tort.").

efficiency within large companies through the dispersion of responsibilities for creative development.”⁹ Moreover, the Court articulated; “[t]rade secret law promotes the sharing of knowledge and efficient operation of industry; it permits the individual inventor to reap the rewards of his labor by contracting with a company large enough to develop and exploit it.”¹⁰ Trade secret law, moreover, should not prevent employees from exploiting their own knowledge and skills and pursuing their livelihoods when they leave their present positions.¹¹ Trade secret law, therefore, should encourage competition.¹² Yet, trade secret law should also grant businesses the reasonable protection against unfair trade practices.¹³ One court succinctly underscored the inherent policy problem in trade secret law stating the “conflict between two strong public policies . . . - the policy favoring employee mobility free of encumbering restriction and the policy favoring protection of genuine trade secrets.”¹⁴

The common law courts, therefore, have long struggled with perplexing trade secret questions and conflicting rationales. Trade secret law, of course, was originally articulated and developed by the state courts into a discrete *corpus* of the common law. This body of law, moreover, like many other common law legal doctrines, reflected a judicial balancing of competing interests as well as an attempt to promote fairness in the marketplace. The actual application of these conventional common law rules and rationales, however, emerges as a very challenging modern-day task.

B. Overview of the Restatement

The first significant common law synopsis of trade secret law was achieved in the 1939 *Restatement of Torts*,¹⁵ a compendium and synthesis of common law decisions, as well as an authoritative legal source in and of itself. The *Restatement*, specifically Comment b of section 757, provides the most basic and still widely used definition of a trade secret.¹⁶ A trade secret therein

⁹ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 482 (1974).

¹⁰ *Id.* at 493.

¹¹ *See Utah Med. Prods., Inc.*, 79 F. Supp. 2d. at 1312; *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680, 686 (Cal. Ct. App. 1999).

¹² *See Utah Med. Prods., Inc.*, 79 F. Supp. 2d. at 1312.

¹³ *See id.*

¹⁴ *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d. 1111, 1119-20 (N.D. Cal. 1999).

¹⁵ *RESTATEMENT OF TORTS*, §757 (1939).

¹⁶ *See, e.g.*, *Christopher M's Hand Poured Fudge, Inc. v. Hennon*, 699 A.2d 1272, 1274-75 (Pa. Super. Ct. 1997) (indicating that the Pennsylvania Supreme Court has adopted the *Restatement's* Section 757, comment b, definition of a trade secret); *Brandwynne v. Combe Int'l, Ltd.*, 74 F. Supp. 2d. 364, 376 (S.D.N.Y. 1999) (New York's use of *Restatement*).

may consist of information which is used in one's business and which possesses economic value because it affords a firm an opportunity to secure an advantage over a competitor, who does not know of, or use, the information. This definition, of course, is not an exact one, as the *Restatement* admits. The *Restatement*, however, does enumerate several factors that are to be considered in determining whether certain information is a protected trade secret. These factors include: 1) the extent to which the information is known outside one's business; 2) the extent to which the information is known by employees and others involved with the business; 3) the type and degree of measures taken to guard the secrecy of the information; 4) the value of the information to the company and its competitors; 5) the amount of money and effort expended by the firm in developing this information; 6) and the ease or difficulty with which the information could be acquired or replicated properly by others.¹⁷ The plaintiff trade secret owner, typically a former employer, bears the burden of establishing the existence of such a trade secret.¹⁸

Texas,¹⁹ Pennsylvania,²⁰ and New York²¹ are three jurisdictions that have consistently utilized the *Restatement of Tort's* definition and approach to trade secrets. Significantly, unlike the large majority of other states, Texas, Pennsylvania, and New York still have not explicitly adopted the Uniform Trade Secret Act (UTSA) and its definition of trade secrets.

A trade secret, pursuant to the common law, is any information used in the operation of a business that is in fact secret as well as sufficiently valuable to a company to provide it with a competitive advantage over other firms.²² The common law courts construe a number of factors in determining whether information is a trade secret, to wit: the secrecy of the information, that is, how well is the information known, both inside the firm and outside

¹⁷ See RESTATEMENT OF TORTS § 757, cmt. b (1939); see, e.g., *Christopher M's Hand Poured Fudge, Inc.*, 699 A.2d at 1275; *Brandwynne*, 74 F. Supp. 2d at 376 (S.D.N.Y. 1999) (New York's use of *Restatement* factors); *Ram Prods. Co., Inc. v. Chauncey*, 967 F. Supp. 1071, 1087-88 (N.D. Ind. 1997) ("strategic planning information" of plastics manufacturing firm construed as trade secret under Michigan *Restatement* factors, but insufficient evidence of misappropriation); *State ex. rel. Utils. Comm'n v. MCI Telecomm. Corp.*, 514 S.E.2d 276, 282-83 (N.C. Ct. App. 1999) (*Restatement* factors utilized to construe the following as a trade secret of a communications firm: its business "plans for entering the local market and how quickly it acquires new customers and in which areas of the state [it] is focusing its marketing efforts and the relative effectiveness of these efforts.").

¹⁸ See, e.g., *Christopher M's Hand Poured Fudge, Inc.*, 699 A.2d at 1275.

¹⁹ See, e.g., *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex. 1958), cert. denied, 358 U.S. 898 (1958); *Lawfinders Assoc., Inc. v. Legal Research Ctr., Inc.*, 65 F. Supp. 2d 414, 417-18 (N.D. Tex. 1999).

²⁰ See, e.g., *Christopher M's Hand Poured Fudge, Inc.*, 699 A.2d at 1274-75.

²¹ See, e.g., *Brandwynne*, 74 F. Supp. 2d at 376; *Earthweb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 314 (S.D.N.Y. 1999); *Desmet*, supra note 8, at 103 and cases cited therein.

²² See *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d at 418.

the company; the degree of secrecy, that is, how well-protected is the information from disclosure; the competitive advantage afforded by the information, that is, what value does the information have for the firm and its competitors; the time, money, and effort expended in developing the information; and the difficulty of acquiring or replicating the information by others. Yet, “[w]hen it comes down to actual application of what qualifies as a trade secret, the only time ‘trade secret’ is ever really defined is in litigation.”²³

The “secrecy” factor is naturally a fundamental common law legal criterion. As the *Restatement* succinctly states: “The subject matter of a trade secret must be secret.”²⁴ Secrecy means the information remains neither generally known by others in the same business, nor readily available or accessible by independent investigation.²⁵ Obviously, if information is general or common knowledge, well-known, or publicly revealed, it is not secret.²⁶ Thus, a trade secret owner clearly “must do something to protect itself.”²⁷ Yet, neither absolute secrecy need be achieved, nor are extravagant security measures mandated. Rather, “reasonable” secrecy seems to be the common law case norm, although the original *Restatement* uses the term “substantial.”²⁸ Thus, it is permissible under the common law for a firm to make limited disclosures of proprietary information.²⁹ A confidential communication can be safely made pursuant to an express or implied obligation not to reveal or to disclose the information; and this disclosure can be made to certain employees and select third parties, who need to apply the information for its intended uses, without forfeiting trade secret protection.³⁰ However, a disclosure outside or beyond such a confidential setting may destroy one’s trade secret legal protection.³¹

Misappropriation is another essential element to the common law of trade secrets.³² Misappropriation occurs when a trade secret is obtained by

²³ James Poolcy, *The Top Ten Issues in Trade Secret Law*, 70 TEMP. L. REV. 1181, 1190 (Winter 1997).

²⁴ RESTATEMENT OF TORTS § 757, cmt. b (1939); accord, *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 418 (“A key part of the definition of a trade secret is secrecy.”).

²⁵ See *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 418–19.

²⁶ RESTATEMENT OF TORTS § 757, cmt. b (1939); *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 418.

²⁷ See *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 418.

²⁸ See RESTATEMENT OF TORTS § 757, cmt. b (1939) (“[A] substantial element of secrecy must exist, so that except by the use of improper means, there would be difficulty in acquiring the information.”).

²⁹ See *id.*

³⁰ See *id.*; *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1974); *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 418.

³¹ See *Flotec, Inc. v. S. Research, Inc.*, 16 F. Supp. 2d. 992, 1000 (S.D. Ind. 1998).

³² See RESTATEMENT OF TORTS § 757(a-d) (1939).

another by means of a breach of a confidential relationship, such as the employer-employee relationship,³³ or through improper methods, in the sense of unreasonable, immoral, and devious behavior, such as bribery, theft, wiretapping, and industrial espionage.³⁴ Misappropriation, moreover, occurs when a trade secret is acquired with notice of its mistaken disclosure.³⁵ It is important to note that even if trade secret information can be discerned by experimentation or other fair and lawful means, this type of discovery does not deprive the owner of the legal right to protection from those unscrupulous people who would obtain possession by illegal and unfair means.³⁶ As one federal district court emphasized, an important policy rationale sustaining trade secret protection is “protecting business from breaches of faith and reprehensible means of learning another’s secret.”³⁷

The misappropriated trade secret, of course, then has to be acquired, transmitted, or used; and consequently cause damages or threaten to inflict harm to its rightful owner.³⁸ A court, however, can enjoin the disclosure or use of a trade secret, actual or threatened, regardless of whether the former employee entered into a covenant or agreement restricting the disclosure or use of such information.³⁹

³³ See, e.g., *Christopher M’s Hand Poured Fudge, Inc. v. Hennon*, 699 A.2d 1272, 1276 (Pa. Super. Ct. 1997).

³⁴ See *Kewanee Oil Co.*, 416 U.S. at 476.

³⁵ See *Desmet*, *supra* note 8, at 102.

³⁶ See *Lawfinders Assoc., Inc. v. Legal Research Ctr., Inc.*, 65 F. Supp. 2d. 414, 418 (N.D. Tex. 1998).

³⁷ *Id.*

³⁸ See *id.*; see, e.g., *Christopher M’s Hand Poured Fudge, Inc.*, 699 A.2d at 1275.

³⁹ See *Lexis-Nexis v. Beer*, 41 F. Supp. 2d. 950, 958 (D. Minn. 1999) (“[T]he record clearly demonstrates that [defendant], a sales manager, did not have the kind of intimate familiarity with corporate policies and strategies that might support a finding of inevitable disclosure under prior cases.”); see also *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 417 (stating that plaintiff must establish the following for a preliminary injunction: 1) a substantial likelihood of success on the merits; 2) a substantial threat of irreparable injury; 3) the threatened injury outweighs any damage the injunction might cause the defendant; and 4) the injunction will not disserve the public interest.); *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc.*, 987 S.W.2d 642, 646-47 (Ark. 1999) (“A number of federal cases dealing with trade secrets have held that a plaintiff may prove a claim of trade-secret misappropriation by demonstrating that a defendant’s new employment will inevitably lead him to rely on the plaintiff’s trade secrets.”).

Courts in other jurisdictions have adopted the “inevitable disclosure” rule which permits a former employer to enjoin an employee from working for a direct competitor “where the new employment inevitably will lead [the employee] to rely on the [former employer’s] trade secrets.” In other words, an injunction against the new employment may issue where the new employment is “likely to result” in the disclosure of a former employer’s trade secrets, or where it would be “impossible for an employee to perform his or her new job without using or disclosing those secrets.”

Trade secret common law, however, does not protect information that is publicly obtainable, or information that can be discerned by fair, honest, and reasonable efforts, such as independent invention, research, and development, separate discovery, and the examination and analysis of publicly available information, and products and services accessible for purchase on the market.⁴⁰ One must be very careful, however, when modifying or improving the trade secret of another because:

Electro Optical Indus., Inc. v. White, 90 Cal. Rptr. 2d 680, 684 (Cal. Ct. App. 1999) (alteration in original) (citations omitted); *see also Elm City Cheese Co., Inc. v. Federico*, 752 A.2d 1037, 1048 (Conn. 1999) (upholding three-year injunction pursuant to Connecticut UTSA to prevent misappropriation and disclosure of cheese manufacturing and sales firm's trade secret—its "entire business plan").

Generally, courts can impose two types of injunctions to protect trade secrets. A "use injunction" bars a defendant from using a misappropriated trade secret in the manufacture of a product, but does not otherwise interfere with the defendant's business. A "production injunction," on the other hand, completely bars the defendant from manufacturing the type of product in which the trade secret is utilized. Courts will generally impose the broader production injunction when a trade secret is "inextricably connected" to the defendant's manufacture of the product, because the defendant "cannot be relied upon to unlearn or abandon the misappropriated technology."

Christopher M's Hand Poured Fudge, Inc., 699 A.2d at 1275 (citations omitted).

[C]ircumstances may be such that the likelihood of disclosure or misuse by a competitor appears overwhelming by a court. This has led to the so-called "doctrine of inevitable disclosure" (more accurately, inevitable misappropriation), under which circumstantial evidence of likely misappropriation may be sufficient to support an injunction. Where the doctrine is applied the outcome usually will not be an outright ban on employment, but a more limited injunction that permits the employee to go to work but forbids participation in some particular product line or area of the business.

Pooley, *supra* note 4, at 630-31.

"Inevitable disclosure" is a doctrine that holds that the threat of misuse can result in an injunction, even though there has not been any actual misappropriation of a trade secret, and even though the defendant, usually an individual employee who has moved from one place, swears that he is not going to do it. The reason that the injunction is granted nevertheless is that the court feels that from the circumstances presented, there is no way that the guy will not misuse the information. The court is saying, "You cannot do your job and not misappropriate trade secrets." It is not a new doctrine, but it has received a lot of recent use . . .

Pooley, *supra* note 23, at 1186. *Contra*, *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1120, 1123 (N.D. Cal. 1999) ("In sum, the Court holds that California trade-secrets law does not recognize the theory of inevitable disclosure; indeed such a rule would run counter to the strong public policy in California favoring employee mobility. A trade-secrets plaintiff must show an actual use or an actual threat.").

⁴⁰ *See Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974); *Brandwynne v. Combe Int'l, Ltd.*, 74 F. Supp. 2d 364, 377 (S.D.N.Y. 1999); *Flotec, Inc. v. S. Research, Inc.* 16 F. Supp. 2d 992, 1000 (S.D. Ind. 1998); *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d at 418; Dale P. Olson, *Common Law Misappropriation in the Digital Era*, 64 MO. L. REV. 837, 864 (Fall 1999) (noting that information cannot be "part of the general body of knowledge in an industry").

To subject a person to liability . . . for the use of another's trade secret, there is no requirement that he use it in exactly the form which he received it. He may be liable even if he uses it with modifications or improvements upon it effected by his own efforts. Differences in detail do not preclude liability if, substantially, the process used by the actor is derived from the other's [trade] secret⁴¹

Culpability may be avoided, or at least mitigated, when the trade secret's contribution to the creation and development process is "so slight that the actor's process can be said to be derived from other sources"⁴² "Reverse engineering," finally, wherein a skilled and knowledgeable person inspects and studies a product or service and ascertains how to produce it, by working backward to divine the developmental and manufacturing processes, is permissible pursuant to the common law.⁴³ Reverse engineering is "even encouraged under trade secret law."⁴⁴

C. "Plans and Strategies" Case Law

Business plans and strategies, especially involving marketing the firm's products and services, have been held by the courts to constitute common law trade secrets in particular circumstances. Although dicta, the U.S. Supreme Court has noted the viability and rationale for marketing data, operational plans, and advertising campaigns as legally protected trade secrets.

It is hard to see how the public would be benefited by the disclosure of customer lists or advertising campaigns; in fact, keeping such items secret encourages businesses to initiate new and individualized plans of operation, and constructive competition results. This, in turn, leads to a greater variety of business methods than would

⁴¹ RESTATEMENT OF TORTS § 757, cmt. c (1939).

⁴² *Id.*

⁴³ See *Kewanee Oil Co.*, 416 U.S. at 476; *Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 418; Olson, *supra* note 40, at 866 ("Any disclosure by fair means, including reverse engineering and disassembly of an object, may defeat the continued existence of trade secret protection.").

⁴⁴ *Flotec, Inc.*, 16 F. Supp. 2d. at 1000. *But see* *La Calhene, Inc. v. Spolyar*, 938 F. Supp. 523, 529-30 (W.D. Wis. 1996) ("possibility of reverse engineering a trade secret is a factor in determining how long injunctive relief should last, but it does not establish necessarily that information is not a trade secret.").

otherwise be the case if privately developed marketing and other data were passed illicitly among firms involved in the same enterprise.⁴⁵

Moreover, the Court related:

The holder of a trade secret would not likely share his secret with a manufacturer who cannot be placed under binding legal obligation to pay a license fee or to protect the secret. The result would be to hoard rather than to disseminate knowledge . . . , thereby depriving the public of the maximum benefit of its use, or engage in the time-consuming and economically wasteful enterprise of constructing duplicative manufacturing and marketing mechanisms for the exploitation of the invention.⁴⁶

The Supreme Court's general pronouncements set the stage for the current application of the common law to concrete "plans and strategies" trade secret disputes.⁴⁷ For example, *Lawfinders Associates, Inc. v. Legal Research Center*, a federal district court decision applying Texas trade secret common law, stands for the basic proposition that for information to qualify as a trade secret, it must in fact be "secret."⁴⁸ *Lawfinders Associates, Inc.* involved a dispute, arising out of a failed merger, between two competing firms that provided legal research and writing services to attorneys. The plaintiff, Lawfinders, sought an injunction against the defendant, Legal Research Center, contending in relevant part that plaintiff's "direct response market strategy, using free evaluations and fixed fee pricing, coupled with its specific results-based guarantee, constitutes a trade secret."⁴⁹ The court noted, however, that the plaintiff's Chief Executive Officer testified that for the previous four years, and before the merger discussions, the company had publicly disclosed the information at issue, in its advertising and even in an article by the CEO to a legal publication.⁵⁰ The court, accordingly, concluded that the information was neither private nor secret; and thus refused to enjoin the defendant firm from "utilizing information in the public domain."⁵¹

⁴⁵ *Kewanee Oil Co.*, 416 U.S. at 483.

⁴⁶ *Id.* at 486-87.

⁴⁷ *See Lawfinders Assoc., Inc.*, 65 F. Supp. 2d. at 414.

⁴⁸ *See id.* at 418.

⁴⁹ *Id.* at 423.

⁵⁰ *See id.* at 422-23.

⁵¹ *See id.* at 423.

Christopher M's Hand Poured Fudge v. Hennon,⁵² a Pennsylvania case, involved a firm's valuable gourmet fudge recipe and attendant manufacturing, marketing, customer, and financial information, which the firm took adequate precautions to keep secret.⁵³ A key employee, described by the court as the owner's "right-hand man," and one of the few employees with access to private information, was terminated (the parties dispute whether he was fired or voluntarily resigned). Apparently he "stole" numerous computer files and other documents that contained confidential information.⁵⁴ The defendant employee, "right-hand man," not only stole the recipe and the manufacturing standards and processes, but also the firm's business plans, expansion plans, market and financial analysis reports and projections, market trend reports, customer lists and customer files, as well as a whole host of other confidential information.⁵⁵ Actually, when reading the decision, one is hard-pressed to discern any potentially valuable proprietary information that the defendant, whose job duties included "the sensitive task of typing certain secret information into (plaintiff's) computer system . . . ," did not steal.⁵⁶ Consequently, the court found all the aforementioned information to be legally protected trade secrets; the plaintiff needed "absolute protection" therefore; and the court thereby upheld the lower court's permanent injunction against the defendant, forbidding him from engaging in the manufacture and sale of any type of fudge.⁵⁷

In *Earthweb v. Schlack*,⁵⁸ the federal district court applied the common law *Restatement* approach to a New York dispute between an Internet information technology website firm and its former vice-president responsible for website content. The court stated that the firm's "strategic content planning," including its "strategic thinking" behind the company's websites, and its overall business plan, "could be afforded trade secret protection" based on the *Restatement's* six factor test.⁵⁹ Moreover, the court noted: "in some contexts, courts have found that particularized marketing plans . . . may constitute trade secrets."⁶⁰ However, the court refused to issue the requested injunctive

⁵² 699 A.2d 1272 (Pa. Super. Ct. 1997).

⁵³ *See id.* at 1275 ("The precautions that he followed included: keeping only one written copy of the recipe and storing off the premises of his business . . . compartmentalizing the manufacturing process, so that most employees would know only the portion of the recipe relating to their specific manufacturing tasks . . . and revealing the entire recipe to very few key employees.").

⁵⁴ *See id.* at 1274-76.

⁵⁵ *See id.*

⁵⁶ *See id.* at 1276.

⁵⁷ *See id.* at 1277.

⁵⁸ 71 F. Supp. 2d. 299 (S.D.N.Y. 1999).

⁵⁹ *See id.* at 314-16.

⁶⁰ *Id.* at 314.

relief because the company failed to establish any imminent or inevitable risk of disclosure or use of the trade secrets by its former vice-president at a competing firm.⁶¹

*Brandwynne v. Combe International, Ltd.*⁶² is another federal district court case applying New York trade secret common law, specifically the *Restatement's* six factor trade secret "test."⁶³ *Brandwynne* involved a plaintiff, the creator of a non-medicinal vaginal moisturizer, who wished to enter into a joint venture agreement with the defendant, a large health and beauty manufacturer and distributor, to produce and market the plaintiff's idea.⁶⁴ The plaintiff shared her asserted "niche" concept, in a detailed forty page plus document, which included not only the product, but also target market segments and proposed advertising, prices structures, and distribution channels, with the defendant firm; but the defendant rejected the plaintiff's joint venture proposal.⁶⁵ Soon thereafter, the defendant began to develop and market a comparable product, prompting the plaintiff to sue for misappropriation of trade secrets, among other causes of action.⁶⁶ The federal district court, however, disposed of plaintiff's trade secret claim on summary judgment for two related reasons. The court first indicated that under New York law, for an idea to be protected as a trade secret, it must demonstrate "novelty and originality."⁶⁷ As stated by the court: "[b]ecause non-novel ideas are not 'property,' they cannot be stolen.' Ideas which are not novel 'are in the public domain and may freely be used by anyone with impunity.'"⁶⁸ Moreover, whether an idea is novel is a question of law for the court which can be decided on a motion for summary judgment.⁶⁹ Here, the plaintiff's idea lacked novelty because the defendant firm "produced a mountain of evidence showing that vaginal moisturizers and lubricants similar to [plaintiff's] Very Privatem had been produced and marketed prior to [plaintiff's] negotiations with [defendant]."⁷⁰ To bolster the "non-novel" legal case against plaintiff, the court pointed to the *Restatement's* six criteria used to ascertain whether information is a trade secret. The court specifically applied factor number one (the extent to which information is known outside the business) and six (the ease or difficulty with which the

⁶¹ See *id.* at 315.

⁶² 74 F. Supp. 2d. 364 (S.D.N.Y. 1999).

⁶³ See *id.* at 376.

⁶⁴ See *id.* at 366.

⁶⁵ See *id.*

⁶⁶ See *id.* at 369.

⁶⁷ See *id.* at 374.

⁶⁸ *Id.* at 375 (citations omitted).

⁶⁹ See *id.*

⁷⁰ *Id.* at 375-76.

information can be properly acquired or duplicated by others), and based on the facts, came to the “inescapable conclusion” that the plaintiff’s concept was not entitled to protection under the state’s trade secret law.⁷¹ Secondly, the court declared that “[a]ssuming, arguendo, that [plaintiff’s] marketing concept and product were novel, original and confidential at the time she conceived them and disclosed them to [defendant], they would have certainly entered the public domain when the product was placed on sale and disclosed to the public in a marketing campaign.”⁷² The court continued: “Once a trade secret is marketed and readily visible and ascertainable upon inspection in the open market, it is no longer protected.”⁷³ Consequently, since the plaintiff failed to meet “this threshold test of novelty,” the misappropriation of trade secret claim was dismissed.⁷⁴

D. Conclusion

Even the succinct common law and *Restatement* explication conducted herein should serve to demonstrate that non-scientific and non-technical type of information, such as business plans and strategies, have been, still are, and will be protected and fostered by traditional trade secret law.

III. STATE STATUTES – THE UNIFORM TRADE SECRET ACT

A. Introduction

In the 1970s, the creators of the second version of the *Restatement of Torts*, the *Restatement (Second) of Torts* (which was formally promulgated by the American Law Institute in 1977), failed to include the traditional trade secret *Restatement* language, “having concluded that the law on unfair competition had developed to the extent that it was outside the purview of general tort law.”⁷⁵ For many years, therefore, there was neither an up-to-date common law compendium, nor any uniform state statutory treatment, pertaining to trade secrets. In 1979, however, the National Conference of Commissioners on Uniform State Laws, in an attempt to codify the common law, proposed the Uniform Trade Secret Act (UTSA) for adoption by the states.⁷⁶ Since then, forty one states and the District of Columbia have adopted trade secret

⁷¹ See *id.* at 376.

⁷² *Id.* at 377.

⁷³ *Id.*

⁷⁴ See *id.*

⁷⁵ Pooley, *supra* note 4, at 623.

⁷⁶ See UNIF. TRADE SECRETS ACT, 14 U.L.A. 433 (1990); Pooley, *supra* note 4, at 623.

statutes modeled on the UTSA.⁷⁷ The UTSA, in fact, generally does resemble the definition of a trade secret as well as the pertinent standards as set forth in the *Restatement of Torts* and the common law.⁷⁸ The UTSA provides civil remedies⁷⁹ for the misappropriation⁸⁰ of a trade secret.⁸¹ An essential aspect of the UTSA's trade secret definition is whether the owner thereof took reasonable measures to maintain the secrecy of the purported trade secret.⁸² If a company's legally preserved and protected intellectual property has been wrongfully infringed upon, the UTSA allows the wronged firm to obtain an injunction prohibiting further use of the trade secret by the misappropriating party. The UTSA also allows for the recovery of damages in the amount of actual losses related to the misuse, as well as punitive damages and attorneys fees.⁸³ One federal district court, commenting on a state act, underscored two important policy reasons for affording statutory legal protection to "commercial intangibles" such as trade secrets: "to prevent exploitation by reprehensible business methods and to encourage innovation."⁸⁴

⁷⁷ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995) (listing of jurisdictions adopting UTSA); § 688.001-.009 Fla. Stat. (2000) (listing of jurisdictions); see also Desmet, *supra* note 8, at 102; Vincent Chiappetta, *Myth, Chameleon or Intellectual Property Olympian? A Normative Framework Supporting Trade Secret Law*, 8 GEO. MASON L. REV. 69, 72 (Fall 1999).

⁷⁸ See David P. Hathaway, Comment, *Is the North Carolina Trade Secrets Protection Act Itself a Secret, and Is the Act Worth Protecting?* 7 N.C. L. REV. 2149, 2154 (1999) (comparative analysis of UTSA with North Carolina statute and other jurisdictions). On the other hand, Pooley states:

This [UTSA trade secret] definition differs from the *Restatement of Torts* in three significant ways: first, it clearly protects "negative information" [also known as 'blind alleys' – knowing what not to do]; second, it requires the plaintiff to prove it took reasonable efforts to protect secrecy; and third, it protects information that is not presently in commercial use, as long as it has economic value.

Pooley, *supra* note 4 at 623.

⁷⁹ See Desmet, *supra* note 8, at 105 ("The main advantage of the UTSA over the common law is that it allows an aggrieved party to sue and recover from a third party that has accepted stolen information.").

⁸⁰ See Pooley, *supra* note 4, at 623 ("misappropriation" broadly defined); Hathaway, *supra* note 78, at 2155-56 (comparative analysis of "misappropriation" in state trade secret statutes); Desmet, *supra* note 8, at 105 ("The UTSA defines misappropriation similarly to the *Restatement*, but provides examples of what 'improper means' . . .").

⁸¹ See Hathaway, *supra* note 78, at 2168-69 ("[J]udicial interpretation of the 'trade secrets' definition is generally sparse across the U.S. In fact, eighteen states have not interpreted the definition in their trade secret statutes at all. . . .").

⁸² See *id.* at 2174-75 ("Usually, the most heavily litigated issue in trade secret cases is whether an owner tried to protect the trade secret.").

⁸³ See *id.* at 2163 ("Most states generally adopt the UTSA approach to the issues of injunctive relief, damages, and attorneys' fees.").

⁸⁴ *Glasstech, Inc. v. TGL Tempering Sys., Inc.*, 50 F. Supp. 2d. 722, 729 (N.D. Ohio 1999.).

The prevailing case law appears to indicate that Uniform Trade Secret Act was intended to preempt all other civil non-contractual causes of action based on the misappropriation of trade secrets.⁸⁵

B. Overview of the Uniform Trade Secret Act

For the purposes of this article, the Uniform Trade Secret Act as adopted by Florida in 1988 will be the principal statutory version examined.⁸⁶ The Florida Trade Secret Act defines a trade secret as:

[I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process . . . that: (a) . . . [d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and (b) . . . is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.⁸⁷

Demonstrating this statutory denotation as well as the other elements to a misappropriation cause of action typically is the asserted owner's, usually the former employer's, responsibility.⁸⁸ In order to prevail, the employer must establish the necessary facts, ordinarily by a preponderance of the evidence.⁸⁹ The existence of a trade secret pursuant to the UTSA ordinarily is a question of fact because a trade secret "necessarily involves the 'factual

⁸⁵ See, e.g., *All Pro Sports Camp, Inc. v. Walt Disney Co.*, 727 So. 2d 363, 367 (Fla. 5th DCA 1999) ("Florida's Uniform Trade Secrets Act displaces tort law regarding trade secret misappropriation."); *Micro Display Sys., Inc. v. Axtel, Inc.*, 699 F. Supp. 202, 205 (D. Minn. 1988) (Minnesota UTSA held to displace all common law causes of action predicated on the misuse or misappropriation of trade secrets).

⁸⁶ See § 688.001 *et seq.*, Fla. Stat. (Supp. 2000); see generally T. Barber, *Beyond Noncompete Agreements: Using Florida's Trade Secrets Act to Prevent Former Employees from Disclosing Sensitive Information to Competitors*, FLA. B.J., Mar. 1998, at 10f.

⁸⁷ § 688.002(4), Fla. Stat. (Supp. 2000); see also, *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680, 684 (Cal. Ct. App. 1999) (comparable California UTSA trade secret definition).

Other states have added to their definition of "trade secrets" by naming tangible or specific objects. For example, Colorado and Ohio include "listing of names, addresses, or telephone numbers." The Oregon statute includes drawings, cost data, and customer lists. Idaho specifically includes computer programs to the UTSA definition, as do Montana and North Dakota.

Hathaway, *supra* note 78, at 2158-59.

⁸⁸ See, e.g., *Am. Red Cross v. Palm Beach Blood Bank, Inc.* 143 F.3d 1407, 1411 (11th Cir. 1998) (plaintiff in trade secret action bears burden of demonstrating both that the specific information it needs to protect is secret and that it has taken reasonable steps to protect this secrecy).

⁸⁹ See, e.g., *ALTA Analytics Inc. v. Muuss*, 75 F. Supp. 2d. 773, 785 (S.D. Ohio 1999).

question of whether the 'secret' of the information has been maintained and the ease or difficulty of obtaining the information from other sources."⁹⁰ The question of whether a trade secret was used or disclosed improperly is also a question of fact.⁹¹

This statutory definition is broad, and encompasses potential as well as actual independent economic value, and even "negative" value. A company, therefore, can secure recognition and protection of trade secrets not yet implemented, or which perhaps it never chooses to realize. In addition, the confidentiality of obstacles and dead-ends reached in planning, research, and development can be maintained so as to prevent competitors from securing an advantage by eliminating any comparable costly errors or miscalculations.⁹² Ownership of a trade secret, moreover, need not be exclusive; the fact that it neither is generally known nor readily ascertainable is sufficient.⁹³ One commentator has construed the UTSA's "value" requirement as a "relatively low threshold," because "there is no significant quantitative assessment of value. Nor is there any review of the information for novelty or non-obviousness, as is the case under patent law; nor for originality, as under copyright law."⁹⁴ It is interesting to note, finally, that neither the UTSA nor the Florida statutory version explicitly mentions the presumably still valid common law "defenses" of independent creation and development or reverse engineering.⁹⁵ Some states, however, do expressly incorporate the common law defenses into their state Acts.⁹⁶

⁹⁰ *Nilssen v. Motorola, Inc.*, 963 F. Supp. 664, 675 (N.D. Ill. 1997).

The existence of a trade secret under the Kansas Uniform Trade Secrets Act is a question of fact for determination by the trier of fact. Whether customer information is generally known or readily ascertainable is a question of fact. Similarly, whether the possessor of such information has taken reasonable steps to protect its secrecy is also a question of fact.

BioCore, Inc. v. Khosrowshahi, 96 F. Supp. 2d. 1221, 1224 (D. Kan. 2000).

⁹¹ *BioCore, Inc.*, 96 F. Supp. 2d. at 1224.

⁹² See, e.g., *Nilssen*, 963 F. Supp. at 683 (citations omitted) ("Indeed, Motorola might face liability for misappropriation under [Illinois UTSA] even if it used [inventor's] trade secrets 'only to demonstrate what pitfalls to avoid.'"); see also *Olson*, *supra* note 40, at 865 (The UTSA includes "within the definition of 'trade secret' information which has a negative value, such as the realization that a process is ineffective or a list of customers who do not purchase the competitor's products."); Jennifer L. Blackman & Patricia M. Thayer, *Avoiding Trade Secret Problems When Hiring*, Vol. 16 *COMPUTER LAW*, 8, 10 n.14 (Nov. 1999) (discussion and cases concerning "negative value").

⁹³ See, e.g., *Health Care Mgmt. Consulting, Inc. v. McCombes*, 661 So. 2d 1223, 1226 (Fla. 1st DCA 1995), *rehearing denied*, 670 So. 2d. 938 (1995) (consultant's purported confidential method of presenting and interpreting Medicare regulations to clients in home health care industry was not a trade secret because essence of claim concerned interpretation of federal regulations which was readily ascertainable through researching Code of Federal Regulations).

⁹⁴ *Chiappetta*, *supra* note 77, at 77.

⁹⁵ See *Hathaway*, *supra* note 78, at 2158; *Chiappetta*, *supra* note 77, at 78.

⁹⁶ See CAL. CIVIL CODE § 3426.1(a) (West 1999) ("reverse engineering" and "independent

Trade secret law under the UTSA is a conditional legal *corpus*. Accordingly, the trade secret owner must take "reasonable" security measures, both internal and external, to meet the statutory trade secret definition. Insufficient security steps and procedures, therefore, will jeopardize the employer's ability to pursue legal relief. Yet, protective measures do not have to be absolute, extreme, or even state-of-the-art, only "reasonable";⁹⁷ and thus a company (or individual inventor or entrepreneur) has some flexibility as to security, depending on size, type of information, the nature of the business, and the expense and effort involved. A firm or individual definitely is not required to protect against unanticipated, unforeseeable, undetectable, and unpreventable modes of discernment and disclosure.⁹⁸ However, as a practical "secrecy" matter, according to one commentator, "taking substantial protective steps is vitally important. In many trade secret disputes, the holder's efforts to preserve secrecy are a key point of attack. Omissions are frequently difficult to justify as 'reasonable' in retrospect. Consequently, holders of valuable trade secrets normally take many self-help protective measures . . ."⁹⁹ The issue of secrecy, finally, is regarded as a question of fact to be determined by the trier of fact based on the circumstances of each case.¹⁰⁰

Trade secret law involves two fundamental tests: one is ascertaining whether a trade secret exists; and the second is determining whether it was misappropriated. That is, in addition to proving the existence of a legally defined trade secret, the owner, typically a company, must show that some person, usually a former employee working with a new employer, has actually misappropriated the trade secret or is "threatening" to misappropriate it.¹⁰¹ Generalized knowledge of a firm's business plan and marketing information, however, does not equal "misappropriation," because "the law will not prevent competition just because a former employee has the

derivation" not considered as "improper" means).

⁹⁷ See Chiappetta, *supra* note 77, at 77; see also Pooley, *supra* note 23, at 1184 ("[T]he law on trade secrets is flexible enough to say, 'Well, we deal in relative secrecy, not absolute secrecy. . . .'").

⁹⁸ See, e.g., *Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc.*, 923 F. Supp. 1231, 1254 (N.D. Cal. 1995); *Rockwell Graphic Sys., Inc. v. Dev. Indus., Inc.*, 925 F.2d 174, 180 (7th Cir. 1991).

⁹⁹ Chiappetta, *supra* note 77, at 77.

¹⁰⁰ See *Motor City Bagels, L.L.C. v. Am. Bagel Co.*, 50 F. Supp. 2d 460, 480 (D. Md. 1999).

¹⁰¹ Plaintiff has not shown that defendant has actually misappropriated any of its trade secrets, that is, put them to use. Plaintiff does not need to make this showing in order to obtain a preliminary injunction. It is sufficient to show the threat of misappropriation. The threat of misappropriation is very real. Defendant's position with plaintiff gave him such intimate knowledge of plaintiff's research, product development, finances, marketing strategies and pricing information that it is all but inevitable that he will use that knowledge during his work with [new employer] or any other competitor, so long as he is selling a competing product.

La Calhene, Inc. v. Spolyar, 938 F. Supp. 523, 530-31 (W.D. Wis. 1996).

potential to be an immediate competitor.”¹⁰² Legally recognized “misappropriation” clearly occurs when a person acquires another’s trade secret, uses it, and knows, or has reason to know, that the trade secret was acquired by improper means.¹⁰³ Motive therefore, specifically improper motive, is an important feature to the statute. Improper means include theft, bribery, fraud and misrepresentation, breach or an inducement of a duty of secrecy, and espionage, physical or electronic.¹⁰⁴ Misappropriation, however, also occurs when a trade secret is disclosed or used without express or implied consent by a person who owed a legal duty to maintain the secrecy of the information.¹⁰⁵ Bribery, theft, and industrial espionage obviously are improper “misappropriation” means.¹⁰⁶ When a former employee reveals a former employer’s trade secret to the new employer in violation of a duty of confidentiality, statutorily impermissible “misappropriation” has resulted.¹⁰⁷ However, merely evaluating another’s trade secret, especially if pursuant to a confidentiality agreement, does not rise to the level of “misappropriation.”¹⁰⁸ Yet, it is not necessary to a successful cause of action that the alleged misappropriator copy the trade secret exactly.¹⁰⁹ Rather, one can be held liable as a misappropriator, even if he or she uses a trade secret “with modifications or improvements effected upon it by his [or her] own efforts, so long as the substance of the process used by the actor is derived

¹⁰² *Utah Med. Prods., Inc. v. Clinical Innovations Assocs., Inc.*, 79 F. Supp. 2d. 1290, 1313 (D. Utah 1999).

¹⁰³ See § 688.002(2)(a), Fla. Stat. (Supp. 2000); see also, *Religious Tech. Ctr.*, 923 F. Supp. at 1250 (misappropriation defined and explained pursuant to California UTSA); *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc.*, 987 S.W.2d 642, 646 (Ark. 1999) (misappropriation defined and explained pursuant to Arkansas UTSA); *Utah Med. Prods., Inc.*, 79 F. Supp. 2d. at 1311-13 (Utah UTSA); *Nilssen v. Motorola, Inc.*, 963 F. Supp. 664, 679 (N.D. Ill. 1997) (Illinois UTSA); *Blackman & Thayer*, *supra* note 92, at 9 n.2 (“UTSA contains an actual or constructive standard for liability.”).

¹⁰⁴ See § 688.002(1), Fla. Stat. (Supp. 2000); see, e.g., *Int’l Monetary Exch., Inc. v. First Data Corp.*, 63 F. Supp. 2d. 1261, 1264-65 (D. Colo. 1999) (corporate victim of fraudulent scheme had standing to sue for misappropriation of trade secrets, based on defendant corporation’s attempt to purposefully cause the bankruptcy of joint venture type firm, possessing plaintiff’s valuable business plans, in order to wrongfully acquire business plans).

¹⁰⁵ See § 688.002(2)(b), Fla. Stat. (Supp. 2000); *Nilssen*, 963 F. Supp. at 679 (Illinois UTSA).

¹⁰⁶ Bad acts misappropriation rests on public order and “commercial privacy” objectives.

The former provides cost-effective “private” support to criminal and tort law deterrence of acts that threaten public order by preventing the use of the information that triggered the act. The latter promotes economic efficiency by replacing private self-help with less costly legal rights.

Chiappetta, *supra* note 77, at 73.

¹⁰⁷ See § 688.002(2)(b), Fla. Stat. (Supp. 2000); *Nilssen*, 963 F. Supp. at 679; *Chiappetta*, *supra* note 77, at 78.

¹⁰⁸ See *Nilssen*, 963 F. Supp. at 682.

¹⁰⁹ See *id.* at 683.

from the other's secret."¹¹⁰ Most interestingly, moreover, authority exists for the proposition that "the placement of key employees in a position where they might assimilate a trade secret permits an inference of misappropriation."¹¹¹ The party asserting misappropriation, finally, who is typically the former employer, must establish the existence of a trade secret and each trade secret factor to sustain his or her "misappropriation" cause of action.¹¹²

The civil remedies provided by the Act include an injunction against actual or threatened misappropriation, as well as various types of monetary damages - actual, unjust enrichment, "reasonable royalty," and punitive, as well attorney's fees.¹¹³ Actual damages are, of course, the victim's actual loss; and the unjust enrichment element is the amount of unjust enrichment not taken into account in computing this actual loss.¹¹⁴ Thus, a court awarding damages can consider the trade secret owner's loss, the misappropriator's gain, or both. Alternatively, in lieu of the preceding measurements to damages, the aggrieved party's damages may be measured by the imposition of a reasonable royalty for the misappropriation.¹¹⁵ In addition, if the misappropriation was willful and malicious, a court may award punitive damages.¹¹⁶ Attorney's fees, finally, although not mandated by the statute,

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *See, e.g.,* Utah Med. Prods., Inc. v. Clinical Innovations Assocs., Inc., 79 F. Supp. 2d. 1290, 1312 (D. Utah 1999) ("[P]laintiff must substantiate more than vague and unsubstantiated allegations . . . in order to satisfy its burden"); Lexis-Nexis v. Beer, 41 F. Supp. 2d. 950, 958 (D. Minn. 1999); Noah v. Enesco Corp., 911 F. Supp. 299, 304 (N.D. Ill. 1995) ("The plaintiff has the burden of proving that its trade secrets are in fact 'secret.'").

¹¹³ *See* § 688.004(1), Fla. Stat. (Supp. 2000).

¹¹⁴ *See id.*

¹¹⁵ *See id.*

Maryland UTSA "provides that damages caused by misappropriation alternatively 'may be measured by imposition of a liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.'" Under this provision, the plaintiffs in the case at bar are entitled to monetary damages in the form of royalties as a result of the defendants' unauthorized distribution of their business plan to prospective franchisees.

Motor City Bagels, L.L.C. v. Am. Bagel Co., 50 F. Supp. 2d. 460, 480 (D. Md. 1999) (citations omitted); *see also* Chiappetta, *supra* note 77, at 79 ("In a significant departure from the traditional approach, the UTSA also incorporates a compulsory licensing remedy. If a court finds that prohibiting future use would be unreasonable under the circumstances of the case, it has the authority to permit continued use conditioned upon payment of a reasonable royalty.")

¹¹⁶ *See* § 688.004(2), Fla. Stat. (Supp. 2000) (but punitive award not to exceed twice the actual and/or unjust enrichment award); *see also* Elm City Cheese Co., Inc. v. Federico, 752 A.2d 1037, 1055 (Conn. 1999) (punitive award of \$300,000 upheld under Connecticut UTSA for willful, knowing, and malicious misappropriation, "amply supported by the record," of family cheese manufacturing firm's trade

may be awarded by a court in a reasonable amount to the prevailing party if the misappropriation was willful and malicious or a claim of misappropriation is made in bad faith.¹¹⁷ The potential for injunctive relief is a very important remedial feature of the Act.¹¹⁸ It is important to note that an injunction may issue independently, based on a violation of the trade secret act, even when a contractual covenant not to compete does not exist,¹¹⁹ “which some people have likened to the ‘sky is falling’ because they see it as the judicial imposition of non-compete covenants that never existed in the first place.”¹²⁰ Moreover, the Act permits an injunction to issue not only for actual misappropriations, but also for “threatened” (at times referred to as “inevitable”) wrongful appropriations.¹²¹ A firm, therefore, does not have to delay and tolerate a former employee disclosing valuable proprietary information before securing an injunction. An injunction, moreover, can be granted for the duration of time it would have taken the misappropriator to discover the trade secret through lawful methods. An injunction pursuant to the Act also can be quite a stringent remedy, because it not only can prohibit the former employee from revealing trade secrets, but also can restrain the employee from working for a competitor for a reasonable period of time.¹²²

A business owner of a trade secret, finally, very well may be reluctant to commence a lawsuit because litigation will create a public record to which competitors can gain access. The UTSA, however, has a provision to deal

secret – its “entire business plan” – by defendant, the key employee, vice-president in charge of day-to-day operations, long-time family friend, “trusted advisor and confidant,” and firm’s and family’s accountant). “We previously have noted that [defendant] used confidential business information that he was duty bound, by both statute and the ethics of his profession, to keep confidential.” *Id.*

¹¹⁷ See § 688.003(1), Fla. Stat. (Supp. 2000); see also *Elm City Cheese Co.*, 752 A.2d 1037, 1055 (Conn. 1999) (attorney’s fee award of \$100,000 upheld under Connecticut UTSA).

¹¹⁸ See Chiappetta, *supra* note 77, at 79 (“Generally, once the court finds misappropriation, it issues an injunction as a matter of course. The UTSA expressly contemplates that the injunction will last only for the duration of the trade secret plus a reasonable additional time, if necessary to ‘eliminate commercial advantage’ resulting from the misappropriation.”).

¹¹⁹ See, e.g., *Elm City Cheese Co.*, 752 A.2d 1037 (Conn. 1999) (three year injunction upheld pursuant to Connecticut UTSA to prevent misappropriation of manufacturing and sales cheese firm’s “entire business plan”).

¹²⁰ Pooley, *supra* note 23, at 1186.

¹²¹ See § 688.003(1), Fla. Stat. (Supp. 2000); see also *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680, 684 (Cal. Ct. App. 1999) (comparable language in California UTSA); *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc.*, 987 S.W.2d 642, 646–47 (Ark. 1999) (injunction proper remedy for “threatened or inevitable misappropriation of trade secrets” pursuant to Arkansas UTSA and federal case law). *But see Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1111, 1120 (N.D. Cal. 1999) (“To the extent that the theory of inevitable disclosure creates a de facto covenant not to compete without a nontrivial showing of actual or threatened use or disclosure, it is inconsistent with California policy and case law.”).

¹²² See, e.g., *ALTA Analytics Inc. v. Muuss*, 75 F. Supp. 2d 773, 786 (S.D. Ohio 1999).

with this legitimate concern; that is, the statute states that a court shall preserve the secrecy of alleged trade secrets by reasonable means, including private hearings and sealed records.¹²³

C. "Plans and Strategies" Case Law

1. THE "INFORMATION" REQUIREMENT

For many firms, information is the most important resource at hand. The courts have recognized this fact; and accordingly have expressed a willingness to consider a sufficiently broad definition of trade secret "information" to encompass business plans and strategies.¹²⁴ Some state statutes, moreover, specifically include business "plans" as part of the definition of "trade secret."¹²⁵

The following business plans and strategies cases examine the "information" predicate to UTSA trade secret protection; and seek to ascertain whether certain information is appropriate for trade secret protection.

a. "Information" Not Found

In *Alagold Corp. v. Freeman*¹²⁶ a federal district court case applied the Alabama Trade Secrets Act, particularly the definition of a trade secret, to resolve a dispute between the plaintiff, the former corporate employer, and the defendants, the ex-employee and new employer. The plaintiff contended that the defendants in essence "cloned" its business of manufacturing and selling decorative tapestry pillows by misappropriating proprietary

¹²³ See § 688.003(6), Fla. Stat. (Supp. 2000).

¹²⁴ See, e.g., *Freedom Newspapers, Inc. v. Egly*, 507 So. 2d 1180, 1184 (Fla. 2d DCA 1987) ("The sometimes nebulous designation 'business information' has long been recognized as potentially subject to protection."); *Enter. Leasing Co. of Phoenix v. Ehmke*, 3 P.3d 1064, 1070 (Ariz. Ct. App. 2000) ("information" label, as well as trade secret protection, extended to "market research" and even to "customer service principles"); *Bd. of Regents of State of Florida ex. rel. Univ. of S. Florida v. Taborsky*, 648 So. 2d 748, 754 (Fla. 2d DCA 1994), *reh'g denied, review denied*, 654 So. 2d 920 (legal protection extended to research); *Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc.*, 923 F. Supp. 1231, 1252 (N.D. Cal. 1995) ("Indeed, there is no authority for excluding any type of information because of its nature."); *Chiappetta, supra* note 77, at 76 ("Trade secret law. . . extends to technical and non-technical information, expression, ideas, and facts, embracing such things as. . . future marketing, sales and product plans. . ."); *Pooley, supra* note 23, at 1182 ("Trade secrets cover not only technical information, but also a vast amount of business information, including forecasts and business plans. . .").

¹²⁵ See, e.g., *ALTA Analytics Inc.*, 75 F. Supp. 2d. at 785 (Ohio statutory version of UTSA).

¹²⁶ 20 F. Supp. 2d. 1305 (M.D. Ala. 1998).

information, including trade secrets.¹²⁷ One key issue in *Alagold Corp.* was whether knowledge and expertise of how to develop business strategies, market products, and develop relationships with customers and suppliers, *inter alia*, could meet the “information” requirement to the state’s statutory definition of a trade secret.¹²⁸ The court referred to such knowledge and expertise as “head knowledge,” which it defined as “memory or general knowledge gained through employment experience”; and ruled that this “head knowledge” did not meet the “information” element of the state’s trade secret definition.¹²⁹ What really seemed to bolster the defendants’ trade secret rejoinder, however, was the conspicuous lack of reasonable efforts to maintain the secrecy of the purported “information.”¹³⁰

Another interesting “information” case is the Wisconsin court of appeal’s decision in *Leske v. Leske*¹³¹ which applied the state’s UTSA. In *Leske*, the plaintiff claimed that his parents misappropriated his idea, program, and plan to establish a business in the county to manufacture, distribute, and sell ice for commercial use.¹³² As to the specific issue whether the plaintiff’s business plan was “information” which could qualify as a trade secret pursuant to the UTSA, the appeals court upheld the dismissal on summary judgment of that claim.¹³³ The facet most engaging about the case is the rationale behind the dismissal. Apparently, the state court of appeals adopted the lower court’s quasi-causation test and analysis in sustaining the dismissal of the business plan aspect of the case.¹³⁴ The lower court, as related by the appeal’s court, explained that “even if the defendants did obtain information, which the plaintiff had gathered, they still had to finance and develop their ice business, purchase equipment and facilities, and find customers. The information is far removed from the actual operation of the ice business, the end product. The effect is indirect.”¹³⁵ The court of appeals agreed with this reasoning, underscoring that the plaintiff’s parents’ acts “constituted only a feeble step in competitive war.”¹³⁶ The appeals court thus seems to have constructed, in Wisconsin at any regard, a causation element to business plan trade secret law. However, as to the other claimed trade secrets of the proposed ice business, for example, the formulas, methods, and techniques, the court

¹²⁷ See *id.* at 1309-10.

¹²⁸ See *id.* at 1314-15.

¹²⁹ *Id.*

¹³⁰ See *id.* at 1315-16.

¹³¹ 539 N.W.2d 719 (Wis. Ct. App. 1995).

¹³² See *id.* at 720-21.

¹³³ See *id.* at 722-23.

¹³⁴ See *id.*

¹³⁵ *Id.* at 722.

¹³⁶ *Id.* at 723.

reversed the dismissal of the misappropriation cause of action, principally because issues of fact remained as to whether the plaintiff took reasonable steps to keep that information secret from his parents.¹³⁷

b. "Information" Present

An excellent, most instructive, UTSA decision is the Connecticut Supreme Court case of *Elm City Cheese Co. v. Federico*.¹³⁸ The case is significant not only for its restatement of basic common law employment and trade secret principles, but also for its explication of the three major requirements of the state's UTSA (the information, value, and secrecy requirements of a trade secret), as well as the wide variety and severity of redress granted for the misappropriation. *Elm City Cheese Co.* revolved about an attempt, described by the court as knowing, willful, malicious, and unethical, by the defendant to misappropriate the plaintiff firm's business operations and "entire business plan," encompassing the research, development, production, sales, distribution, and marketing aspects thereto.¹³⁹ The plaintiff was a small family-owned company that manufactured and sold cheese products in a specialized niche market.¹⁴⁰ The defendant was a close, long-term, family friend, a "trusted advisor and confidant," the firm's vice-president in charge of day-to-day operations, and, as the court stressed, not only the firm's but also the family's certified public accountant.¹⁴¹ The first issue the Supreme Court of Connecticut had to address was whether the firm's "entire business plan" met the "information" requirement of the state statute. Referring to the statute's definition, and the examples of "information" enumerated therein, the court stated that in order to constitute a trade secret, "information must be of the kind included in the nonexhaustive list contained in the statute. The first step in our analysis, therefore, is a determination of whether the information at issue satisfies this threshold requirement."¹⁴² Accordingly, the court found that the firm's business operations and its "entire business plan," including all the components thereof, constituted "information" potentially subject to statutory trade secret protection.¹⁴³

¹³⁷ See *id.* at 721-22.

¹³⁸ 752 A.2d 1037 (Conn. 1999).

¹³⁹ See *id.* at 1040.

¹⁴⁰ See *id.*

¹⁴¹ See *id.*

¹⁴² *Id.* at 1041.

¹⁴³ See *id.*

Nilssen v. Motorola, Inc.,¹⁴⁴ a federal district court case applying the Illinois UTSA, is similar in one important “information” respect to the previous *Elm City Cheese Co.* case. A key issue for the court in *Nilssen* was whether the plaintiff inventor’s compilation of “non-technical” information pertaining to electronic ballast technology, which was offered to the defendant Motorola pursuant to a confidentiality agreement, met the “information” requirement of the state statute.¹⁴⁵ The compilation of non-technical information in question encompassed the plaintiff’s strategic plan, “entry strategy,” potential channels for distribution, information concerning the size and structure of the market, including prevailing methods of distribution, and research and analysis as to expected profitability.¹⁴⁶ Defendant Motorola contended, and the court agreed, that state law does not treat “generalized confidential business information” as a protectable trade secret.¹⁴⁷ Nevertheless, the court concluded that the plaintiff’s compilation of non-technical information was “not so lacking in specificity as to require [summary judgment] dismissal of his Illinois Act claim.”¹⁴⁸ The more pressing issue for the court was whether this “information” allegedly misappropriated by Motorola possessed the necessary statutory “value.”

*Religious Technology Center v. Netcom On-Line Communications Services, Inc.*¹⁴⁹ was a rather unique, and interesting, trade secret dispute at the federal district court level. The court applied the California UTSA to resolve the lawsuit between the Church of Scientology and one of its most vocal critics, a former minister. The defendant former minister, in an attempt to create heated critical debate, published certain writings of the Church’s founder, L. Ron Hubbard, on the internet. The Church, through one of its affiliated organizations, sued its former minister, as well as the communications company Netcom, for misappropriating its trade secrets, among other causes of action.¹⁵⁰ The first trade secret issue for the court to determine was whether the writings of the founder of a religion can be included in the “information” definition to the state statute. The court first noted that the original *Restatement* explicitly did not preclude a religion from holding a trade secret.¹⁵¹ Moreover, the court indicated that “there is at least some precedent for granting trade secret status to works that are techniques for improving

¹⁴⁴ 963 F. Supp. 664 (N.D. Ill. 1997).

¹⁴⁵ *See id.* at 673-74.

¹⁴⁶ *See id.* at 673.

¹⁴⁷ *See id.* at 674.

¹⁴⁸ *Id.* at 673.

¹⁴⁹ 923 F. Supp. 1231 (N.D. Cal. 1995).

¹⁵⁰ *See id.* at 1238-39.

¹⁵¹ *See id.* at 1251.

oneself [though not specifically spiritually]. Conversely, there is no authority for excluding religious materials from trade secret protection because of their nature."¹⁵² Finally, the court underscored: "[i]ndeed, there is no authority for excluding any type of information because of its nature."¹⁵³ Thus concluded the court: "[w]hile the trade secret laws did not necessarily develop to allow a religion to protect a monopoly in its religious practices, the laws nonetheless have expanded such that the Church's techniques, which clearly are 'used in the operation of the enterprise,' are deserving of protection if secret and valuable."¹⁵⁴

The preceding "information" cases clearly reveal that the "information" predicate in trade secret law is expansively construed by the courts. Actually, as one commentator has noted, "(t)he broad scope given this requirement is one of the major benefits of trade secret protection."¹⁵⁵ Legally recognized "information," however, still must possess the necessary "value."

2. THE "VALUE" REQUIREMENT

The UTSA requires that trade secret type "information" possess independent economic "value" from not being generally known or readily ascertainable by proper means by other persons who can obtain economic value from the information's use or disclosure. The following business plans and strategies cases examine this essential "value" aspect to trade secret law.

a. "Value" Not Found

*Noah v. Enesco Corp.*¹⁵⁶ involved a federal district court case construing the "value" requirement pursuant to the Illinois UTSA. *Noah* involved the plaintiff, an artist, who created several handmade figurines based on his interpretation of the Biblical Noah's Ark story.¹⁵⁷ The figurines, called New Beginnings, were based on the plaintiff's concept of depicting the animals as interacting pairs.¹⁵⁸ The plaintiff submitted his concept, pursuant to a non-disclosure agreement, to the defendant, the nation's largest marketer of giftware, in an attempt to negotiate a licensing agreement.¹⁵⁹ The defendant,

¹⁵² *Id.* at 1252.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ Chiapetta, *supra* note 77, at 76.

¹⁵⁶ 911 F. Supp. 299 (N.D. Ill. 1995).

¹⁵⁷ *See id.* at 301.

¹⁵⁸ *See id.*

¹⁵⁹ *See id.*

however, soon thereafter introduced its new line of Noah's Ark's figurines, which also showed the animals interacting as pairs.¹⁶⁰ Whereupon, plaintiff sued for misappropriation of trade secret, arguing that the defendant incorporated his "unique concept" into its line, made a large profit thereby, and effectively closed him out of the market.¹⁶¹ The court first noted that both the common law and the state statute preclude trade secret legal protection for information not generally known to the public, but clearly understood in a particular industry.¹⁶² The court also recounted that "(s)imply being the first or only one to use certain information does not in and of itself transform otherwise general knowledge into a trade secret."¹⁶³ The defendant countered plaintiff's trade secret allegation by arguing the "notoriety" of the Noah's Ark theme, similar depictions of the theme by other giftware marketers and the Franklin Mint, and the fact that plaintiff had publicly disclosed his concept, thus "destroying" any trade secret status.¹⁶⁴ The plaintiff responded by contending he did not destroy the concept's trade secret status by publicly revealing it. Rather, he claimed that he discussed the feasibility of the project with only a "handful of advisors."¹⁶⁵ Plaintiff asserted, moreover, that "his consultations with those persons to whom it was necessary to confide in do not convert his concept into general knowledge within the industry."¹⁶⁶ Finally, he stated that "the existence of the confidentiality agreement between these parties evidences the measures taken to protect the secrecy of his 'New Beginnings' concept."¹⁶⁷ The court, however, declared that "[p]laintiff overlooks the necessity of establishing that the concept is not 'generally known to other persons who can obtain an economic benefit from [it].'"¹⁶⁸ The court then stated that the plaintiff "offers no argument in response to the evidence presented by [defendant] that other giftware marketers depicted the Ark animals interacting with each other as they descended the Ark before he presented his 'New Beginnings' concept to [defendant]."¹⁶⁹ Consequently, the court held that "[t]his evidence negates [plaintiff's] contention that his concept was new and not

¹⁶⁰ See *id.* at 301-02.

¹⁶¹ See *id.* at 302.

¹⁶² See *id.* at 304.

¹⁶³ *Id.*

¹⁶⁴ See *id.*

¹⁶⁵ See *id.*

¹⁶⁶ *Id.* at 304-05.

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 305.

¹⁶⁹ *Id.*

generally known in the industry."¹⁷⁰ The court, therefore, concluded that the plaintiff's concept was not a trade secret as defined by the Act.¹⁷¹

In *Electro Optical Industries v. White*,¹⁷² a case decided pursuant to the California UTSA, the California appeals court rejected a claim that certain "nontechnical" information, including marketing plans and sales strategies, regarding the sale of infrared test equipment devices, was a legally protected trade secret subject to injunctive relief.¹⁷³ The court based its decision on the premise that the plans and strategies lacked economic value because they were "commonly known."¹⁷⁴ Specifically, the plans and strategies that were branded legally insufficient "common" knowledge by the court encompassed "offering [products] through producers of compatible, noncompetitive products, participating in industry seminars, and 'private labeling' components made by other producers."¹⁷⁵ Thus, the defendant former employee, the corporate plaintiff's sales manager and key sales contact, could use and "emulate" this general information at his new job with a competing employer.¹⁷⁶

Similarly, in *J.E. Hanger, Inc. v. Scussel*,¹⁷⁷ the federal district court, in applying Georgia's account of the UTSA, rejected a claim that pricing strategies and marketing plans of a firm that sold and serviced medical devices were legally protected trade secrets.¹⁷⁸ The court termed the firm's plans and strategies as "hardly a unique approach" and "a fairly common thing," and thus since they were, in the court's opinion, readily ascertainable by proper means, the plans and strategies could not qualify as trade secrets pursuant to the state statute.¹⁷⁹ The firm's customer list, however, did meet the statutory criteria for a trade secret, and accordingly an appropriate injunction was issued.¹⁸⁰

*Lexis-Nexis v. Beer*¹⁸¹ is a federal district case administering Minnesota's UTSA to a dispute between one of the largest electronic data services companies in the world and one of its former salespersons, who left to work for a competitor and there to perform substantially the same duties. The

¹⁷⁰ *Id.*
¹⁷¹ *See id.*
¹⁷² 90 Cal. Rptr. 2d 680 (Cal. Ct. App. 1999).
¹⁷³ *See id.* at 686.
¹⁷⁴ *See id.* at 685-86.
¹⁷⁵ *Id.* at 686.
¹⁷⁶ *See id.*
¹⁷⁷ 937 F. Supp. 1546 (M.D. Ala. 1996).
¹⁷⁸ *See id.* at 1558.
¹⁷⁹ *See id.*
¹⁸⁰ *See id.* at 1559-60.
¹⁸¹ 41 F. Supp. 2d. 950 (D. Minn. 1999).

plaintiff company contended that certain "sensitive" company documents, including sales strategies and policies, imparted to the former employee were misappropriated trade secrets subject to injunctive relief.¹⁸² The defendant, however, countered by introducing evidence that the information at issue was "either readily ascertainable or will quickly become obsolete, thereby losing its independent economic value."¹⁸³ The court, in denying the injunction, merely stated that it could not ascertain from the record, which was "contradictory" in nature, whether the information constituted trade secrets under the state statute.¹⁸⁴

*Western Medical Consultants, Inc. v. Johnson*¹⁸⁵ was a Ninth Circuit Court of Appeals decision which construed "value" under the Oregon UTSA. The case involved a salesperson for the plaintiff, a company which provided medical examination services, who resigned to commence her own competing firm.¹⁸⁶ The plaintiff contended that its former employee misappropriated its trade secrets, specifically its marketing plans and customer lists.¹⁸⁷ The court, however, noted that the customer lists were compiled from various generally known and accessible sources, and thus were not a trade secret.¹⁸⁸ As to the marketing plans, the court similarly pointed out that plaintiff's "marketing information was readily obtainable to anyone interested in starting an [independent medical examination] company in Alaska, and [defendant] gained knowledge of such information during the regular course of her employment."¹⁸⁹ Thus, defendant "did not misappropriate any trade secret because the information she used was 'generally known to the public.'"¹⁹⁰

Similarly, in *Utah Medical Products, Inc. v. Clinical Innovations Associates, Inc.*,¹⁹¹ a federal district court case applying the Utah UTSA, the court dismissed the plaintiff's trade secret misappropriation claim on summary judgment because the plaintiff failed to demonstrate that its business plans and strategies possessed sufficient "value."¹⁹² *Utah Medical Products, Inc.* was a controversy between a plaintiff, a company that manufactured and sold medical devices, especially intrauterine catheters, and three of its key

¹⁸² See *id.* at 952-53.

¹⁸³ *Id.* at 958.

¹⁸⁴ See *id.*

¹⁸⁵ 80 F.3d 1331 (9th Cir. 1996).

¹⁸⁶ See *id.* at 1333.

¹⁸⁷ See *id.* at 1337.

¹⁸⁸ See *id.*

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ 79 F. Supp. 2d. 1290 (D. Utah 1999).

¹⁹² See *id.* at 1313-14.

employees (its CEO, VP for Research and Development, and Senior Design Engineer) who left the plaintiff to work for a competitor. The plaintiff claimed that its former employees and the their new employer misappropriated its trade secrets. The alleged trade secrets at issue were the plaintiff's business plan, business strategies, market analysis information, sales strategy and marketing plan, and marketing work objectives.¹⁹³ The court first explained that the "generally known or readily ascertainable" independent economic value "standard cannot be viewed as whether the information is generally known and readily ascertainable to the general public, but, based on the defendants' knowledge and experience, whether the information was known or ascertainable to them."¹⁹⁴ In the case at bar, stressed the court, it was "particularly necessary to separate [the claimed trade secret] from the general skill and knowledge possessed by [the defendant employees]."¹⁹⁵ The plaintiff, however, failed to meet this burden. "Simply identifying documents and claiming that they contain trade secret information is not enough. Plaintiff must establish that the information in the identified documents is not published or readily ascertainable information to those in the field."¹⁹⁶ The plaintiff also contended that its competitor's business plan was a copy of its own trade secret business plan;¹⁹⁷ but the court rejected this assertion too, stating that the plaintiff's competitor's plan merely discussed "general information" about the purposes of certain medical devices and various competing devices.¹⁹⁸ Finally, stated the court: "[f]rom the record of this case, the Court finds it is undisputed that such information is generally known or readily ascertainable to those in the industry."¹⁹⁹ Thus, the defendants were entitled to summary judgment on the plaintiff's misappropriation of trade secret cause of action.²⁰⁰

*BioCore, Inc. v. Khosrowshahi*²⁰¹ involved a federal district court case applying the Kansas UTSA to a trade secret dispute between the plaintiffs, related medical technology firms, and the defendant, a former high level executive, who left to work for a competitor. The relevant "value" aspect to the case was whether the plaintiffs' "sales strategies" for marketing wound care products rose to the level of legally protected trade secrets. The "sales strategies" encompassed identifying potential customers and demonstrating

¹⁹³ See *id.* at 1311.

¹⁹⁴ *Id.* at 1312.

¹⁹⁵ *Id.* at 1313.

¹⁹⁶ *Id.*

¹⁹⁷ See *id.*

¹⁹⁸ See *id.*

¹⁹⁹ *Id.*

²⁰⁰ See *id.* at 1314.

²⁰¹ 96 F. Supp. 2d. 1221 (D. Kan. 2000).

the benefits of the product to potential customers; and also were based on asserted “massive research” to discover potential markets.²⁰² The court rejected this attempted trade secret designation, however, in part on “value” grounds. The court found that “[f]or makers of wound-care products, the market is generally known.”²⁰³ The defendant, moreover, “[b]efore he went to work for plaintiffs, . . . recognized the most common wound care markets, including those for burns, ulcers, and difficult wounds.”²⁰⁴ The court further explained that “a company which markets a medical product would want to educate customers about the product and demonstrate its effectiveness. Plaintiffs provide no evidence that their advertising strategy had a modicum of originality that separated it from others in the field.”²⁰⁵ As to the purported “massive marketing research”, the court ruled that the record did not support the plaintiffs’ claims.²⁰⁶ Specifically, the court noted that “[p]laintiffs’ former salespeople testified that they did not do anything special in finding customers for plaintiffs’ wound care products. They simply used the phone book, obtained lists from wound care organizations, attended wound care meetings and sales meetings, and followed up on any leads these created.”²⁰⁷ Thus, the necessary “value” element to a trade secret was lacking.

b. "Value" Present

In the aforementioned *Elm City Cheese Co. v. Federico*,²⁰⁸ the second major issue for the Supreme Court of Connecticut to decide was whether designated information encompassing the plaintiff firm’s business operations and business plan, and all the components thereto, possessed the statutorily required independent economic value. The court first noted that:

Central to the trial court’s ultimate finding that [plaintiff’s] business plan constitutes a trade secret, is the court’s finding that [plaintiff’s] business is unique. If the business were not unique – that is, if both the individual components of [plaintiff’s] business plan, and the way in which those components are combined, were generally known –

²⁰² See *id.* at 1233-34.

²⁰³ *Id.* at 1233.

²⁰⁴ *Id.* at 1234.

²⁰⁵ *Id.*

²⁰⁶ See *id.*

²⁰⁷ *Id.*

²⁰⁸ 752 A.2d 1037 (Conn. 1999).

[plaintiff] would not be entitled to trade secret protection because its information would not meet the statutory requirement²⁰⁹

However, in the case at bar, the court did find the necessary unique value because the plaintiff's cheese manufacturing and sales company occupied a special place and a specialized niche market in the local industry, possessed a specialized business which accommodated the special needs of private label packers, and the firm also possessed a concomitant specialized marketing plan.²¹⁰ Moreover, the supreme court utilized an additional, and very common sense, value factor. That is:

[Defendant] intended to duplicate [plaintiff's] product, using [plaintiff's] supply sources and customers; and [co-defendant company's] business plan, which essentially mirrored that of [plaintiff], gave [co-defendant] an advantage over large cheesemakers. Indeed, the mere fact that [plaintiff's] plan served as the basis for [co-defendant's] plan for the purposes of securing loans to start [co-defendant] supports the proposition that [plaintiff's] plan had substantial economic value.²¹¹

Thus declared the court: "The foregoing demonstrates plainly that [plaintiff's] trade secret derived independent economic value from not being generally known to those who could profit from the knowledge of it, that is, in particular, defendants."²¹²

The second important issue in *Nilssen v. Motorola, Inc.*,²¹³ one recalls, was whether the plaintiff inventor's compilation of non-technical information, in essence constituting a business plan, possessed value as required by the state statute. The federal district court first offered some general value commentary. "[I]nformation that is generally known within an industry is not trade secret material."²¹⁴ "The key . . . ease with which information can be readily duplicated without involving considerable time, effort or expense."²¹⁵ Accordingly, continued the court: "significantly, then, Motorola might prove that [plaintiff inventor's] trade secrets were without value by demonstrating that those secrets were easily duplicable through proper

²⁰⁹ *Id.* at 1048.

²¹⁰ *See id.*

²¹¹ *Id.*

²¹² *Id.*

²¹³ 963 F. Supp. 664 (N.D. Ill. 1997).

²¹⁴ *Id.* at 675.

²¹⁵ *Id.*

means.²¹⁶ Whereas, “[t]o have any opportunity to prevail on his Illinois Act claim, then, [plaintiff] must first prove that his information was sufficiently secret – in the sense of not being duplicable without ‘considerable time, effort or expense’ – to constitute a trade secret.”²¹⁷ In the case at bar, issues of fact existed, “in both directions” noted the court, as to whether the plaintiff’s alleged non-technical, as well as technical, trade secrets, had value for Motorola.²¹⁸ The facts, moreover, were construed by the court in a favorable, non-moving party, summary judgment fashion, thereby creating a reasonable inference that plaintiff did have protectable trade secrets of value.²¹⁹ Therefore, summary judgment for the defendant Motorola on that basis was inappropriate, “at least for the time being”, said the court.²²⁰

The federal district court in *ALTA Analytics, Inc. v. Muuss*,²²¹ a case decided pursuant to the Ohio version of the Uniform Trade Secret Act, had no difficulty in declaring that a firm’s confidential financial fraud detection software, including its “unique technology, design, and marketing features” possessed “independent value.”²²² In finding that a legally protected trade secret existed, the court appeared to give great weight to the testimony of the plaintiff employer’s executives who contended that the firm’s “main asset is its proprietary confidential information in current products and development” and that “its proprietary information is responsible for its competitive edge in the market.”²²³

In *All Pro Sports Camp, Inc. v. Walt Disney Co.*,²²⁴ a Florida appellate case, the court offered a “novelty” test to address the value requirement.²²⁵ *All Pro Sports, Inc.* involved a dispute between a company that developed multi-sport theme park facilities and the Walt Disney company. The plaintiff corporation, All Pro, created an idea and detailed business plans, including architectural sketches and model, for a “Sports Island” facility, encompassing integrated education and entertainment components. This idea was submitted as a confidential proposal to defendant Disney corporation for consideration.²²⁶ Plaintiff All Pro subsequently learned that Disney was planning to develop its own facility using the business plans previously

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ *See id.* at 679.

²¹⁹ *See id.*

²²⁰ *See id.*

²²¹ 75 F. Supp. 2d. 773 (S.D. Ohio 1999).

²²² *Id.* at 785.

²²³ *Id.*

²²⁴ 727 So. 2d 363 (Fla. 5th DCA 1999).

²²⁵ *See id.* at 367.

²²⁶ *See id.* at 364.

submitted by All Pro.²²⁷ Whereupon, All Pro sued Disney, contending that plaintiff's business plans constituted "valuable trade secrets" which Disney was seeking to misappropriate.²²⁸ The lower court dismissed All Pro's complaint, in relevant part because the idea of the sports park facility was not a trade secret.²²⁹ The appellate court ruled that an idea, to constitute a trade secret, "must exhibit some novelty to derive economic value from not being generally known."²³⁰ Such an issue, in addition, is a factual issue for the jury.²³¹ The court did note the "asserted widespread existence of multi-purpose sports complexes," but held that this fact "fails to conclusively demonstrate that all Pro's concept for Sports Island is not novel."²³² Moreover, the court asserted, "[a]rguably, it is also common knowledge, if not common sense, that all sports complexes are not alike. Thus, the concept behind Sports Island may not in fact, be "generally known to . . . other persons who can obtain economic value from its disclosure or use."²³³ Accordingly, the appellate court ruled that the lower court had prematurely determined that All Pro could never establish a trade secret cause of action, and reversed the order of dismissal on the trade secret counts.²³⁴

*Cardinal Freight Carriers, Inc. v. J.B. Hunt Transport Services, Inc.*²³⁵ is a Supreme Court of Arkansas case which applied the state's trade secret act. The case involved a trade secret dispute between two trucking firms. Two key employees of one firm, who were hired to develop customized transportation and distribution systems, left the firm to work for a competitor.²³⁶ The former employer, plaintiff/appellee, sought injunctive relief, and contended that certain business information, including its marketing programs and future plans, its "strategic planning for the future," and "how [it] intends to attack certain markets with specific customers" were legally protected trade secrets pursuant to state statute.²³⁷ The new employer and ex-employees, defendants/appellants, however, asserted that the information possessed by the former employees was "generally known to others in the trucking industry, or readily ascertainable by proper means,"

²²⁷ See *id.* at 367.

²²⁸ See *id.* at 364.

²²⁹ See *id.* at 365.

²³⁰ *Id.* at 367.

²³¹ See *id.* at 368.

²³² *Id.*

²³³ *Id.* (citations omitted).

²³⁴ See *id.*

²³⁵ 987 S.W.2d 642 (Ark. 1999).

²³⁶ *Id.* at 643.

²³⁷ *Id.* at 644-45.

and consequently not a trade secret.²³⁸ To bolster their defense, the defendants' expert witness, an "independent transportation consultant," expressed his belief that "there are no meaningful secrets in the trucking business," and that at least some information "can generally be ascertained from a variety of legitimate sources and trade journals."²³⁹ The former employer's chief executive officer, however, "testified how [its] trade secrets derived economic value by keeping confidential information bearing on price modeling, customer profit margins, logistics, future plans, and specific market strategies."²⁴⁰ The court emphasized that "[o]bviously, armed with such information, a competitor would have an edge in capturing some significant part of [former employer's] customers and business."²⁴¹ The court ruled, therefore, that "[i]n sum, we harbor no doubts" that the information was protected by the state trade secret statute.²⁴²

The presence of statutorily required value was one of the two key trade secret issues in *Motor City Bagels, L.L.C. v. American Bagel Co.*,²⁴³ a federal district court case applying Virginia and Maryland trade secret statutes, both of which according to the court, "closely track" the UTSA.²⁴⁴ *Motor City Bagels, L.L.C.* concerned two plaintiffs, both of whom possessed a M.B.A. and substantial business experience, who wished to be bagel franchisees.²⁴⁵ Accordingly, the plaintiffs developed, what the court termed, "an extensive, written business plan analyzing the viability of owning and operating [bagel] franchises."²⁴⁶ The business plan was distributed to several prospective franchisors for confidential evaluation, but the plaintiffs contended their business plan was misappropriated in contravention of state trade secret law.²⁴⁷ After first stating the standard UTSA definition of a trade secret, the court first focused in on the value requirement in the statutory definition.²⁴⁸ The court then considered state "marketing plan" precedent which maintained that if a plan is based on information readily available in the marketplace, or information obtained "simply by talking with prospective customers," the plan lacks value.²⁴⁹ However, in the case at bar, "[w]hile the

²³⁸ *Id.*

²³⁹ *Id.* at 646.

²⁴⁰ *Id.* at 645.

²⁴¹ *Id.* at 646.

²⁴² *Id.*

²⁴³ 50 F. Supp. 2d. 460 (D. Md. 1999).

²⁴⁴ *See id.* at 478.

²⁴⁵ *See id.* at 465-66.

²⁴⁶ *Id.* at 466.

²⁴⁷ *See id.* at 467.

²⁴⁸ *See id.* at 477-78.

²⁴⁹ *Id.* at 478-79 (quoting *Optic Graphics, Inc. v. Agee*, 591 A.2d 578 (Md. 1991)).

business plan at issue . . . does contain some public information and facts ascertainable from the marketplace, it likewise includes personal insights and analysis brought to bear through diligent research and by marshalling a large volume of information.²⁵⁰ The next value question for the court to resolve was whether the compilation of information in the plan, some of which was available to the general public, would defeat the plaintiffs' value case.²⁵¹ The court again referred to precedent, federal and state, which held that a collection of information, including individual publicly known pieces, nonetheless can possess value if "combined in a unique way" or the "compilation or collection in a single place or in a particular form . . . is of value."²⁵² That is, a combination of information can be the predicate for a trade secret, "as long as the combination is itself a secret."²⁵³ The court, therefore, applied the rules and rationales expressed in those decisions, and concluded that "the plaintiffs' extensive compilation of information and analysis in their business plan qualifies as a trade secret."²⁵⁴

Religious Technology Center v. Netcom On-Line Communications Services, Inc.,²⁵⁵ one recalls, stands in part for the proposition that the writings of the founder of a religion can come under the "information" standard to the UTSA's definition of a trade secret. The next issue for the court to resolve was whether that "information" – the religious writings – possessed the statutorily required "independent economic value."²⁵⁶ Again, referring back to the original *Restatement*, the court stated that "[a] trade secret must have sufficient value in the owner's operation of its enterprise such that it provides an actual or potential advantage over others who do not possess the information."²⁵⁷ The court thereupon reviewed the evidence and found that the information did possess sufficient value.²⁵⁸ Specifically, the court pointed out that the information was a source of substantial revenue for the Church by means of licensing fees, the Church needed such revenue to support itself, and, finally, that several "breakaway Scientology-like groups" have been "exploiting . . . [the] works for profit," thus demonstrating that "these works give the Church a comparative advantage."²⁵⁹ Since the works did possess

²⁵⁰ *Id.* at 479.

²⁵¹ *See id.*

²⁵² *Id.*

²⁵³ *Id.* (quoting *Comprehensive Tech., Inc. v. Software Artisans, Inc.*, 3 F.3d 730, 736 (4th Cir. 1993)).

²⁵⁴ *Id.*

²⁵⁵ 923 F. Supp. 1231 (N.D. Cal. 1995).

²⁵⁶ *See id.* at 1252.

²⁵⁷ *Id.* at 1252-53.

²⁵⁸ *See id.* at 1253.

²⁵⁹ *Id.*

value, the final trade secret factor for the court to ascertain was the “secrecy” requirement.

3. THE “SECRECY” REQUIREMENT

Trade secret legal protection under the UTSA is conditioned on the owner’s implementing reasonable measures to maintain the secrecy of the valuable information. The following cases examine the crucial “secrecy” criterion to a trade secret.

a. “Secrecy” Not Found

Alagold Corp. v. Freeman,²⁶⁰ one recalls, involved an attempt by the former employer to classify knowledge and expertise of how to develop business strategies, market products, and develop relationships with customers and suppliers, *inter alia*, as trade secrets pursuant to the Alabama version of the Uniform Trade Secret Act. The dispositive issue was whether the former employer took the statutorily required “reasonable” efforts to ensure the secrecy of the information.²⁶¹ The plaintiff, the former employer, contended that the information taken by its former employee, the executive vice-president of the corporation and general manager of one of its divisions, was adequately protected.²⁶² Specifically, the former employer argued that the information was not freely accessible to all employees at the firm, but rather was available on a “need-to-know” basis. Moreover, the information was maintained in designated file cabinets in the administrative offices, where only employees who require such information are permitted access.²⁶³ Finally, these offices were locked after regular business hours.²⁶⁴ The court, however, found some “problems” to be present with the plaintiff’s “purported” secrecy efforts.²⁶⁵ Apparently, the plaintiff’s employees had too free access to the information, because none of the filing cabinets containing such information were locked, the information was not designated as “confidential,” and the plaintiff failed to communicate to its employees that such “proprietary” information was to be kept confidential.²⁶⁶ An additional and very important secrecy factor for the court evaluation’s of plaintiff’s

²⁶⁰ 20 F. Supp. 2d. 1305, 1309-10 (M.D. Ala. 1998).

²⁶¹ See *id.* at 1315-16.

²⁶² See *id.* at 1315.

²⁶³ See *id.*

²⁶⁴ See *id.*

²⁶⁵ See *id.* at 1316.

²⁶⁶ See *id.* at 1315.

efforts to maintain the secrecy of confidential information was the absence of any confidentiality or non-compete agreement.²⁶⁷ The court underscored that the plaintiff, the former corporate employer,

Which employed [defendant ex-employee] as an Executive Vice President and General Manager of a products division and gave him full access to all of [plaintiff's] confidential information, did not require [defendant] to execute a confidentiality or non-compete agreement limiting the use of information [defendant] learned during his employment with [plaintiff].²⁶⁸

Consequently, the court declared that “[g]iven these facts, it cannot be said that [plaintiff] undertook reasonable efforts under the circumstances to maintain the secrecy of its information.”²⁶⁹ Since the plaintiff failed to satisfy its burden of establishing that the information was a trade secret, the information thus was not entitled to protection under Alabama’s Trade Secrets Act.²⁷⁰

*Lexis-Nexis v. Beer*²⁷¹ is another federal district case administering Minnesota’s UTSA. The aforementioned case involved a dispute between one of the largest electronic data services companies in the world and one of its former salespersons, who left to work for a competitor and there to perform substantially the same duties. The plaintiff company contended that certain sensitive company documents, including sales strategies and policies, imparted to the former employee were misappropriated trade secrets subject to injunctive relief.²⁷² The “hotly contested” question arose as to whether the plaintiff had exercised reasonable efforts to maintain secrecy of the information.²⁷³ The plaintiff asserted that it had maintained a formal policy concerning the confidentiality of the sales strategies and policies as well as other sensitive information.²⁷⁴ The defendant, however, produced evidence, through the deposition testimony of the plaintiff’s own employees, that the plaintiff’s confidentiality policies were “frequently disregarded in practice.”²⁷⁵ Moreover, as the court emphasized, “[i]ndeed, . . . many of the documents

²⁶⁷ See *id.* at 1315-16.

²⁶⁸ *Id.*

²⁶⁹ *Id.* at 1316.

²⁷⁰ See *id.*

²⁷¹ 41 F. Supp. 2d. 950 (D. Minn. 1999).

²⁷² See *id.* at 952-53.

²⁷³ See *id.* at 959.

²⁷⁴ See *id.*

²⁷⁵ See *id.*

that [plaintiff] has submitted as evidence of trade secrets are not labeled with the 'Lexis-Nexis Confidential and Proprietary' mark required by company policy."²⁷⁶ Finally, the court pointed out that "even after [plaintiff] brought this litigation, [it] continued to mail allegedly confidential documents to [defendant]."²⁷⁷ The court, therefore, could not make a specific finding that the pertinent information was a trade secret, and consequently denied the plaintiff's petition for an injunction.²⁷⁸

The second major trade secret issue in the previously examined *Motor City Bagels, L.L.C. v. American Bagel Co.*²⁷⁹ was whether the plaintiffs' business plan to enter the bagel franchise market, which definitely possessed sufficient value said the court, was adequately kept secret. The court first stated the basic requirement that "plaintiffs must prove . . . they took reasonable measures to ensure the secrecy of their business plan."²⁸⁰ The evidence indicated that the plaintiffs had the "most potential investors" sign a copy of a confidentiality agreement when they received a copy of the plan.²⁸¹ Most however, is not all; and thus "[t]he problem for the plaintiffs is that they only produced five executed copies of the confidentiality agreement when they distributed the business plan to over fifteen individuals."²⁸² This "problem" amounted to a huge one for the plaintiffs when the federal district court pointed to a U.S. Supreme Court pronouncement that the disclosure of an alleged trade secret "to others who are under no obligation to protect the confidentiality of the information" extinguishes the "property right" in the disclosure.²⁸³ Consequently, "[u]nder this reasoning, the plaintiffs' failure to exact agreements from potential investors to maintain the secrecy of the business plan is inconsistent with recognition of the document as a trade secret"²⁸⁴ The plaintiffs finally attempted to save their secrecy case by pointing to the confidential and cautionary language appearing on their business plan. The court, however, deemed the language to be mere "boilerplate," as well as "not highlighted or isolated so as to put one on immediate notice that the plan constitutes a trade secret that the authors of the plan are actively seeking to protect."²⁸⁵ "Taking the facts as a whole," the court concluded that the "plaintiffs simply did not act reasonably in seeking

²⁷⁶ *Id.*

²⁷⁷ *Id.*

²⁷⁸ *See id.*

²⁷⁹ 50 F. Supp. 2d. 460 (D. Md. 1999).

²⁸⁰ *Id.* at 480.

²⁸¹ *See id.*

²⁸² *Id.*

²⁸³ *See id.*

²⁸⁴ *Id.*

²⁸⁵ *Id.*

to ensure the secrecy of their plan.”²⁸⁶ Thus, since the plaintiffs failed to produce sufficient proof on this “essential” secrecy element to their misappropriation claim, the court dismissed that count on the defendants’ motion for summary judgment.²⁸⁷

In the aforementioned *BioCore v. Khosrowshahi*²⁸⁸ case, dealing in pertinent part with the issue of whether “sales strategies” for wound care products were trade secrets, the court summarily disposed of the trade secret allegation on secrecy grounds. The court succinctly stated that “plaintiffs disclosed these strategies in their marketing materials, which both attempted to educate their customers and demonstrate the effectiveness of their product These strategies are therefore not trade secrets; plaintiffs did not attempt to keep them secret.”²⁸⁹

b. “Secrecy” Present

In *ALTA Analytics Inc. v. Muuss*,²⁹⁰ the court ruled that the plaintiff employer had taken “significant precautions” to protect its valuable proprietary information, which included the “marketing features” of financial fraud detection software; but apparently only by securing confidentiality agreements with its employees and by “regularly” engaging in such agreements with potential customers upon receipt of trial software.²⁹¹ The court thus held that a trade secret existed and enjoined the defendant former employee, an account representative, from working for the former employer’s direct competitor for one year.²⁹²

The second major trade secret issue in *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transport Services, Inc.*²⁹³ was whether the former employer had taken reasonable steps to maintain the secrecy of the information, which included future plans and strategies and marketing plans and strategies.²⁹⁴ The Arkansas Supreme Court related at length that the CEO of the former employer:

[S]aid that the confidential agreement [it] requires employees to sign is one way it assures its trade secrets are not passed on to others. It is

²⁸⁶ *Id.*

²⁸⁷ *See id.*

²⁸⁸ 96 F. Supp. 2d. 1221, 1234 (D. Kan. 2000).

²⁸⁹ *Id.*

²⁹⁰ 75 F. Supp. 2d. 773 (S.D. Ohio 1999).

²⁹¹ *See id.* at 785.

²⁹² *See id.* at 786.

²⁹³ 987 S.W.2d 642, 646 (Ark. 1999).

²⁹⁴ *See id.*

significant, too, that [former employer's] agreement limits its employees from disclosing [its] information for a period of one year, which seems patently reasonable for the type of trade secrets covered [The CEO of former employer] also testified that [it] issues passwords and pass codes to employees who are privy to trade secret information in order to prevent the releasing of such information. Finally, [CEO] said that the [former employer] maintains trade-secret information by the employment of a 'loose-lips' policy, which is well known to everyone at [former employer] and permits only two [company] personnel to talk to the media.²⁹⁵

Accordingly, the court ruled that these measures were "reasonable," and thus the trade secret information was subject to protection by injunction.²⁹⁶

*La Calhene v. Spolyar*²⁹⁷ is a federal district court case using the Minnesota UTSA principally to determine whether "strategic and marketing plans" were reasonably protected in compliance with the state statute. The controversy arose between the plaintiff, a company in the business of selling isolator products and technology used to contain hazardous waste in the pharmaceutical industry, the defendant, its former chief operating officer and president of its sales and marketing division.²⁹⁸ The defendant resigned from the plaintiff to work as a salesperson for a direct competitor.²⁹⁹ The plaintiff's main contention was that its "strategic and marketing plans" were subject to protection as trade secrets.³⁰⁰ The defendant countered by asserting that the information at issue did not meet the statutory definition of a trade secret because the plaintiff made "inadequate efforts to maintain its secrecy."³⁰¹ The court, however, concluded that the steps the plaintiff took were "reasonable under the circumstances."³⁰² Specifically, the court mentioned the following protective measures: restricting the number of people who had access to the confidential information; not permitting visitors to move through the plant building without escort; and requiring plaintiff and other high ranking employees to sign confidentiality agreements.³⁰³ Finally, the court emphasized that "the initiation and execution of a confidentiality policy fell within defendant's area of responsibility, as chief operating officer. It

²⁹⁵ *Id.*

²⁹⁶ *See id.* at 646-47.

²⁹⁷ 938 F. Supp. 523 (W.D. Wis. 1996).

²⁹⁸ *See id.* at 524.

²⁹⁹ *See id.* at 526.

³⁰⁰ *See id.* at 530.

³⁰¹ *See id.*

³⁰² *See id.*

³⁰³ *See id.*

would be ironic, and unfair to plaintiff, if defendant's failure to take proper measures to protect plaintiff's confidential information and knowledge base inured to his benefit."³⁰⁴ Since the threat of misappropriation of the strategic and marketing plans, as well as other information, was "very real" and "all but inevitable," the court granted the requested preliminary injunction.³⁰⁵

In the previously discussed *Elm City Cheese Co. v. Federico*,³⁰⁶ the third major issue for the Supreme Court of Connecticut to decide was whether designated information, possessing value, encompassing the plaintiff firm's business operations and business plan, and all the components thereto, was adequately protected in accordance with statutory UTSA requirements.³⁰⁷ The court first provided some general secrecy comments:

The question of whether, in a specific case, a party has made reasonable efforts to maintain the secrecy of a purported trade secret is by nature a highly fact-specific inquiry. What may be adequate under the peculiar facts of one case might be considered inadequate under the facts of another. According to [statute], the efforts need only be 'reasonable under the circumstances'³⁰⁸

In the specific case confronting the court, the defendants (the former key, trusted employee and family friend, and the personal and business accountant, one recalls, and an incipient competing firm) contended that secrecy was lacking because the plaintiff had no confidentiality agreements with its employees, its written employee manuals made no mention of confidentiality or nondisclosure policies or guidelines, and most employees of the firm had become familiar with all aspects of the manufacturing process and the identity of customers and suppliers.³⁰⁹ The court, however, after first underscoring that the firm's "entire business plan," not merely its manufacturing processes, was the trade secret at issue, concluded that "so long as [plaintiff] kept confidential enough information to make it virtually impossible for its employees to use the rest of the information constituting its trade secret, a trier of fact reasonably could find that, under the circumstances, its methods of maintaining secrecy complied with the demands of the statute."³¹⁰ The court noted the specific finding of the trial

³⁰⁴ *Id.*

³⁰⁵ *See id.* at 531-32.

³⁰⁶ 752 A.2d 1037 (Conn. 1999).

³⁰⁷ *See id.* at 1050.

³⁰⁸ *Id.* (citations omitted).

³⁰⁹ *See id.*

³¹⁰ *Id.* at 1050-51.

court that the employees, other than the defendant, did not have “sufficient exposure to all the integral parts of [plaintiff’s] business to go out and compete.”³¹¹ The court also related that the trial court found that all the sensitive information was kept confidential and only shared among family members.³¹² The failure of the plaintiff company to secure a confidentiality and non-disclosure agreement, however, did emerge as a problematic factor for the state high court; but such a failure, the court ruled, was not “fatal” to plaintiff’s trade secret claim.³¹³ The court explained its reasoning at length:

[I]n light of the close personal relationship enjoyed over the years by the [family corporate principals] and [defendant], it was reasonable for [plaintiff company] to assume it had nothing to fear from [defendant] in the way of misappropriation of its cheesemaking process or its business information and, therefore, [plaintiff’s] decision not to take affirmative steps to ensure the secrecy of its information with respect to [defendant] constituted ‘reasonable efforts under the circumstances.’ Moreover, we conclude that, in light of the confidential nature of a certified public accountant’s relationship with his or her client, [plaintiff] was not required to obtain from [defendant] a written statement of the order of an agreement pertaining to confidentiality, nondisclosure or noncompetition. Rather, such an agreement was implicit in the relationship between the parties, and [plaintiff] was entitled to rely on it.³¹⁴

The court consequently ruled for the plaintiff on the final secrecy trade secret element.³¹⁵ The court nonetheless enunciated a stern warning as to any laxness in security measures taken by prospective trade secret owners. The court counseled:

We emphasize that nothing in this opinion should be read to diminish the importance of taking precautionary measures – for example, requiring employees to sign confidentiality agreements, segregating duties, restricting visitor access, or other appropriate measures – in order to satisfy the statutorily mandated secrecy requirement . . . , nor should our conclusion be construed as

³¹¹ *Id.* at 1051.

³¹² *See id.*

³¹³ *See id.*

³¹⁴ *Id.* at 1052-53.

³¹⁵ *See id.* at 1053.

encouraging proprietors to be lax in their protection of the secrecy of information they want to be considered protectable trade secrets. Rather, our conclusion is merely a reflection of the unique factual circumstances that gave rise to this case.³¹⁶

The final trade secret issue in the aforementioned *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*³¹⁷ was whether the Church of Scientology and its affiliated organizations took the statutorily required “reasonable” efforts to maintain the secrecy of the writings of its founder.³¹⁸ The court initially explained generally that “[r]easonable efforts’ can include advising employees of the existence of a trade secret, limiting access to information on a ‘need to know basis,’ . . . requiring employees to sign confidentiality agreements, . . . and keeping secret documents under lock.”³¹⁹ In the case at bar, the court indicated that the Church’s representative described the “elaborate means” used to ensure the confidentiality of the works.³²⁰ Specifically, the court noted “the use of locked cabinets, safes, logging and identification of materials, availability of materials at only a handful of sites worldwide, electronic sensors attached to the documents, locked briefcases for transporting works, alarms, photo identifications, security personnel, and confidentiality agreements for all of those given access to the materials.”³²¹ Accordingly, the court ruled that “[t]he Church has made more than an adequate showing on this [secrecy] issue.”³²² In summary, the writings of the founder of the Church of Scientology were trade secret information, possessing value, and more than “reasonably” kept secret. Yet, the federal district court denied the Church’s request for preliminary injunctive relief. The court stated that “parts of many of the works have been mentioned in various published articles and books . . .”; and, apparently, the Church failed to delineate precisely what writings and works were truly its asserted protectable trade secrets.³²³ Thus concluded the court “these issues will have to be resolved before [the Church] can ultimately prevail on its trade secret claims.”³²⁴

³¹⁶ *Id.*

³¹⁷ 923 F. Supp. 1231 (N.D. Cal. 1995).

³¹⁸ *See id.* at 1253.

³¹⁹ *Id.*

³²⁰ *See id.* at 1253-54.

³²¹ *Id.* at 1254.

³²² *Id.*

³²³ *See id.* at 1257.

³²⁴ *Id.*

*Bagley v. Lumbermens Mutual Casualty Co.*³²⁵ is inserted in the analysis herein mainly to make a procedural secrecy point. In *Bagley*, the plaintiff was the holder of a M.B.A., J.D., and LL.M., who had over a decade of experience in the insurance industry. The plaintiff contended that the defendant Kemper Insurance Group, to whom he showed his business plan, a proposed "Barrister Protection Policy," misappropriated his business plan.³²⁶ Defendant Kemper asserted that the essence of the plan was the marketing of insurance to a niche market, which was generally known in the industry; and, moreover, that the plan was not confidential.³²⁷ The evidence did in fact indicate that the plaintiff failed to secure a confidentiality agreement with the defendant, and also that the plaintiff had shared his business plan with another industry expert.³²⁸ Yet, this trade secret misappropriation controversy arose in the context of a summary judgment motion to dismiss. The federal district court relied on Seventh Circuit authority, which stated that the "secrecy" issue should not be resolved as a matter of law on summary judgment except in "extreme cases"; and the district court consequently held that "[t]his is not an extreme case", thus denying defendant Kemper's motion to dismiss the trade secret misappropriation count.³²⁹

D. Conclusion

Trade secrets, together with patents, copyrights, and trademarks, compose a larger *corpus* of intellectual property law. Patents, copyrights, and trademarks, one recalls, provide the owner thereof with a legal ownership interest and the concomitant right to exclusive use, sale, or licensure. This right, it is important to note, does not depend on maintaining the secrecy of the information. Ownership of a trade secret, however, does not confer a right of exclusive use; rather, the owner of the trade secret possesses the right not to have the protected information stolen, misappropriated, or wrongfully acquired by others.

Information, of course, in the form of business plans and strategies, must rise to the level of legally recognized "information." A compilation or combination of information indeed can rise to the level of a trade secret, even if the components are deemed "general" or "public" elements, if the integration is unique and advantageous. If, however, information is construed as mere public knowledge, or general knowledge or skill, it cannot

³²⁵ 100 F. Supp. 2d. 879 (N.D. Ill. 2000).

³²⁶ See *id.* at 883-84.

³²⁷ See *id.* at 884.

³²⁸ See *id.*

³²⁹ See *id.*

form the predicate for a legal trade secret. The law is clear, both the common law and the UTSA, that trade secret law should not unduly impede former employees from utilizing certain types of information at another job. Moreover, if a business plan or strategy is, or becomes, widely known, or is readily ascertainable or available by proper means, the information ceases to be a protected trade secret, as it lacks the requisite value.

Value of course, is an indispensable trade secret element. If an idea, concept, design, plan, or strategy is so common or widely known, or known, easily generated, or readily ascertainable by competent people in the particular field, it lacks value, and thus is not legally cognizable as a trade secret. Value will be found when the business plan or strategy is sufficiently novel, unique, or original, so that it confers an economic advantage to the holder thereof. Note, however, that although a few cases do explicitly employ a "novelty" test, the level of novelty does not appear to be as high as that required in patent law; rather, "novelty" should be construed in the context of value, especially the requirement that the information be not readily ascertainable to competitors in the industry.

Information, finally, in the form of business plans and strategies, in order to meet the legal definition of a UTSA trade secret, not only must be a truly valuable secret, but the professed owner thereof must implement reasonable measures to preserve its secrecy. Secrecy, of course, need not be absolute, but rather "reasonable" under the circumstances of the particular case. Accordingly, the secrecy measures do not have to be extreme or unduly expensive or burdensome. Naturally, scant or inadequate precautions in guarding the secrecy of a business plan or strategy will cause the loss of legal protection. However, if the possessor of such information does act accordingly, and meets the secrecy conditions of the law, trade secret law, in essence, will permit a theoretically perpetual monopoly on certain information to endure. Yet,

This lack of a fixed duration for protection creates both risk and opportunity. Trade secret protection theoretically can last forever, providing the prospect of long-term competitive advantage. However, the holder constantly faces the uncertainty of sudden loss of rights through disclosure, which can occur at any time through the failure of the holder's 'reasonable efforts' programs or third party actions.³³⁰

³³⁰Chiappetta, *supra* note 77, at 78.

It is interesting to note that when there is some evidence of secrecy measures, as well as the existence of a confidential relationship, the courts are disinclined, and rightly so, to deny trade secret protection on the grounds of inadequate security. What the courts appear to be doing is to balance the behavior of the owner of the trade secret against the conduct of the person obtaining the business plan or strategy. This secrecy balancing is in accord with the overall goals of trade secret law, both the common law, and the UTSA: that is, to balance the former employer's need for legal protection for certain information, with the former employee's need to utilize certain knowledge and advance oneself; and also to balance the public interest in encouraging invention, innovation, entrepreneurship, and competition, with the public interest in establishing and maintaining business ethics and fair commercial practices.

IV. THE COMMON LAW – THE RESTATEMENT (THIRD) OF UNFAIR COMPETITION

A. Introduction

In 1979, surprisingly, trade secret law was omitted as part of the *Restatement (Second) of Torts*. However, finally, in 1995, the *Restatement (Third) of Unfair Competition* was promulgated by the American Law Institute;³³¹ and trade secret law was included in Sections 39–45 and accompanying comments and notes, as a new part to the *corpus* of “unfair competition” law.³³² The new *Restatement* discusses the relationship between trade secret law and federal patent and copyright law. It initially notes the Supreme Court's *Kewanee Oil Co.* decision, holding that federal patent law does not preempt state trade secret law, and also notes that “protection afforded to trade secrets . . . has been held to lie outside the preemptive scope of the Copyright Act.”³³³ One recalls from the UTSA case law that occasionally the courts interpose a “novelty” test, apparently borrowed from patent law, to trade secret disputes. The new *Restatement* directly addresses this novelty question, maintaining that “[n]ovelty in the patent sense is not required.”³³⁴ Rather, “[a]lthough trade secret cases sometimes announce a ‘novelty’ requirement, the concept is

³³¹ See Pooley, *supra* note 23, at 1188.

³³² See RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 39–45 (1995); Pooley, *supra* note 23, at 1188.

³³³ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. c (1995).

³³⁴ See *id.* cmt. f.

synonymous with the concepts of secrecy and value . . . ” of trade secret law.³³⁵

B. Overview of the Restatement

The *Restatement* broadly defines a trade secret as “any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.”³³⁶ The definition thus tracks the common law and UTSA, both in form and substance, particularly in that the fundamental trade secret elements of information, value, and secrecy are firmly established. The *Restatement* then discusses at length the rationales for legal protection, underscoring the need to develop standards for “fair competition,” to protect a plaintiff from unfair competition, to encourage investment in research, to promote the efficient exploitation of knowledge, and to safeguard against breaches of confidence and violations of privacy.³³⁷ The question as to whether certain information is a trade secret is properly regarded as a question of fact to be decided by the jury or judge as fact-finder.³³⁸

As to the information predicate for a trade secret, which the *Restatement* titles “subject matter,” the new *Restatement’s* meaning to information tracks the UTSA definition, but also includes “other form[s] or embodiment[s] of economically valuable information.”³³⁹ A plaintiff asserting trade secret rights to certain information bears the burden of defining the information with sufficient definiteness so as to allow a court to apply the criteria for legal protection.³⁴⁰ In addition, when ascertaining whether information is legally adequate information the *Restatement* relates that:

[t]he degree of definiteness required in a particular case is . . . properly influenced by the legitimate interests of the defendant. Thus, a court may require greater specificity when the plaintiff’s claim involves information that is closely integrated with the general skill and knowledge that is properly retained by former employees.³⁴¹

³³⁵ *Id.* cmt. f. (Reporter’s notes).

³³⁶ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 at 425 (1995).

³³⁷ *See id.* cmt. a.

³³⁸ *See id.* cmt. d (Reporter’s notes).

³³⁹ *Id.* cmt. d.

³⁴⁰ *See id.*

³⁴¹ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. d (1995).

Regarding the value requirement, the *Restatement* again follows the "actual or potential economic advantage" delineation of the UTSA.³⁴² The *Restatement* adds, however, that "[t]he advantage . . . need not be great."³⁴³ Yet, it must be "more than trivial."³⁴⁴ The *Restatement* then discusses how the necessary "value" can be established by direct and circumstantial evidence, pointing out that the use of a trade secret in the operation of one's business is in itself "some" evidence of value.³⁴⁵ Finally, the *Restatement* echoes the UTSA in that "negative information" can possess value.³⁴⁶

The last trade secret requirement, secrecy, is discussed and illustrated at length in the new *Restatement*. Again, the *Restatement* restates initially the conventional rules that information must be in fact secret, but the secrecy need not be absolute.³⁴⁷ Rather, "the requirement of secrecy is satisfied if it would be difficult or costly for others who could exploit the information to acquire it without resort to the wrongful conduct proscribed"³⁴⁸ Confidential disclosures of information, and even certain limited non-confidential disclosures, explains the *Restatement*, will not destroy trade secret protection.³⁴⁹ The *Restatement*, finally, provides a list of some of the "many forms" of relevant precautionary measures to maintain secrecy, yet concludes by simply restating the UTSA's "reasonableness" test.³⁵⁰ According to the new *Restatement*, one can be subject to liability for the appropriation of another's trade secret if one acquires the trade secret by improper means, and one knows or should know that the information is a trade secret.³⁵¹ Moreover, wrongful appropriation can occur if one uses or discloses a trade secret without consent, by improper means, or in contravention of a duty of confidence.³⁵² The plaintiff, of course, bears the burden, not only of demonstrating the existence of the trade secret, but also of proving that a misappropriation thereof transpired.³⁵³

The *Restatement* underscores the injunction as a remedy available for trade secret misappropriation, but nonetheless counsels that absent an enforceable

³⁴² See *id.* cmt. e.

³⁴³ *Id.*

³⁴⁴ *Id.*

³⁴⁵ See *id.*

³⁴⁶ See *id.*

³⁴⁷ See *id.* cmt. f.

³⁴⁸ *Id.*

³⁴⁹ See *id.*

³⁵⁰ See *id.*

³⁵¹ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 (1995).

³⁵² See *id.*

³⁵³ See *id.* cmt. a.

restrictive covenant, a court ordinarily will not prevent an employee who has knowledge of a former employer's trade secrets from engaging in a particular business or working for a competitor, unless there is "clear evidence" that the contemplated employment will result in disclosure of the secret.³⁵⁴ Moreover, if there is a "substantial risk" of disclosure, the injunction should be narrowly tailored to prohibit disclosure or to prohibit the employee's participation in a certain project that presents a special risk of disclosure.³⁵⁵

C. "Plans and Strategies" Case Law

In the subject matter, that is, the information predicate comment section, the new *Restatement*, although enumerating various types of technical and scientific type information, does explicitly state that "[a] trade secret can also relate to other aspects of business operations such as . . . marketing techniques"³⁵⁶ Moreover, in the Reporter's Notes section, the *Restatement* echoes the UTSA by including "marketing plans" case law under the protected "eligible" "information" category.³⁵⁷ Yet, the cases cited in the new *Restatement* are older UTSA and common law cases; and, surprisingly, the research for this article did not yield any current cases citing the "new" 1995 *Restatement* as "business plans and strategies" trade secret authority.

D. Conclusion

This "new" *Restatement* and the trade secret definition and formulation therein appears to be mainly in conformity with the common law and UTSA. "However, as individual state's enactments and interpretations of the UTSA diverge over time, the decreasing 'uniformity' of the Uniform Act may cause greater reliance on the 'new *Restatement*' language."³⁵⁸ Yet, despite all the voluminous new *Restatement* language, explication, and examples, the *Restatement* itself warns:

It is not possible to state precise criteria for the determining the existence of a trade secret. The status of information claimed as a trade secret must be ascertained through a comparative evaluation of

³⁵⁴ See *id.*

³⁵⁵ See *id.*

³⁵⁶ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. d (1995).

³⁵⁷ See *id.* cmt. d (Reporter's Notes).

³⁵⁸ Pooley, *supra* note 4, at 624.

all the relevant factors, including the value, secrecy, and definiteness of the information as well as the nature of the defendant's conduct.³⁵⁹

The state common law and statutory law, and compendiums thereof, previously examined all imposed civil penalties for the misappropriation of a trade secret. Now, it is imperative to examine succinctly but also to underscore a new federal statute that imposes criminal penalties for the misappropriation of a trade secret.

V. FEDERAL STATUTE – THE ECONOMIC ESPIONAGE ACT

A. Introduction

Information theft or "leakage" recently has emerged as a very serious problem for United States business and industry.³⁶⁰ Of course, there always have been varying state statutes which made criminal the theft of trade secrets.³⁶¹ However, "[s]tate laws have been spotty in their existence and have been spotty in their enforcement."³⁶² Moreover, "these state laws have not been effective, primarily because the resources needed to prosecute trade secret cases are usually not available at the state government level."³⁶³ Even though the UTSA does provide for extensive damages, the damages are only civil; and thus:

Many of the businesses engaging in these offenses view the potential damages as a necessary risk, the cost of doing business, and a way to gain an economic advantage over competitors. In other words, for many companies and individuals involved in stealing competitors' secrets, the penalties are not a deterrent.³⁶⁴

Finally, an aggrieved firm might have to wait years to resolve a trade secret dispute through civil litigation.³⁶⁵ Yet until quite recently, there was no federal law in the United States that explicitly governed the theft of trade secrets. The result has been the absence of a serious criminal deterrent to the

³⁵⁹ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. d (1995).

³⁶⁰ See Pooley, *supra* note 23, at 1181 (reporting that information losses are between \$5 and \$10 billion a year).

³⁶¹ See Pooley, *supra* note 4, at 629.

³⁶² Pooley, *supra* note 23, at 1187.

³⁶³ Desmet, *supra* note 8, at 102 (detailing the examination and comparative analysis of the statute).

³⁶⁴ *Id.* at 105-06.

³⁶⁵ See *id.* at 107.

theft of trade secrets. In 1996, however, Congress promulgated the Economic Espionage Act (EEA) which makes criminal on the federal level the theft of trade secrets. The Act “reflects Congress’s recognition of the need to protect U.S. technology from unethical business competition. The EEA does so by providing severe criminal penalties for those prosecuted under its provisions.”³⁶⁶ The Act, in addition, “was needed to provide stronger deterrent and to address the modern concerns of instant communication, a decrease in employer loyalty, a shift from an economy based on manufacturing to one based on intellectual property, and a shift of espionage resources by foreign countries to economic targets.”³⁶⁷ The EEA recently has been upheld constitutionally by a federal district court against allegations that the statute was vague, overly broad, and infringed on First Amendment rights.³⁶⁸

The EEA contains two very important provisions.³⁶⁹ The first is aimed at foreign industrial espionage and requires that the theft of the trade secret be accomplished to benefit a foreign government, instrumentality, or agent.³⁷⁰ The second renders criminal the more typical business theft of trade secrets, regardless of who benefits.³⁷¹ Clearly indicating the far more serious aspect of foreign espionage, a person convicted of violating § 1831 faces imprisonment up to fifteen years and a fine of \$500,000 or both,³⁷² while a person convicted of violating § 1832 “only” faces up to ten years imprisonment and a fine of \$500,000 or both.³⁷³ The EEA also includes a provision for the criminal forfeiture of any property and proceeds obtained by means of a violation of the Act,³⁷⁴ as well as a provision for a civil action for injunctive relief.³⁷⁵ These stringent provisions legally “enhance the trade secret holder’s arsenal.”³⁷⁶

B. Overview of the Economic Espionage Act

Pursuant to both EEA sections, the government first must establish by proof beyond a reasonable doubt that certain information is a statutorily

³⁶⁶ *Id.* at 94.

³⁶⁷ *Id.* at 106–07.

³⁶⁸ See *United States v. Hsu*, 40 F. Supp. 2d. 623, 627-28 (E.D. Pa. 1999).

³⁶⁹ See Desmet, *supra* note 8, at 109-15 (providing a detailed analysis of the statute).

³⁷⁰ See 18 U.S.C. § 1831 (2000).

³⁷¹ See 18 U.S.C. § 1832 (2000).

³⁷² See 18 U.S.C. § 1831(a)(5) (2000).

³⁷³ See 18 U.S.C. § 1832(a)(5) (2000).

³⁷⁴ See 18 U.S.C. § 1834 (2000).

³⁷⁵ See 18 U.S.C. § 1836(a) (2000).

³⁷⁶ See Chiappetta, *supra* note 77, at 72.

defined trade secret, the defendant knew this information was a trade secret, and the defendant stole it or obtained or conveyed it without the authorization of the owner.³⁷⁷ To constitute a § 1831 espionage violation, the government also must prove that the theft would benefit or was intended to benefit a foreign government, instrumentality, or agent.³⁷⁸ If the government, however, is unable to establish the foreign government connection, the government still can establish an EEA violation under § 1832 by demonstrating that the defendant intended to convert the trade secret to the economic benefit of anyone other than the owner, the defendant knew or intended that the owner of the trade secret would be harmed, and that an adequate connection to interstate or foreign commerce existed.³⁷⁹

Ascertaining whether certain information is a trade secret is an indispensable EEA finding. The EEA definition of a trade secret, however, is very broad. Trade secrets generally include all types of information which the owner has taken reasonable measures to keep secret and which possess independent economic value, actual or potential, because it is not generally known to, and readily ascertainable through proper means by, the public.³⁸⁰ Specifically, the information capable of EEA protection encompasses "all forms and types of financial, business, scientific, technical, economic or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes"³⁸¹ The protected information, moreover, can be in tangible or intangible form; and can be stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing.³⁸² The preceding EEA trade secret language appears to indicate that the federal definition of a trade secret is even more extensive than the UTSA's definition, as well as the definition in many states' criminal trade secret statutes.³⁸³ One commentator contends that the definition of an EEA trade secret is so broad that it:

May result, however, in dangerous implications for the free mobility of labor. Employers may shy away from hiring highly qualified individuals for fear of liability under the EEA. Similarly, employees may hesitate to change jobs, unclear about whether the knowledge

³⁷⁷ See 18 U.S.C. § 1831(a); 18 U.S.C. § 1832(b).

³⁷⁸ See 18 U.S.C. § 1831(a).

³⁷⁹ See 18 U.S.C. § 1832(a).

³⁸⁰ See 18 U.S.C. § 1839(3) (2000).

³⁸¹ *Id.*

³⁸² See *id.*

³⁸³ See Desmet, *supra* note 8, at 116-17.

they bring to a new company may fall under the definition of trade secret.³⁸⁴

Yet, regardless of the scope of the definition, the essence of a trade secret, in federal and state statutory law as well as the common law, is that the information is not publicly known.

An important factor, legally and practically, to apply to determine whether information is a legally protected trade secret is the degree of security measures adopted by the owner to maintain the secrecy of the information. The extent of security, one recalls, need not be total or extraordinary, but merely "reasonable" under the factual circumstances of a particular case.³⁸⁵ "Reasonable steps is likely to be interpreted by looking at the presence, or absence, of a corporate compliance program designed to protect trade secrets."³⁸⁶ Yet, the security measures taken by the owner should be commensurate with the value of the trade secret. Otherwise, if the owner of the trade secret fails to take reasonable protective measures under the circumstances, then there is no felony under the EEA for obtaining the secret.³⁸⁷

The EEA also construes the "theft" of trade secrets very broadly, as the knowing misappropriation of a trade secret without the owner's consent, or obtaining trade secrets by fraud, artifice, or deception.³⁸⁸ The EEA also is in accord with state common and statutory law in one fundamental sense; that is, "[t]aking advantage of a skill learned on the job or of knowledge gained during employment, if not acquired by illegal means, also does not fall under the scope of the EEA."³⁸⁹

C. "Plans and Strategies" Case Law

There only have been a few reported cases involving the EEA, and none involving plans and strategies type information; rather the reported cases have dealt with the theft of highly scientific type information.³⁹⁰ Moreover,

³⁸⁴ *Id.* at 117.

³⁸⁵ *See id.*

³⁸⁶ *Id.* at 117-18. "Such a compliance program should have as its goals (1) stressing proprietary claims to confidential information, (2) restricting access to trade secrets, (3) warning employees and visitors of the existence of trade secrets, and (4) publicizing the consequences of misappropriation." *Id.*

³⁸⁷ *See id.* at 118.

³⁸⁸ *See* 18 U.S.C. § 1831(a) (2000); 18 U.S.C. § 1832(a) (2000); Olson, *supra* note 40, at 866.

³⁸⁹ Desmet, *supra* note 8, at 111.

³⁹⁰ *See id.* at 118-23.

[a]ll these cases are similar in that they constitute instances of clear-cut theft of trade secrets, often induced by bribes paid to undercover agents working in sting operations, in which the defendants' guilt is flagrant and easily exposed in court. It will be interesting to see whether, with time, the Department of Justice's selection of cases to prosecute remains so careful.³⁹¹

Nonetheless, the EEA's expansive definition of a "trade secret" does explicitly encompass "a plan . . . utilized by a person in his business operations . . ."³⁹² Moreover, as pointed out, ample common law and UTSA precedent exists construing business plans and strategies as legally protected trade secrets, and based on definitions, rules, and standards very similar to the EEA. The EEA, finally, "largely rel[ies] upon and mirror[s] the existing articulation of policy and related doctrinal requirements" of the common law and the UTSA.³⁹³

D. Conclusion

The EEA approach appears to draw heavily on state law concepts, particularly those contained in the UTSA. Since the EEA defines such key terms as "trade secret" and "theft" so broadly, many trade secret disputes, naturally including those involving business plans and strategies, now possess not only costly civil, but also severe criminal ramifications. Trade secret law, of course, now possesses a very potent protective mechanism. Every firm and individual, therefore, must be very careful when they obtain information, especially from, and concerning, competitors. "While individuals face increased risk from the EEA, organizations – which of course are made up of many individuals – are especially challenged by this new law."³⁹⁴ As one commentator has underscored:

[T]he industry in general has something to be quite worried about. People who come to a company, and sometimes they move more quickly than you can keep track, bring with them the danger of polluting the company's environment with the virus of information that they are not supposed to bring. In circumstances like that, when the organization can be liable for this infection, companies are

³⁹¹ *Id.* at 123.

³⁹² 18 U.S.C. § 1839 (2000).

³⁹³ Chiappetta, *supra* note 77, at 72.

³⁹⁴ Pooley, *supra* note 4, at 632.

understandably worried about their officers and the company being indicted for this new federal felony.³⁹⁵

VI. THE LEGAL FEASIBILITY OF BUSINESS PLANS AND STRATEGIES AS TRADE SECRETS

The foregoing statutory and case law analysis indicates that at times it is difficult to ascertain precisely whether business plans and strategies rise to the level of legally protected trade secrets. Yet, certain general principles and workable rules can be gleaned from the analysis herein.

As a general rule, if information, in the form of a business plan or strategy, is independently available to the public, it is not a trade secret: Similarly, if such information can be easily generated by ordinary competent people, it is not a trade secret. The non-public nature of the business plan or strategy is a crucial determinant of trade secret status. Yet, if this information is not available and cannot be easily replicated, what are the key factors to determine if it is secret? The amount of time, money, and effort a firm expended in creating, developing, or obtaining the information certainly is important. Trade secret law is designed to protect information developed by a firm for its private use from its own resources or purchased from others for its own private use with its own funds. Also, legally important is the value of the plan or strategy to a competitor, because if this information is known to a firm's competitors, this knowledge might adversely affect the company's ability to compete effectively. Most importantly, the level of security measures undertaken by a company to protect its plans and strategies emerges as an essential test. A firm clearly must indicate that it does not want to have any outsiders possess this type of information.

Trade secret law does not restrict employees who attempt to benefit from their lawfully developed skill, ability, and knowledge. Employees, therefore, who terminate their employment and change employers or commence their own firms, cannot be sued, enjoined, or prosecuted merely because they were exposed to business plans or strategies while in the employment. Rather, the former employer or government (in the role of prosecutor) must demonstrate that the employee misappropriated or stole a trade secret. Merely taking advantage of the general knowledge, skills and abilities, and experience that one acquires by working at a company is not a legal wrong. Trade secrets, in the form of plans and strategies or otherwise, consist of distinct, non-public, proprietary information, not one's skills and abilities

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Pooley, *supra* note 23, at 1187.

that one develops at a firm, and not the general knowledge that one acquires at a firm. Such skills, abilities, and knowledge are considered an integral natural part of the more experienced departing employee as a person, and not the property of the employer.

VII. PRACTICAL RECOMMENDATIONS

A. Former Employers

The dramatic growth in the misappropriation and theft of intellectual property prompted many state legislatures and the federal legislature to promulgate trade secret statutes to expand the scope of the common law legal bulwark. Yet, the magnitude of the burden still falls on former employers to positively take the necessary steps to secure the advantage of trade secret legal protection, and particularly so when the information is non-technical and non-scientific type information. Many firms realize too late the true value of their proprietary plans and strategies type information when these secrets are misappropriated and disclosed to a competitor. This threat of having intellectual property, in the form of business plans and strategies, stolen or misappropriated from one's organization is so real and constant that certain steps must be taken to prevent particularly this type of occurrence and to take advantage of the protections afforded by trade secret law.³⁹⁶ In order to protect their plans and strategies, companies, for example, legitimately can impose restrictions on their employees, such as confidentiality or non-disclosure agreements, which not only provide contractual protection, but also considerably help to bolster a firm's trade secret case.

A basic first step to ensuring legal trade secret protection is for a firm to identify distinctly its true, proprietary, protectable trade secrets. Next, designating, labeling, and numbering such information as "confidential" and "secret" would be quite logical as well as efficacious. A document destruction system, for example, an in-house shredding procedure, would also be advisable. Yet, in order to protect information developed by the firm in the future, such as business plans and strategies, a company should define internally confidential information and trade secrets as broadly as possible. A firm should consider adopting a policy that treats all internal communications as confidential, whether designated as such or not, and insist that they be held in strictest confidence.

³⁹⁶ See Blackman & Thayer, *supra* note 92, at 14-17 (discussing in detail the "necessary elements" to a trade secret protection program, including a proprietary information policy, non-disclosure agreements, internal security systems, exit interviews, and trade secret audits).

Other reasonable and elementary efforts to maintain secrecy would be the registration, badging, and supervision and escorting of visitors; the fencing or walling of premises and areas; and the locked enclosure to sensitive work areas and document storage areas; as well as signs cautioning employees and others as to the confidential and proprietary nature of information.

In order to successfully litigate a trade secret case, there must be present in the record evidence that adequate precautions were taken to maintain the secrecy of the information, and especially so when the information is non-technical and non-scientific type information. Consequently, the employer must clearly define internally what is proprietary information. In addition, the employer must emphasize the legal and ethical obligations of employees, not only when they commence employment, but especially when they begin work on confidential projects, and finally when they leave employment. Two important objectives are accomplished by this designation and underscoring approach: there is no misunderstanding as to the confidential nature of the information; and there is distinct evidence of efforts to maintain plans and strategies private and confidential.

Communication is the key. The employer should not only instruct new employees as to the existence of trade secret information, particularly in its plan and strategy embodiment, its legal protection, and their legal and moral obligations, but also periodically, such as every six months, transmit a memo, physically and electronically, to the various parts of the firm, particularly to those employees who use or have access to such trade secrets, reminding them of their responsibilities to the company. In addition, a systematic audit, inventory, and registry of the firm's confidential information, including location, access, and protective measures, should be instituted and prepared on a regular basis.

Confidential business plans and strategies, moreover, must only be placed in the hands of those employees and others, such as marketing personnel and sales representatives, who have real need of its use. Obviously, purported trade secrets, in the form of plans or strategies or otherwise, should not be easily accessible to all employees and stakeholders of the firm. Such widespread availability will definitely diminish the odds of such information being deemed a trade secret.

As part of the employer's trade secret education efforts, the employer can have employees participate in in-house seminars and meetings, whereby the employees can become acutely aware of the company's concern for protecting its plans and strategies, the techniques of industrial spies, and the ramifications of violating trade secret laws. The employee, moreover, must be told that if he or she has any question regarding whether specific information is considered confidential, he or she would be well-advised to

request clarification from a designated company official. Employees who have participated in such seminars at the least will be aware of the company's firm position as well as their legal and ethical responsibilities; and hopefully will have contributed their ideas as to how to prevent disclosure of trade secrets. Such an education crusade can foster goodwill, generate cost-saving and practical ideas for the firm, and promote a feeling of participation and a sense of loyalty among employees.

When an employee resigns or is discharged, the employer should discuss the disposition and use of trade secrets as part of the employee's exit interview, including the firm's plans and strategies in the discussion. Preferably, the employee should be contractually obligated to meet with a designated company official prior to the termination in order to review the employee's duties regarding the firm's trade secrets. Clearly and emphatically, the departing employee must be informed that trade secrets belong to the firm, they must be returned, and are not to be disclosed or used. A checklist and acknowledgment system would be appropriate. A written follow-up reminder would also be advisable. Such a meeting will serve as a reminder that the employer is prepared to enforce its rights pursuant to trade secret law, and that the employee cannot remove from the employer's premises, and must immediately return to the employer, any confidential planning or strategic information the employee possesses. Finally, a letter to the employee's new employer, indicating that the former employee had access to trade secrets, and informing the new employer of its legal duties, would be a final prudent practical measure. Such termination procedures will be highly beneficial to the former employer. First, they should serve to dissuade to the former employee, and also a new employer, from attempting to engage in actions that might result in a misappropriation of trade secrets. Second, formally meeting with the exiting employee may alert the vigilant employer that the former employee may be about to wrongfully use or disclose business plans and strategies, and thus a close monitoring of his or her activities is warranted.

To satisfy the "reasonable" efforts requirements of the law, the employer can take several more steps. These measures include advising employees of the existence of a business plan or strategy as a trade secret and its concomitant protected nature, limiting access to sensitive information to those on a "need to know" basis, requiring employees to sign confidentiality and non-disclosure agreements, including a section on confidential information and trade secrets in the employee handbook, keeping secret information under "lock and key," both physically and electronically, and periodically conducting security audits to determine whether trade secret procedures are being followed. Moreover, a suitable background check on employees who will have access to confidential planning and strategic

information is another method to help preserve secrecy. If an investigation reveals that any low-level employee in a very large firm readily can obtain the information, the employer would be hard-pressed to establish the information as a trade secret. Limiting access to computer areas and to computer systems, as well as photocopying restrictions would be advisable. Of course, technology's ability to disseminate information widely and rapidly surely aggravates the problem of maintaining the secrecy of valuable business information. Merely having a system of computer passwords, for example, may not be sufficient to pass a "reasonable measures" test; rather, a prudent firm would be well-counseled to conduct periodic internal examinations to test for computer system penetration as well as compliance with documented security policies and procedures. "[S]uch measures will communicate to . . . employees that the company greatly values the time and effort they spend in designing innovative products and services and that the management is taking responsible steps to protect their innovations as well as the goodwill of the company."³⁹⁷

The employer must be very careful when it shares proprietary information with third parties, such as agents, consultants, vendors and suppliers, sub-contractors, licensees, clients, and even customers. If such a disclosure of a plan or strategy must be made, the employer must ensure that it is limited and that the third parties are further constrained by confidentiality and non-disclosure agreements. The employer must insist on secrecy from third parties, and then must investigate regularly to ensure compliance. The employer, moreover, must inculcate its employees not to make any intentional or accidental disclosures of planning or strategic information to third parties, such as in conferences, seminars, trade shows, trade associations, in writings to professional, business, and scientific publications, and in casual, perhaps overheard, conversations. Obviously, posting such information electronically on the internet, even for very limited periods of time, must be avoided. The prudent employer should adopt a policy of reviewing all outgoing materials; and regarding sensitive information, clearly should avoid fostering a too free of a flow of sensitive information and too much of a "culture" of access, openness, and "connectivity".

As a consequence, "[o]rganizations that have implemented internal security programs are likely to be in the best position to protect their trade secrets from dishonest competitors while insulating themselves from a trade secret prosecution."³⁹⁸ Moreover, such protective "measures are likely to

³⁹⁷ Desmet, *supra* note 8, at 126.

³⁹⁸ *Id.* at 95.

maintain or improve the company's image in the event of a lawsuit, by showing that safeguards were in place, thus elevating the value of the company's maintained trade secrets."³⁹⁹

B. *New Employers*

According to the traditional common law employment-at-will doctrine, employees can freely leave the employer's employ at any time and for any reason they want. There is, moreover, nothing inherently legally wrong with hiring a competitor's employees, regardless of whether the employee approaches the new firm, or the firm approaches the employee, either directly or by means of a third party such as a recruiter. The law typically protects and promotes trade and commerce, competition and entrepreneurship, and mobility and advancement. There is no legal liability merely for hiring a competitor's employees; but nonetheless, "[m]ost trade secret litigation results from people with specialized knowledge leaving to join an established competitor or to start a competing firm."⁴⁰⁰ Of course, if a firm hires a competitor's employees for the express purpose of obtaining the competitor's confidential business plans and strategies, such a "raid" very likely will brand the firm as an illegal misappropriator of trade secrets. Yet, since the UTSA includes both an actual and constructive standard for misappropriation liability, "if a hiring employer knows or has reason to know that one of its new employees misappropriated the trade secrets of her former employer, the hiring employer also is liable for that misappropriation and may be held responsible for significant damages."⁴⁰¹ Accordingly, even the most legal and ethical firm must take special care when hiring new employees.

One of the most effective ways to avert trade secret entanglements is to not to allow them to occur in the first place; and one of the most effective ways to prevent lawsuits is to avoid misunderstanding. A firm practicing good business sense with respect to trade secrets, in the form of business plans or strategies or otherwise, thus will have an internal definition, policy, and position with respect to the wrongfulness of misappropriating trade secrets. First, avoid access to or receipt of a competitor's confidential information and intellectual property. This avoidance can be accomplished by ascertaining in job interviews if potential employees are obligated to their current or former employers by virtue of trade secret or other intellectual property law. Presuming such a beholden person is hired, appropriate

³⁹⁹ *Id.* at 126.

⁴⁰⁰ Pooley, *supra* note 4, at 625.

⁴⁰¹ Blackman & Thayer, *supra* note 92, at 17 n.2.

measures must be taken to ensure that the employee and the firm do not contravene trade secret law.⁴⁰²

Naturally, it will be most helpful for the new employer if it can establish that its business does not directly compete with the previous employer's business, for example, by showing that it does not have similar services or products, and aims at different consumers. Alternatively, if there is an overlap in business, the new employer can attempt to establish that the former employee's present position with the new employer is not comparable to his or her former position, in responsibilities, products, services, geography, and customers.

Yet, if a firm is planning to commence a campaign to market a product or service which is similar to a competitor's, and with that competitor's former personnel, the firm would be very well-advised to take certain defensive measures, such as to document independent creation, development, intent, and tactics and eschew using a competitor's exact terminology, designs, and objectives.

When a newly retained employee was previously working for a competitor, the new employer also should consider requiring the employee to sign a written trade secret assurance and agreement. This document would require the new employee to declare that he or she does not have in his or her possession any trade secrets or confidential information from the former employer, naturally including business plans and strategies; and, in addition, that the new employee's tenure with the firm is predicated on that fact. The practical result will be "that all employees are hired 'clean,' so as not to infect the company with another's trade secrets."⁴⁰³

If avoiding civil trade secret legal difficulties is not a sufficient motivation for the new employer to take all the aforementioned precautionary measures, then the existence of the EEA and its severe criminal penalties must be emphasized. Even though to date there have not yet been any reported EEA business plans or strategies cases, surely an employer, or an employee, does not want to be the first such defendant! As one commentator wisely warned:

The presence within a business of unauthorized data is comparable to infection by a virus. Undetected and unchecked, it can become part of a company's process, product or database. Because the EEA applies to the mere unauthorized possession of information, possibilities for infection are extensive. They start with each employee, especially new hires who often bring with them a personal

⁴⁰² See *id.* at 9-11 (discussing in detail the steps a new employer can take to avoid trade secret liability during the applicant interview and hiring stages).

⁴⁰³ Pooley, *supra* note 4, at 626.

collection of disks, files and documents, or who just know a lot about a competitor where they used to work.⁴⁰⁴

Since federal criminal laws apply to corporate entities, the prudent corporate employer will adopt a trade secret “compliance plan” that also perceives the possibility of criminal behavior within the organization and endeavors to avert it.⁴⁰⁵ Significantly, “under the U.S. Sentencing Commission’s guidelines, companies that have a meaningful and efficient compliance program in place are entitled to mitigation in sentencing.”⁴⁰⁶ Moreover, an effective compliance plan can not only reduce points at sentencing, “but it can also be the key to convincing a federal prosecutor that the company found to possess trade secrets has in fact been victimized by an errant employee. In the new climate defined by the EEA, corporate compliance plans represent the keystone to preparedness.”⁴⁰⁷

C. *Employees*

An employer who discloses valuable, proprietary, planning or strategic information to its employees in confidence very likely will be afforded the protection of trade secret law to prevent the use of this secret information in competition with it. The employee, consequently, has a legal as well as ethical obligation not to reveal such trade secret information. In particular, former and current employees must be cognizant of the potential and severity of consequences – civil and criminal – from wrongfully utilizing and disclosing protected information, as well as the damage to one’s professional reputation. Employees, therefore, must very carefully consider any inquiries they receive from third parties, especially prospective competing employers, for such information which may be considered proprietary and confidential by their employer. Naturally, an employee receiving such a request should not disclose such information unless the employee’s manager has approved the disclosure.

An employee, however, who was involved with confidential business plans and strategies, and who naturally is concerned with the legal ramifications thereof, should be prepared to establish firmly that he or she is not a misappropriator of trade secrets. Obviously, evidence that the employee did not actually use the former employer’s trade secrets would be axiomatic. Evidence, moreover, that the alleged business plan or strategy

⁴⁰⁴ *Id.* at 632.

⁴⁰⁵ *See id.*

⁴⁰⁶ Desmet, *supra* note 8, at 126.

⁴⁰⁷ Pooley, *supra* note 4, at 633.

trade secret failed to provide the former employer with a valuable commercial advantage, or that the former employer failed to adequately protect this information, might be dispositive of the trade secret lawsuit. It also would be most helpful to the employee if he or she can demonstrate that any skill, experience, training, education, or knowledge received from, or acquired through, the employer merely was general, industry-wide, knowledge and expertise, rather than exact trade secret information. The burden, of course, initially is on the former employer to establish that the employee had access to more specific proprietary "information" about company practices, plans, and strategies. Finally, the former employee might be able to demonstrate that purported trade secret information was ascertainable through independent creation and discovery or by means of "reverse engineering."⁴⁰⁸

VIII. CONCLUSION

Today's global, highly competitive, information economy surely has heightened the risk of misappropriation of intellectual property. Companies, however, may be not cognizant that their valuable business information in the form of plans and strategies may constitute trade secrets entitled to protection under various legal doctrines. Such ignorance may be costing companies millions of dollars yearly. Yet, contrary to a surprisingly prevalent view in the business community, it is not mandatory to secure a patent, copyright, or trademark in order to classify legally information as a trade secret. Confidential, proprietary, planning and strategic information that accords a business a competitive advantage frequently will constitute a trade secret entitling a firm to legal protection under the common law and state and predictably federal statutory law. The primary objective of this *corpus* of trade secret of law is to prevent a former employee or other competitor from unfairly appropriating valuable confidential information without paying the price for the information. As the U.S. Supreme Court underscored in the seminal *Kewanee* case; "the maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law. 'The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world.'"⁴⁰⁹

The easily accessible and dynamic nature of technology today can cause almost any incidence in "similarities" to be construed as questionable under broadly written trade secret laws. The common law and even present

⁴⁰⁸ See *id.* at 629.

⁴⁰⁹ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974) (citations omitted).

legislation are a bit imprecise, perhaps purposefully so. Companies functioning in such a fluid, high-technology, competitive environment must remain vigilant, not only to protect their proprietary and confidential information, of course including business plans and strategies, but also to avoid allegations of trade secret misappropriation.

The analysis conducted herein evidently indicates that companies have the interest and right to secure trade secret protection on certain kinds of proprietary information, essential to maintaining and expanding its markets, and affording companies a competitive advantage, including business plans and strategies. Yet a firm's claims to secrecy must be balanced against other competing interests. In particular, the protections afforded a firm by trade secret law must be counter-weighted against the legitimate interests of employees in the freedom of movement, speech, and pursuit of livelihood and advancement. The employees' new employers, moreover, possess a legitimate interest in using their own employees' knowledge and skills. Government, consumers, and the public want information that concerns them and which they have the right to know. These "stakeholders" also want innovative and useful products and services, as well as vigorous but fair competition in the marketplace. Society in general wants to benefit from socially useful information and new beneficial products and services. Yet without the legal protection afforded by trade secret and intellectual property law, companies surely would have less incentive to make the costly investments in research, development, and planning that are essential to innovation and improvement. Such new information, and the preservation of its secrecy, are vital to economic prosperity societal prosperity. The challenge to the law is to balance all these competing rights, obligations, and interests in an equitable manner. The concise business "plans and strategies" trade secret analysis conducted herein attests that trade secret law, although composed of various constituent elements, appears to have successfully accommodated all the contending claims into a fairly unified corpus of trade secret law. This legal *corpus* is emerging as an equitable and equalized legal sector; and one that produces greater good for all the affected "stakeholders" involved, and that will produce over time in a maximization of societal value.