

4-1-2003

A Primer on Florida Trade Secret Law: Unlocking the "Secrets" to "Trade Secret" Litigation

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Recommended Citation

Gary S. Gaffney and Maria E. Ellison, *A Primer on Florida Trade Secret Law: Unlocking the "Secrets" to "Trade Secret" Litigation*, 11 U. Miami Bus. L. Rev. 1 (2003)

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A PRIMER ON FLORIDA TRADE SECRET LAW: UNLOCKING THE “SECRETS” TO “TRADE SECRET” LITIGATION

BY: GARY S. GAFFNEY AND MARIA E. ELLISON

I.	INTRODUCTION	2
II.	THE HISTORY AND PURPOSE OF FLORIDA’S TRADE SECRET ACT	3
III.	ESTABLISHING THAT “INFORMATION” IS IN FACT A “TRADE SECRET”	8
	A. <i>Step 1: Identifying the Information that Constitutes the “Trade Secret”</i>	9
	B. <i>Step 2: Establishing Exclusive Ownership of the Information Which Constitutes the “Trade Secret”</i>	10
	C. <i>Steps 3, 4, 5 and 6: Establishing That the Information Constitutes a “Trade Secret”</i>	11
	1. STEP 3: ESTABLISHING THAT THE INFORMATION HAS “INDEPENDENT ECONOMIC VALUE.”	13
	2. JUST HOW MUCH “VALUE” MUST INFORMATION HAVE TO QUALIFY AS A “TRADE SECRET?”	16
	3. STEP 4: ESTABLISH THAT THE INFORMATION HAS VALUE BECAUSE IT IS “NOT GENERALLY KNOWN”	17
	4. STEP 5: ESTABLISH THAT THE INFORMATION DERIVES VALUE FROM “NOT BEING READILY ASCERTAINABLE BY PROPER MEANS”	21
	5. STEP 6: ESTABLISH THE “REASONABLE” EFFORTS WHICH WERE TAKEN TO MAINTAIN THE “SECRECY” OF THE INFORMATION.	24
IV.	PLEADING AND PROVING-UP THE “MISAPPROPRIATION” OF A TRADE SECRET	27
	A. <i>Misappropriation Of A Trade Secret Through Wrongful “Acquisition”</i>	28
	B. <i>Misappropriation Of A Trade Secret By Wrongful “Use or Disclosure”</i>	31
	C. <i>Seeking Damages Under FUTSA</i>	33
	D. <i>Seeking Injunctive Relief Under FUTSA</i>	34
V.	USING A “TRADE SECRET” CHARACTERIZATION TO LIMIT DISCOVERY IN LITIGATION	36
VI.	DEFENDING AGAINST A TRADE SECRET CLAIM	37
VII.	SEEKING ATTORNEYS FEES UNDER FUTSA	39
VIII.	CONCLUSION	41

I. INTRODUCTION

Just what *is* it about the elusive “trade secret?” Florida, like most other states today, provides the owner of a “trade secret” with a statutory cause of action for the wrongful “acquisition” or “misappropriation” of that information. A judicial characterization of commercially-sensitive information as a “trade secret” can be used to thwart discovery requests in a variety of litigation contexts. That same characterization can be used to bar some competitors – particularly disgruntled ex-employees now in competition with the claimant – who might seek to disclose or utilize the information to their benefit.

Florida’s version of the Uniform Trade Secrets Act¹ – “FUTSA” – provides an aggrieved owner with relief in the form of damages, exemplary damages, and injunctive relief – and it even authorizes the court to award costs and attorneys fees to a prevailing plaintiff in some cases. Although the Act is most often used by employers (e.g., to prevent former employees from disclosing valuable—and secretive—“customer lists”), it can be used in other aspects of business practice as well. For example, the Act has been used to protect business plans, secret processes, and other forms of valuable commercial data, including types of information that do not otherwise qualify for federal copyright, patent or trade mark protection.² This is obviously a powerful statute, and a powerful litigation tool.

Despite the fact that the Act provides protection for trade secret information and remedies for its misappropriation, surprisingly few claims are ever brought under the Act, and even fewer prove successful. Most trade secret claims, in fact, are dismissed out early on due to the claimant’s failure to properly plead one or more of the numerous substantive elements that comprise the complex statutory definition; others fail well before trial due to the lack of evidentiary support. Whatever the reason, there seems to be some confusion in the bench and bar as to just what constitutes a successful “trade secret,” and what evidence is necessary to support an actionable “misappropriation” and, as a result, the statute is seldom used, and rarely applied.

¹ Chapter 688, Florida Statutes (2001)(hereinafter, the Act or FUTSA). The Act consists of nine (9) separate statutory sections, all of which are to be collectively cited as “The Uniform Trade Secrets Act.” See FLA. STAT. § 688.001 (2002).

² See, e.g., *Gates Rubber Co. v. Bando Chemical Ind., Ltd.*, 9 F.3d 823 (5th Cir. 1993). See generally Ellis, David, *Cyberlaw and Computer Technology: A Primer on the Law of Intellectual Property Protection*, 72 Fla. B. J. 34, 35-36 (Jan. 1998); Losey, Ralph, *Legal Protection of Computer Databases*, 65 Fla. B. J. 80, 83-85 (Oct. 1991).

So what constitutes a “trade secret” under the Uniform Trade Secret Act? What sort of evidence must a claimant submit to satisfy the statutory definition? If a particular piece of information fits within the statutory definition, what are owner’s rights and remedies? And just what is a “misappropriation” action, anyway? What exactly must the owner plead and prove-up? Can this rarely used statutory cause of action ever be successfully litigated—or will the perplexities of an admittedly disjointed and complex statutory scheme doom all such suits to failure?

This article seeks to answer some of these questions and, in doing so, perhaps provide bench and bar with some assistance in the daunting task of deciphering the language of the Act. The article begins with a short history of trade secret law and a brief discussion of the genesis (and purpose) of the Uniform Trade Secrets Act,³ and then carefully sets out the various elements of the statutory definition. The article approaches the Act in step-by-step fashion, one component at a time, first identifying and analyzing the four (4) individual substantive elements of the statutory definition of a “trade secret.” It then lays out in a logical, easy-to-follow order the lengthy set of statutory requirements for each specific cause or remedy including the defenses and principles governing awards of fees and costs available under the Act. The article thus serves as a basic primer on the subject of trade secret law, and at the same time provides a practical “how-to” checklist for the litigant seeking some sort of affirmative relief.

II. THE HISTORY AND PURPOSE OF FLORIDA’S TRADE SECRET ACT

“Trade secret” law is generally considered to be a matter of state, rather federal law.⁴ In the early development of this area of commercial jurisprudence, each state⁵ followed its own common law,⁶ with state courts

³ The Uniform Trade Secrets Act (hereinafter UTSA).

⁴ When hearing trade secret cases, federal courts generally apply the trade secret law of the forum state. *See, e.g.,* Franke v. Witschek, 209 F.2d 493, 494-95 (2nd Cir. 1953); SI Handling Systems, Inc. v. Heisley, 753 F.2d 1244, 1255 (3rd Cir. 1985); Weibler v. Universal Technologies, Inc., 29 Fed. Appx. 551, 554 (10th Cir. 2002); Roton Barrier, Inc. v. Stanley Works, 79 F. 3d. 1112, 1114 (Fed Cir. 1996); Gilson v. Republic of Ireland, 606 F. Supp. 38, 42-43 (D. D.C. 1984); Pitney-Bowes, Inc. v. Mestre, 517 F. Supp. 52 (S. D. Fla. 1981); Uncle B’s Bakery, Inc. v. O’Rourke, 920 F. Supp. 1405, 1424-25 (N.D. Iowa 1996). The fact that there is no federal trade secret law distinguishes trade secret law from similar intellectual property laws protecting trademarks, patents and copyrights. *See* Halijan,

Douglas, *The Past, Present, and Future of Trade Secrets Law in Tennessee: A Practitioner’s Guide Following Enactment of the UTSA*, 32 U. Mem. L.Rev. 1, 7-8 n. 23 (2001)(hereinafter Halijan).

⁵ For an example of the approach that may have been utilized by a Florida court in a “pre-FUTSA” trade secret case, *see* Lee v. Cercoa, 433 So. 2d 1, 2 (Fla. 4th DCA 1983), where the court held

sometimes borrowing from the definition of a “trade secret” (and other rules) contained in the Restatement of Torts.⁷ Today, trade secret law is

that a complicated production process was a trade secret, and in doing so, referred to case law from several other jurisdictions and a number of secondary sources, including the Restatement of Torts. See also *Dotolo v. Schouten*, 426 So. 2d 1013, 1015 (Fla. 2d DCA 1983)(finding misappropriation of a trade secret to be a common law tort, and relying on 55 Am. Jur 2d *Monopolies, Restraints of Trade, and Unfair Trade Practices* § 713 (1971)); *Hickory Specialties, Inc. v. B & L Laborities, Inc.*, 598 S.W.2d 853 (Tenn. Ct. App. 1979)(setting out pre-UTSA factorial test for trade secret misappropriation); Halijan, *supra* note 4, at 8n. 28.

⁶ Early trade secret law generally treated misappropriation as a species of tort, but most modern statutory approaches have integrated the equitable remedies and commercial focus inherent in the law of unfair competition, as well as the guiding principles (i.e., fostering creativity) of patent and copyright law. The current form of the action, however, does retain its historical roots in tort. See, e.g., *Jenkins v. Rockwood*, 820 So. 2d 426 (Fla. 4th DCA 2002)(characterizing an action for trade secret misappropriation as a tort for purposes of conflict of laws analysis). In addition, modern approaches to trade secret law have also acknowledged the relationship between the statutory scheme and private contract rights. See, e.g., *Information Technology & Engineering Corp., v. Reno*, 813 So. 2d 1053, 1054-55 (Fla. 4th DCA 2002) (while plaintiff’s statutorily-based claims essentially sound in tort, the wrongful acts alleged, including the improper use of trade secrets, were related to specific provisions of the parties’ agreement, thus invoking the arbitration clause contained in that agreement). See also *I.C. Systems, Inc. v. Oliff*, 824 So. 2d 286, 287 (Fla. 4th DCA 2002); *Information Tech. and Eng’g Corp. v. Reno*, 813 So. 2d 1053, 1055 (Fla. 4th DCA 2002)(alleged breach of employment contract, providing for both injunctive relief and arbitration, allowed court to retain jurisdiction over count requesting injunction while compelling arbitration on other counts involving tort claims).

Indeed, under Florida law, to enforce a contractual “restrictive covenant,” one must first plead and prove a “legitimate business interest” justifying enforcement of the covenant. See FLA. STAT. § 542.335(1)(b) and (c) (2002); *Tusa v. Roffe and KKA*, 791 So. 2d 512, 514-15 (Fla. 4th DCA 2001). Section 542.335 (1)(b) Florida Statutes provides that a “legitimate business interest” includes “[t]rade secrets, as defined in § 688.002(4).” See also *Open Magnetic Imaging, Inc. v. Nieves-Garcia*, 826 So. 2d 415, 419 (Fla. 3rd DCA 2002); *Tuse v. Roffe and KKA, Inc.*, 791 So. 2d 512, 515 (Fla. 4th DCA 2001). The violation of an enforceable restrictive covenant invokes a presumption of irreparable injury and if it involves misappropriation of trade secrets, the claimant has the right to seek both injunctive relief and damages under FUTSA. See §§ 688.003 & .004 (2002).

⁷ See Restatement (First) of Torts § 757 (1939). See also *Lee*, 433 So. 2d 1, 2 (Fla. 4th DCA 1983). The Restatement used a *factoral* analysis to determine if information constitutes a “trade secret.” These factors include 1) the extent to which the information is known outside an employer’s business; 2) the extent to which it is known by employees; 3) the extent of the measures taken to guard the information’s secrecy; 4) the amount of the effort or money expended in developing the information; 5) the ease or difficulty in independently discovering the information (e.g., through reverse engineering).

Under the Restatement view, no one factor is considered determinative as to the existence of the alleged trade secret, and there are no set rules. For example, the “reasonableness” of the efforts

taken by the claimant (i.e., to main its secrecy) are typically construed in light of the specific circumstances. See *In Re Innovative Constr. Sys., Inc.*, 793 F. 2d 875, 880 (7th Cir. 1986).

It is interesting to note that the *Second* Restatement of Torts *omitted* the trade secret rules set out in section 757 of the First Restatement. This was, in part, the reason for the promulgation of UTSA. See UTSA, *Prefatory Note*; Halijan, note 4 *supra*, at 2.

typically a matter of state statutory law, with most states—including Florida—having adopted rules and principles first enunciated in the “Uniform Trade Secret Act.”⁸ Florida adopted its own particular version of the UTSA in 1988,⁹ and the statute, in its entirety, can be found at Chapter 688 Florida Statutes.

The UTSA was first proposed in 1979.¹⁰ It was originally conceived as an attempt to codify and make uniform the basic common law principles of trade secret protection—which of course had been applied by the courts somewhat inconsistently until that time.¹¹ The Act is exclusionary and preemptory; and, since it took effect in Florida, the civil remedies it makes available have applied to the exclusion of all similar remedies, including

⁸ See UTSA (1985); 14 Uniform Laws Annotated, Master Edition. To date, 42 states have adopted some version of the Act. Pennsylvania and the Virgin Islands currently have bills pending in their legislatures for adoption of UTSA. See Pennsylvania SB-1319 and Virgin Islands 24-0168, both introduced in 2001-02. For an up-to-date list of those states that have enacted UTSA, see Halijan, note 4 *supra* at n.15. Florida adopted its version of the Uniform Act in 1988. The current version of the Florida version of UTSA is located at Chapter 688 Florida Statutes (2002). The various provisions of Florida’s statute are virtually identical to those found in the UTSA.

Under the Restatement view, “the most important consideration [is] whether the information was secret.” See *Linkco, Inc. v. Fujitsu Ltd.*, WL 31473365 at 6 (S.D.N.Y. 2002)(emphasis supplied) quoting *Lehman v. Dow Jones, & Co., Inc.*, 783 F.2d 285, 298 (2d Cir. 1986). In fact, four of the six Restatement factors focus upon the secrecy of the information (i.e., factors 1, 2, 3, and 6). And, although “secrecy is a question of fact,” courts have held that there can be no trade secret protection, as a matter of law, if the secrecy is necessarily lost when the design or product is placed on the market. *Linkco*, WL 31473365 at 6-7, quoting *Hudson Hotels Corp. v. Choice Hotels Int’l*, 995 F.2d 1173, 1177 (2d Cir. 1993)(finding that a hotel room design concept was not a trade secret because it would be publicly disclosed once the hotel room was built, marketed and occupied), *abrogated on other grounds by Nadel v. Play-By-Play Toys & Novelties, Inc.* 208 F.3d 368 (2d Cir. 2000); *Speciner v. Reynolds Metals Co.*, 270 F.2d 337, 337-38 (2d Cir. 1960)(finding that a window design was not a trade secret where the features “were readily apparent from a casual inspection of the plaintiff’s window which was available on the open market”); *Blank v. Pollack*, 916 F. sup. 165, 175 (N.D.N.Y. 1996)(finding a window crank not to be a trade secret because it is “a device, that upon marketing and sale is open to public inspection of all of its features”); *Eagle Comtronics, Inc. v. Pico, Inc.*, 453 N.Y.S. 2d 470, 472 (4th Dep’t 1982)(finding no trade secret when “any secrecy in the design of the trap was lost when it was placed upon the market”). Thus, the primary consideration under the Restatement factorial approach is determining secrecy, and this accomplished by asking whether the information is “easily ascertainable by the public.” *Linkco*, WL 31473365 at 6-7.

⁹ The Act took effect October 1, 1988, and has applied to all trade secret misappropriations since that date. See Ch. 88-254 § 10 Fla. Laws (1988).

¹⁰ The Act was first presented at the 1978 Annual Meeting of the National Conference of Commissioners on Uniform State Law. It was approved and recommended for enactment in all states on August 9, 1979. See Prefatory Notes, UTSA (1985). In 1985, the Conference approved and recommended enactment of amendments to sections 2(b), 3(a), 7 and 11. See *id.* See also <http://www.law.upenn.edu/bll/ulc/fnact99/1980s/utsa85.htm>.

¹¹ This purpose is incorporated into the Act at Section 688.009, which provides that FUTSA “shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this act among the states enacting it.”

those that had their origin in the common law.¹² Thus, if the trade secret claimant seeks affirmative relief in Florida, it must rely solely on the provisions found of Chapter 688.¹³ Unfortunately, Florida's Uniform Trade

¹² See FLA. STAT. § 688.008 (2002) ("Except as provided for in subsection (2), §§ 688.001—688.09 displace conflicting torts, restitution, and other laws of this state providing civil remedies for misappropriation of a trade secret.") This language appears to set the Act in direct contravention to/with the common law, and as such, a disfavored litigant could conceivably argue for a "strict construction" of the entire Act. See *Sealy v. Thomas*, 6 Fla. 25, 33 (Fla. 1855) ("Where a statute contravenes or alters a principle of the common law it must always be strictly construed.") The Act does not preempt or otherwise affect remedies based upon contract or criminal law, nor other remedies that are not grounded upon the misappropriation of trade secret. See § 688.009(2)(a)-(c). Prior to the enactment of FUTSA, plaintiffs would bring a variety of actions to recover damage incurred by trade secret misappropriations. See, e.g., *Florida Power and Light Co. v. United Serv. of America*, 550 So. 2d 13 (Fla. 3rd DCA 1989) (applying pre-FUTSA law and permitting trade secret to be subject of "civil theft" action).

While the Act is pretty much self-contained, and in fact, expressly preempts other remedies grounded in acts of misappropriation, there is nothing to preclude courts from relying on case law from other jurisdictions that may have implemented similarly-worded trade secret statutes. See, e.g., *East v. Aqua Gaming, Inc.*, 805 So. 2d 932, 934 n.1 (Fla. 2d DCA 2001) (noting how the definition of "trade secret" under Florida law is the same as it is under *Vermont* law); *Perduc Farms, Inc. v. Hook*, 777 So. 2d 1047, 1052 (Fla. 2d DCA 2001) (noting how the language of section 688.004(2)—governing exemplary damages—is the same under *Iowa* law).

Reliance on out of state case law can prove problematic, however. In fact, in light of the disparate resources of trade secret law (discussed *supra*, at note 6), and the various modifications each particular state may have made to its own version of the UTSA, courts (and practitioners) need be wary of relying too heavily on case law from other jurisdictions, and at the very least make sure that the language of the statute from the state that is being relied upon is similar enough to justify such reliance, and is in fact grounded upon comparable (if not identical) principles of law. See *Halijan*, *supra* note 4 at 2, noting there are "important differences" between Tennessee's version of USTA and USTA.

There are still some states that follow the 1939 Restatement approach today. See, e.g., *Linkco, Inc. v. Fujitsu Ltd.*, WL 31473365 (S.D.N.Y. 2002) ("New York courts have adopted the general definition of a trade secret set forth in the Restatement of Torts § 757, comment b (1939)", which states as follows: "A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives [the owner] the opportunity to obtain an advantage over competitors who do not know or use it," citing *Softel, Inc. v. Dragon Med. & Scientific Communications, Inc.*, 118 F.3d 995, 968 (2d Cir. 1997) (quoting Restatement of Torts § 757 cmt. b (1939) (emphasis added)).

¹³ FLA. STAT. § 688.09 (2001). In *All Pro Sports Camp, Inc. v. Walt Disney Co.*, 727 So. 2d 363, 368 (Fla. 1999), the court confirmed the fact that the Act has displaced most, if not all, other remedies that devolve from the misappropriation of a trade secret. Indeed, if the subject matter of the action constitutes a "trade secret" under the statutory definition, actions for "conversion" or "unjust enrichment" are improperly pled. Any such action is precluded by the Act if the subject of the action is information claimed to be a "trade secret." See, e.g., *Delmonte Fresh Produce Co. v. Dole Food Co.*, 136 F. Supp.2d 1271, 1291 (S.D. Fla. 2001) (FUTSA displaces tort law regarding trade secret misappropriation).

This article only discusses the language of *Chapter 688 Florida Statutes* (year), and the scope of *civil* remedies available for trade secret misappropriation under that authority. It should be pointed out,

Secret Act (FUTSA) is a somewhat disjointed and confusing statute to read, and this may—at least in part—explain its virtual non-use. Essentially, however, it attempts to accomplish two things. First, it provides the courts with a uniform statutory definition of the critical term, “trade secret.” Using this four-part definition, courts can now uniformly determine when information constitutes a “trade secret” under Florida law. Second, the Act grants the owner of a trade secret two distinct causes of action—one for the wrongful “acquisition”¹⁴ of the secret, and one for its wrongful “disclosure.”¹⁵ If the owner of a trade secret can establish that either of these two types of statutory “misappropriations” has occurred, the Act provides several remedies for the loss or injury that occurs as result.¹⁶ Similarly, if a claimant can establish that information it owns constitutes a “trade secret” under the four-part definition set out in §688.002(4), it can use that characterization to protect the information from unreasonable discovery under Rule 1.280(c)(7) of Florida’s Rule of Civil Procedure and §90.506 of Florida’s Rules of Evidence. The first step, then, in resolving any trade secret issue, lies in satisfying the four-part definition set out in the Act.

however, that Florida law also makes it a crime to misappropriate a trade secret; that discussion however, is outside the scope of this article. See *Chapter 812 Florida Statutes* (2002).

As noted, there are other definitions of the term “trade secret” (and rules applicable to those definitions) which may still be in use in a minority of jurisdictions across the country. See, e.g., the Restatement of Torts § 757-59, and the Restatement (Third) of Unfair Competition §§ 39-45. It should be stressed that the rules and definitions contained in these Restatements have *not* been expressly adopted here in Florida, and the preemptive language of § 688.008, when combined with the very purpose of the Act itself (i.e., to establish uniformity in the application of trade secret law) would suggest that—at least with respect to trade secret actions filed after the Act’s effective date in October of 1988—the language in Chapter 688 and the Uniform Trade Secret Act is *the law—the only law*—governing trade secret claims in Florida. Cf. Cotter, Thomas, *Conflicting Interests in Trade Secrets* 48 Fla. L. Rev. 591 n. 7 (1996).

¹⁴ See FLA. STAT. § 688.002(2)(a) (2001).

¹⁵ See FLA. STAT. § 688.002(2)(b) (2001).

¹⁶ See FLA. STAT. § 688.004. The classification of information as a “trade secret” under § 688.002(4) not only entitles the owner to sue for damages and equitable relief (under Section 688.003), but also serves to trigger the evidentiary privilege against unwarranted disclosure under FLA. STAT. § 90.506, and the statutory presumption of “irreparable harm” necessary for an employer to be entitled to injunctive relief under *Chapter 542 Florida Statutes*, which governs, among other things, the judicial enforcement of certain non-competition agreements brought against ex-employees). See, e.g., *Health Care Mgmt. Consulting, Inc. v. McCombes*, 661 So. 2d 1223, 1226 (Fla. 1st DCA 1995) (applying the § 688.002(4) definition of a trade secret to an action brought under § 542.33(2)(a) Florida Statutes (1993)).

III. ESTABLISHING THAT "INFORMATION" IS IN FACT A "TRADE SECRET"

The Act defines trade secrets as information,¹⁷ but just what sort of "information" is protected under Florida's Trade Secret Act? More specifically, how can the information a claimant seeks to protect be classified as a "trade secret"—as that term is defined by the statute? The first point to remember here is that the claimant in any trade secret action will have the burden of proof, and if unable to meet that burden, will not be entitled to the remedies available under the Act or to invoke privilege under the rules of evidence.¹⁸ In fact, this is generally the first factual hurdle the potential trade secret claimant must overcome. The claimant must be prepared to submit sufficient substantive evidence to the court upon which to satisfy each one of the four separate parts of the statutory definition.¹⁹ Indeed, the initial step to any successful trade secret litigation is in showing the court that the information at issue actually constitutes a "trade secret" within the scope of Section 688.002(4). And the trade secret claimant can accomplish this task in but one way—by establishing that the information sought to be protected as a "trade secret" fits squarely within the language of express definition of that term set out in the Act.

¹⁷ See FLA. STAT. § 688.002(4) ("a trade secret means *information*..."). Section 688.002(4) goes on to provide that trade secret "information" can include a "...formula, pattern, compilation, program, device, method, technique or process." See *ISC-Bunker Ramo Corp. v. Altech, Inc.*, 765 F. Supp. 1310 (N.D. Ill. 1990) (service manuals and the information and procedures set forth therein that pertain to the installation, service, maintenance, diagnosis and repair of computer systems constitute protectable trade secrets); *Technicon Medical Information Sys. Corp. v. Green Bay Packaging, Inc.*, 687 F.2d 1032, 1033, 1028 (7th cir. 1982), cert. denied, 459 U.S. 1106, 103 S. Ct. 732, 74 L.Ed.2d 955 (1983) (computer service manual); *Integrated Cash Management Services, Inc. v. Digital Transactions, Inc.*, 732 F.Supp. 370 (S.D.N.Y. 1989).

¹⁸ See, e.g., *American Red Cross v. Palm Beach Blood Bank, Inc.*, 143 F.3d 1407, 1410 (11th Cir. 1998) (under Florida law, the claimant in a trade secret action bears the burden of demonstrating that 1) the information it seeks to protect is a trade secret, and 2) that reasonable steps have been taken to protect its secrecy, *citing* *Lee v. Cercoa, Inc.* 433 So. 2d 1, 2 (Fla. 4th DCA 1983); *RX Solutions, Inc. v. Express Pharmacy Services, Inc.*, 746 So. 2d 475 (Fla. 2d DCA 1995) (employer's failure to testify that the system it use to process worker's compensation claims was unique fatal to its trade secret claim). See also *Boeing Co. v. Sierracin Corp.*, 738 P. 2d 665, 674 (Wash. 1987) (plaintiff in trade secret action has burden of proving that a legally protectable secret exists); *Noah v. Enesco*, 911 F. Supp. 299, 304 (N.D. Ill. 1995) (under Illinois law, trade secret plaintiff must produce evidence that secret was not generally known, and was misappropriated by defendant); *Electro-craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 898 (Minn. 1983).

¹⁹ See FLA. STAT. § 688.002(4)(a) and (b).

Although section 688.002(4) contains four substantive elements, satisfying the statutory definition actually proves to be a six-step process. First, the trade secret claimant must be sure to adequately *identify* to the court (and opposing parties) just which information it claims to be the “trade secret.” Then, the claimant must establish exclusive *ownership* of that information. Once it has identified the information in question, and proved itself to be the legal owner of that information, it may go about satisfying each one of the four substantive elements of the statutory definition.

A. *Step 1: Identifying the Information That Constitutes the “Trade Secret”*

As a threshold matter, the trade secret claimant must first make sure to properly identify to the court the specific information it claims to be a “trade secret.” Depending on the circumstances and the posture of the case, the court can conduct either an *in camera* inspection or full evidentiary hearing to determine if a trade secret actually exists.²⁰ While such matters would appear quite routine, the truth is, many trade secret actions fail at this point because the claimant is either unprepared or unable to adequately specify in open court (or in public documents) just what information it claims falls within the protection of the Act. This is, unfortunately, a result of the inherent legal paradox presented in every trade secret action. To keep a trade secret a “secret,” the claimant must disclose it. In order for the court to make the critical determination as to whether commercial information is entitled to trade secret protection, it must know what that information *is*.²¹ More specifically, in order to qualify for protection under UTSA, trade secret information must first be shown to fit within statutory definition; if the information is not properly identified, it cannot be tested against the statutory definition. If it cannot be tested against the definition—it cannot be said to satisfy the statutory definition. If it does not satisfy the statutory

²⁰ See e.g., *General Hotel & Rest. Supply v. Skipper*, 514 So. 2d 1158 (Fla. 2d DCA 1987) and *Lovell Farms, Inc. v. Levy*, 641 So. 2d 103, 104-05 (Fla. 3rd DCA 1994).

²¹ See e.g., *Lovell Farms, Inc. v. Levy*, 641 So. 2d 103, 104-05 (Fla. 3rd DCA 1994) (wherein the court stated that, “[I]n order to ascertain whether a trade secret exists, the information at issue must be disclosed.”); *Del Monte Fresh Produce Co. v. Dole Food Co.*, 136 F. Supp.2d 1271, 1293 (S.D. Fla. 2001) (motion to dismiss granted, but without prejudice, so that claimant could plead with greater specificity just what information it sought to protect as a trade secret). See also *Computer Economics, Inc. v. Gartner Group Inc.*, 50 F. Supp. 2d 980 (S. D. Cal. 1999) (California statute preventing discovery in trade secret misappropriation case requires the claimant to *identify* the allegedly misappropriated trade secrets with reasonable particularity); *Becker Metals Corp. v. West Florida Scrap Metals*, 407 So. 2d 380, 382. (“[w]ithout examination of the items claimed to be a trade secret, how can a determination [whether it is, in fact a trade secret] be reached?”).

definition, it cannot receive protection under the Act or rules of evidence. It is as simple as that.

Thus, under the Act,²² protected information can take many forms, and can, in fact, be contained in a “program,” a “device,” a “method,” a “technique,” or “process.” Whatever form the information takes however, the claimant must be prepared to specifically *identify* the information in question to the court (and opposing parties) to allow them the opportunity to evaluate the claim and engage in the dispute.²³ As such, the first—and perhaps most critical task—in establishing a claim under FUSTA are to sufficiently identify the information that constitutes the purported trade secret. Once the claimant has adequately identified the information, it must then establish its exclusive ownership of that information.

B. Step 2: Establishing Exclusive Ownership of the Information Which Constitutes the “Trade Secret”

Once the claimant has identified for the court (and defendant) the information it seeks to protect, the next step is to establish exclusive “ownership” over the subject information. It is important to note only that the “owner” of a trade secret has an action for misappropriation under the Act; and similarly, the trade secret “privilege” contained in Florida’s Rules of Evidence inures only to the “owner” of a trade secret.²⁴ Unfortunately, this is yet another critical element to trade secret protection that is often overlooked, and certainly one that can present substantial difficulties later on in the case—well after the litigation has commenced (i.e., if ownership is challenged at that point). The better practice is for the claimant to establish its exclusive ownership of the subject information early in the litigation, perhaps by stipulation or admission, to avoid any dispute on that issue and narrow the issues for trial. This way, while the defendant may argue that the information at issue does not actually constitute a “trade secret”—there will be no dispute that the claimant does in fact own it.

²² Section 688.002(4) initially defines a “trade secret” to be “information,” and then specifically provides that the information can take the form of a “program, device, method, technique, or process...”

²³ See, e.g., *Virginia Electronics and Lighting Corp. v. Koester*, 714 So. 2d 1164, 1164 (Fla. 1st DCA 1998), finding a trial order deficient for failing to “specify” exactly what trade secrets were found to exist, and failing to set out express findings of fact supporting its conclusion that the disclosure of the “secret” was “reasonably necessary to resolve the issue in dispute.”) See also *Lovell Farms, Inc. v. Levy*, 641 So. 2d 103, 105 (Fla. 3rd DCA 1994).

²⁴ See FLA. STAT. §§ 688.002(4)(a) and (b), which specifically provide that the wrongful acquisition or disclosure of a trade secret “of another” constitutes misappropriation, and section 90.506, which provides that only the “owner” of a trade secret may raise the privilege of non-disclosure.

C. Steps 3, 4, 5 and 6: Establishing That the Information Constitutes a "Trade Secret"

Once the claimant has specifically identified the information it seeks to protect, and has established its exclusive ownership of that information, it now must begin the arduous task of persuading the court that the information it seeks to protect fits within the four-part statutory definition of the term "trade secret."²⁵

The determination of whether certain information constitutes a "trade secret" is generally considered a "question of fact" for the trial court, and one for which the trade secret claimant carries the burdens of proof and persuasion.²⁶ This means the claimant must come to court with sufficient substantive facts to satisfy all four (4) of the elements of the statutory definition of a "trade secret" contained in §688.002(4).

The Four Elements of the Statutory Definition of a "Trade Secret"

Generally speaking, in order to fit within the statutory definition of a "trade secret" contained in the Act, the claimant must establish four (4) substantive facts about the information. The claimant must be able to show that:

The information possesses some sort of "independent economic value;"²⁷ and

²⁵ See, FLA. STAT. § 688.004(a) and (b).

²⁶ See, e.g. *Del Monte Fresh Produce Co. v. Dole Monte Fresh Fruit Co.*, 136 F. Supp. 2d 1271, 1292-93 (S. D. Fla. 2001) (whether a unique variety of pineapple was a protectable trade secret under section 688.002(4) is a factual issue that cannot be determined on a motion to dismiss.); *Capital Asset Research Corp. v. Finnegan*, 160 F.3d 683, 686 (11th Cir. 1998); *Camp Creek Hospitality, Inc. v. Sheraton Franch. Corp.*, 139 F.3d 1396, 1410-11 (11th Cir. 1998); *All Pro Sports Camp v. Walt Disney Co.*, 727 So.2d 363, 368 (5th DCA 1999). See also 1 R. Milgram, *Milgram on Trade Secrets*, § 2.23 at 2-32-33 (1984) ("Existence of a trade secret is a question of fact for the determination of the trier of fact, secrecy being a basic element."); *Restatement of Law, Third, Unfair Competition*, § 39, cmt. d ("It is not possible to state the precise criteria for determining the existence of a trade secret. The status of information claimed as a trade secret must be ascertained through a comparative evaluation of all the relevant factors, including the value, secrecy, and definiteness of the information as well as the nature of the defendant's misconduct."); *Frantz v. Johnson*, 999 P.2d 351, 358-59 (Nev. 2000) ("the determination of whether corporate information, such as customer and pricing information, is a trade secret is a question for the finder of fact"); *Weins v. Sporleder*, 569 N.W.2d 16, 20 (S.D. 1997) (stating that the two subsections in UTSA definition of trade secret involve questions of fact); *Amoco Production Co. v. Laird*, 622 N.E.2d 912, 916 (Ind. 1993) (noting that determination of trade secret is "heavily fact-specific."); *Woodward Insur., Inc. v. White*, 437 N.E. 2d 59, 67 (Ind. 1982).

²⁷ FLA. STAT. § 688.004(2)(a).

The value of the information is “derived from” the fact that it is “not generally known” by others who might profit from its use or disclosure;²⁸ and

The information was “not readily ascertainable” by that same class of persons (and it derives “independent economic value” from that fact as well);²⁹ and

The information was subject to “reasonable” efforts under the circumstances to maintain its secrecy.³⁰

The claimant must establish all four of these substantive elements before a court will be able to characterize any commercial information as being a statutorily protected “trade secret.”³¹ This task can be far more difficult than it appears. Indeed, while the shorthand definition identified above may come in handy to help identify potential trade secrets, it often proves extremely difficult to secure the substantive evidence necessary to satisfy each one of the four separate elements of the statutory requirements—and this is precisely where so many trade secret actions fail. As discussed, despite its brevity, the actual language in the Act can be a bit confusing. And, although there are several distinct elements within the statutory definition, they appear to overlap slightly. Nevertheless, in order to justify a finding³² that information constitutes a “trade secret,” the court must be satisfied that each one of the four elements has been satisfied by persuasive, substantive evidence. It is quite easy to become confused or distracted in reading the language of the statute (or non-FUTSA case law contained in opinions issued prior to the Act’s effective date in 1988) and in doing so perhaps miss or misconstrue one or more of the required definitional elements. If the claimant approaches each one of the four elements independently, however—taking care to establish the substantive facts that satisfy each one—almost any true trade secret can be proven-up easily. To aid the bench and trade secret practitioner in this task, each one of the four elements of the statutory definition (steps 3-6 here) is discussed in greater detail below.

²⁸ See *id.*

²⁹ See *id.*

³⁰ See FLA. STAT. § 688.002(4)(b). The language of section 688.002(4) is virtually identical to that contained in § 1(4) of the Uniform Trade Secrets Act.

³¹ The language of § 688.004(2) abolishes the common law/Restatement factoral Approach, and establishes a conjunctive elemental definition.

³² In light of the obvious due process concerns associated with the unwarranted disclosure of trade secret information, claims of “trade secret” privilege made under § 90.506 (and Rule 1.28(c)(7) of the Florida Rules of Civil Procedure), require the trial court to make specific *findings of fact* regarding these substantive elements.

1. STEP 3: ESTABLISHING THAT THE INFORMATION HAS “INDEPENDENT ECONOMIC VALUE.”

As a threshold requirement to satisfying the statutory definition, the trade secret claimant must first be able to establish that the information it seeks to protect possesses some sort of “independent economic value.”³³ At the very minimum, this requires that the claimant submit substantive evidence³⁴ to the court tending to establish the “value” of the information. Moreover, the “value” which the claimant must establish here is objective in nature—not subjective—and thus the claimant may be considered incompetent to offer any testimony on this issue.³⁵ Therefore, the claimant must submit expert testimony to prove this element of the statute.

Indeed, as with any question as to the “value” of property—in this case intangible intellectual property—expert testimony is not only advisable in a trade secret action, it is a must. The claimant should secure an expert³⁶ commercial appraiser early on, and have the expert evaluate both the information itself and the claimant’s industry or market as well. If at all

³³ FLA. STAT. § 688.002(4)(2002).

³⁴ *Id.* Section 688.004(a) *does* provide that the value of trade secret information can be either “actual or potential,” but in either case, the claimant must *prove* that value through some form of substantive evidence.

³⁵ Since the “value” required under Section 688.002(4) must be tied to special characteristics which are not inherent to the information itself (i.e., that the information is “not generally known” to others, and “not readily ascertainable” through proper methods) any *subjective* value the information might have (i.e., value personal to the owner) may not be at issue. Thus, statements of value made by the owner itself (e.g., that “the information is valuable to me”) have minimal relevance in the trade secret case, and are may be considered immaterial to the question of “independent economic value” under section 688.02. *But see* Restatement Torts § 757, which includes as one of its “factors,” the “amount of effort or money expended in developing the information.” Unless the claimant happens to be qualified in appraising business intangibles like potential “trade secrets”—such testimony may not even be considered competent. Indeed, in a jury trial, a strong argument might be made that such testimony should be inadmissible—as a sympathetic jury might be swayed by an owner’s self-serving claim as to a particular trade secret’s “value.” If the issue comes before a judge, however (who presumably would not be influenced by incompetent or irrelevant valuation testimony) it will not likely pose much of a problem—and particularly so in light of the statutory nature of the definition here). In either event, the trade secret claimant would be well advised secure an expert opinion with which to substantiate this substantive element of the definition.

³⁶ The expert, of course, should be court-qualified as commercial or business appraiser and should have significant knowledge and experience in the specific industry in which the information finds its competitive advantage. In addition, counsel for the trade secret claimant should insure that the expert’s opinion is supported by substantial evidence, preferably in the form of receipts, income statements, market analysis and other financial projections—all of which the expert can derive an opinion as to the “independent economic value” of the information.

possible, the expert should, of course, have substantial experience within the industry in which the claimant's information is alleged to have value. The expert should review (and be familiar with) the claimant's financial situation and relative position within the market—and be prepared to offer opinion testimony as to the “independent value” of the specific information the claimant has identified as the potential trade secret.³⁷ The expert should perhaps prepare an appraisal or financial report in which he or she certifies the commercial “value” of the information in question.

This can be difficult. First, the trade secret claimant must be able to locate and retain an expert in business evaluation, and as mentioned, the expert should have some experience in the market or industry in which the claimant operates. In some smaller businesses and markets, it may be difficult to find such an expert. In addition, because a “trade secret”—by its very nature—is not normally marketed by the claimant as a separate and dispensable item, it may not be easily identifiable as a part of any specific component of the claimant's net worth or income. As such, it may be difficult to produce any direct evidence upon which the expert can support an opinion of its value, and, as a result, this particular element of the statutory definition of “trade secret” can be one of the more difficult to satisfy. For this reason, counsel should take great care to retain an appropriate expert on value and secure a report before filing any pleading.

The expert or appraiser must also be sure to “connect-up” the “value” of the information to the second and third elements of the statutory definition. More specifically, the expert must be able to certify that the information not only has “value,” but that its value is “derived from” the fact that it is 1) not “generally known” and 2) not “readily ascertainable.”³⁸ These two elements are discussed at greater length later in this article, but at this point it is important to note that any expert who testifies as to the “independent economic value” of the information in question must also be able to directly correlate that value of the information to these two other critical elements of proof. As such, the task of the valuation expert is really a three-step process. First, the expert must establish the “independent value” of the information in the marketplace. Then the information's value must be “connected-up with fact that the information is “not generally known” and “not readily ascertainable.” This is not a simple process.

³⁷ See generally *Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp.*, 435 F.2d 1262, 1263-64 (5th Cir. 1970) (fair market value of a trade secret is synonymous with the investment value of the trade secret; that is, what the investor judges he should pay for the return he foresees by virtue of owning the process ...).

³⁸ FLA. STAT. § 688.02(4)(2)(a) and (b).

Personal value, sentimental value, and other “non-economic” benefits to the claimant would most likely not be factored into a determination of “value” under §688.004(a). Take, for example, the case of an accountant who utilizes a particular “form” to report a certain kind of financial information routine to her practices. She may not know where the form came from originally—or even who actually “created” it—but she does know that she has modified and personalized it greatly over the years, and has, in fact, come to think of it as her own. Certainly, the form has “value” to the accountant, as she has invested a considerable amount of time and “sweat of the brow” into modifying it so that it works just right for her purposes. The form may also have some sort of “intrinsic value” in the fact that it saves her—and perhaps her clients as well—a significant amount of time and expense in organizing and categorizing otherwise routine data.³⁹

Secondly, because a “trade secret”—by its very nature—will not have normally been marketed by the claimant as a separate and dispensable product, it may not be easily identifiable as a “valuable” part of any specific component of the claimant’s assets or net worth, and maybe difficult to correlate to income. As such, it is often quite difficult to produce any direct evidence upon which an expert can support an opinion as to its “value.” As

³⁹ The same is true for a family law attorney who uses a homemade form to collect and categorize the routine financial data that must be typically reported in a dissolution action. The attorney may have actually created the form himself, using bits and pieces from other forms he has worked with over the years, and may now have an extremely efficient, usable form that he feels very comfortable with—and one he would not consider abandoning under any circumstances. To the attorney, this form certainly has “value”—in fact, he may even consider it invaluable to his practice. However, this is not the kind of “value” required to satisfy the statutory definition of a “trade secret.” And just as with the form used by the hypothetical accountant discussed above in the text, the attorney’s form may also have “value” in that it increases office efficiency, or in that it saves the lawyer (and his clients) time and money. This is not the kind of value, however, to which FUTSA speaks. *But see* Templeton v. Creative Loafing Tampa, Inc., 552 So. 2d 288, 289-90 (Fla. 2d DCA 1989)(it is appropriate to consider, in deciding whether a customer list is a “trade secret,” whether the list came as a result of great expense and effort and was kept confidential).

In determining “value” under FUTSA, at least one appellate court has strayed from statutory dictates and appears to have relied on evidence outside the scope of section 688.002(4). In *Aqua Gaming*, 805 So. 2d 932 (Fla. 2d DCA 2000)., the court found sufficient evidence to support a trial court’s determination that a particular customer list (and other related information) qualified as a trade secret. The court apparently *ignored* the statutory factors inherent in the definition of a “trade secret” identified in section 688.002, and instead, focused on the fact that 1) the customer list was the product of great expense and effort; 2) it included information that was confidential and not available from public sources; and 3) it was distilled from larger lists of potential customers into a list of viable customers for its unique business. *See*, *Aqua Gaming, Inc.*, 805 So. 2d at 932, 33. To justify its analysis, the court cited two cases, one a Florida appellate case from 1989—which had in fact apparently applied pre-FUSTA law; and a Vermont case, which, although it appears to espouse the correct principle of law, was summarily overlooked by the *Aqua Gaming* court in its analysis.

a result, this particular element of the statutory definition is typically one of the more difficult to satisfy, and for this reason, confirms why counsel for the potential trade secret claimant should take great care to secure an appropriate expert on value prior to filing any pleading grounded in the Uniform Trade Secrets Act (“UTSA”).

In addition, the trade secret claimant must insure that the expert’s opinion is supported by substantial evidence, preferably in the form of receipts, income statements, tax returns, market analysis and/or other financial projections—from which the expert can derive an opinion of fact as to the “independent economic value” of the information in question.⁴⁰

2. JUST HOW MUCH “VALUE” MUST INFORMATION HAVE TO QUALIFY AS A “TRADE SECRET?”

It should be noted that the Act does not specifically prescribe just how much “independent economic value” information must have in order to be classified as a “trade secret,” but there is some authority to suggest that the value need not be great.⁴¹ And while section 688.002(4) does not expressly require the value of the information to reach any specific quantitative level, it does speak solely to “economic” value, so presumably, any “value” the information may have which is not economic and which can not be quantified would not be a component of “economic value.”

The trade secret claimant needs to exercise caution here. As discussed previously, while there may be “value” in a particular bit of commercial information, it may not necessarily be the type of “value” to which the statute speaks. Indeed, despite the admitted value of the information in the examples described previously, neither of the forms discussed can be said to possess the specific “kind” of value necessary to satisfy the statutory definition. Section 688.002(4) requires the claimant to establish that the information derives its “independent economic value” from two specific components only. These statutory components are conjunctive; the claimant must be sure to establish both (i.e., the information must be valuable because it is 1) not generally known to others; and 2) not “readily ascertainable” by that same class of persons.) The information must “derive” its value from these two facts; it must be valuable because the named class does not know about it—and cannot find out about it. In essence, the

⁴⁰ Other evidence of “value” (or lack thereof) might be found on the claimant’s prior income tax returns, where the information should have been listed as an “asset,” or in financial reports or appraisals, market analysis, or other similar financial documentation.

⁴¹ See e.g., *Telerate Systems Inc. v. Caro*, 689 F. Supp. 221, 232 (S.D.N.Y. 1988) (“[e]ven a slight competitive edge will satisfy this [economic value] requirement”).

information contained in a legal hornbook may be valuable—it certainly has value to the purchaser. But as “other persons” have access to the same information, it cannot be classified under the statute as a “trade secret.” It is as simple as that.⁴²

As discussed, in establishing the “value” element of the statutory definition of a “trade secret,” the claimant must take care to focus less on the *amount* of value and more on the specific “kind” of value to which the statute speaks. The opinion of the claimant’s expert, and the raw data upon which the expert’s opinion is based, must first of all establish that the information is “not generally known” to anyone in the excluded class (i.e., those who might use the information for competitive advantage or sell it to others),⁴³ and “not readily ascertainable” by those who could profit by its use or disclosure.

3. STEP 4: ESTABLISH THAT THE INFORMATION HAS VALUE BECAUSE IT IS “NOT GENERALLY KNOWN”

It is not enough that trade secret information have “value”—it must also be “secret.” Satisfying this element of the statutory definition actually consists of three separate and distinct tasks. The claimant must first establish, as discussed in “Step 3” above, that the information has “independent economic value.” The claimant must then show that the information is “not generally known to” others—more specifically, to persons who might use it to their economic or competitive advantage.⁴⁴ Finally, and

⁴² Commercial information that does not derive value from being kept “secret” may be copyrightable or patentable—but it cannot be considered a “trade secret” under the UTSA. And it is not enough that the information just have “value;” under the express language of the statute, the trade secret must “derive” its value from the fact that the *others do not know it, and can not in any way access it* by using (what the statute calls) “proper” means.

⁴³ It should be noted that Section 688.002 does not specifically refer to the knowledge of the potential defendant.

⁴⁴ See FLA. STAT. § 688.002(4)(a). For example, information which is commonly known within a particular market or industry, and not considered to be “unique” to the claimant will most likely be thought of being “generally known,” and thus not entitled to protection.”

In *All Pro Sports Camp, Inc. v. Walt Disney Co.*, 727 So. 2d 363, 368 (Fla. 5th DCA 1999), the court focused on the so-called “novelty” requirement of the common law, and found that harmonized with the language in § 688.002(4) which requires trade secret information to be “not generally known to...other persons who can obtain economic value from its disclosure or use.”

The “not generally known” and “not readily ascertainable” components of the statutory definition—while frequently related in fact—are actually two separate substantive elements. The question of whether trade secret information is “not generally known” by the identified class is directed at class itself, and asks whether the information is “generally known” by that group (i.e., those persons “who can

perhaps most importantly, the claimant must correlate the fact that information has value to the fact that it is "not well known." In other words, the trade secret claimant must not only show the information to have "value", it must also establish that the information derives its value—at least in part—from the fact that it is kept "secret" and that very few persons know about it. In essence, the claimant must prove that the information is valuable because it is "not known" by others.⁴⁵

The first step here, of course, is to establish the fact that very few people know about the information. Unfortunately, the courts have not yet established any "magic number" of persons who may know about a certain bit of information before it sheds its "unknown" character, and thus loses any protection it may have had under the Act. There can be little doubt, however, that the fewer the number of people who know about the information, the better chance it will qualify as a trade secret.

In any event, to satisfy this element of the statutory definition, the claimant must be prepared to establish (again with substantive evidence) that only a very few persons have knowledge of the subject information. The claimant must also be ready to rebut any evidence that might tend to show that the information is known to others.

This component of the statutory definition can be very difficult to satisfy, and for a number of good reasons. The first difficulty lies in the nature of the element itself—it is a negative proposition. Proving a "negative" fact can be a virtually impossible task; and proving this negative fact (i.e., that "no one else knows" of the information) is no exception. A second difficulty lies in the *kinds* of evidence a claimant might use to establish this negative fact. Perhaps the best evidence a claimant might have of this fact will lie in the testimony of a competitor in the market who attests

obtain economic value from its disclosure or use"). As such, the inquiry is focus on the knowledge or general awareness of the claimant's competitors and predictable opportunists.

The "readily ascertainable" component of the statutory definition, however, does not inquire into the extent of "awareness" a given group of third parties might possess, but instead looks at the relative accessibility of the information in question. The two circumstances could in fact co-exist; information could be "generally known" to the claimant's competitors—and it could be "readily ascertainable" through proper means. Or, either circumstances could exist separately. The information could be "readily ascertainable" through proper channels—but not generally known; or vice versa. But it is important to understand that these are two separate tests; and the claimant must satisfy both to prevail. The information sought to be protected must not be either "generally known" nor "readily ascertainable."

⁴⁵ However this element may be articulated, one thing the court in *All Pro* did do was confirm that the inquiry into *this* particular component of the statutory definition—like the others—is a question of "fact," not law. See *id.* at 367-68.

to the fact that the information is “not generally known.”⁴⁶ To secure such testimony, however, the claimant has to disclose the information to the very person or entity from which it must be kept secret.⁴⁷ As a result, most trade secret claimants are forced to rely on their own (presumably self-serving) testimony to try and establish the requisite secrecy of the information, and by becoming witnesses to their own case, they place their own competence and credibility squarely into issue. In any event, as the trade secret claimant has the burdens of persuasion and proof, it must be prepared to establish—by whatever substantial, competent evidence it has available—that the information it seeks to protect derives its value from the fact that it is “not generally known to its competitors.”

In this regard, the claimant should expect challenges and strenuous cross-examination on any blanket attestation that the information is “not generally known,” and should also expect rebuttal evidence to the contrary. Indeed, perhaps the easiest way for a defendant to defeat a trade secret claim is to show the court that the information is “generally known” to others. For this reason, the trade secret claimant must scrutinize his or her own records and prior conduct to insure the information has not been disseminated in any way. Information that has been sent to a government agency as part of a registration process (e.g., a copyright⁴⁸ or patent application) is

⁴⁶ See e.g., *Bestechologies, Inc., v. Trident Envtl. Sys., Inc.*, 681 So. 2d 1175, 1176 (Fla. 2nd DCA 1996) (the fact that *several* of the claimant’s competitors independently use a process that each independently discovered would not mean the undiscovered information is no longer a trade secret; but fact that *every one* of the claimant’s competitors could have discovered the same grease-remediation process it claimed to be a trade secret would be relevant to the issues of whether the information was “generally known,” or “readily ascertainable”).

⁴⁷ This can work problems both ways, as it often proves difficult for the trade secret claimant to secure any testimony from a nonparty competitor that might concern an aspect of either competitor’s “secrets” in the industry. See, e.g., *Bestechologies, Inc., v. Trident Envtl. Sys., Inc.*, 681 So. 2d 1175, 1176 (Fla. 1st DCA 1996).

⁴⁸ See 17 U.S.C. § 705. See also *Tedder Boat Ramp Sys., Inc. v. Hillsborough County*, 54 F. Supp. 2d 1300, 1303 (M.D. Fla., 1999) (finding that the plaintiff’s deposit of its plan for a boat ramp into the copyright registry destroyed any claim the plaintiff may have had to trade secret protection), quoting *Skoog v. McCray Refrigerator Co.*, 211 F.2d 254, 257 (7th Cir. 1954) (“...knowledge cannot be placed in the public domain and still be retained as a ‘secret’”). See also *Losey, Ralph, Legal Protection of Computer Databases*, 65 Fla. B. J. 80, 84 (Oct. 1991).

The concern voiced by the District Court in *Tedder* over the apparent conflict between trade secret law and the copyright deposit requirements appears somewhat exaggerated. “Circular 61,” published by the U.S. copyright office and available on their website: <http://www.copyright.gov/circs/> provides for both limited and redacted deposits of certain copyright materials containing trade secrets. The claimant is instructed to include a cover letter with the deposit, identifying the information as a protectable trade secret, and is instructed to follow certain rules (outlined in the circular) by which the claimant can avoid having to disclose trade secrets while at the same time securing copyright protection. The problem with public distribution or publication shows up in other contexts as well. See, e.g., *Rhone-*

considered to be “generally known” and thus works to defeat this element of proof.⁴⁹

In *Del Monte Fresh Produce Co. v. Dole Food Co.*,⁵⁰ a pineapple grower filed a multi-count complaint against a competitor. The complaint included an action for trade secret misappropriation under section 688.002. The grower alleged the competitor had been marketing a unique version of pineapple the grower claimed as a “trade secret.” The grower claimed that the “genetic code” of a new variety of plant was in fact the “trade secret” (i.e., rather than the plant itself) and that it should be subjected to the determination of whether or not the “secret” was “generally known.”⁵¹ The defendant argued that “a pineapple is not information, so as to qualify under the definition of trade secret contained in Florida Statutes §688.002(4).”⁵²

The district court rejected that argument,⁵³ and relied instead on the one case it could find that treated a plant’s genetic material as a trade secret, *Pioneer Hi-Bred Int. v. Holden Foundation Seeds, Inc.*, 35 F. 3d 1226 (8th

Poulenc Agro, S.A. v. DeKalb Genetics Corporation, 272 F.3d 1335 (Fed Cir. 2001)(typically, the publication of a patent terminates all trade secret rights); *Scharmer v. Carrollton Mfg. Co.*, 525 F.2d 95, 99 (6th Cir. 1975). Some courts have held that a party misappropriating trade secrets may be enjoined permanently from using the information, even if it becomes public knowledge later. As the court in *Rhone-Poulenc* points out, “the relevant cases on both sides of the issue” are discussed in *American Can Co. v. Mansukhani*, 742 F. 2d 314, 334 (7th Cir. 1984). *Rhone-Poulenc*, 272 F.3d at 1359 n.7.

Rhone-Poulenc also notes, however, how the courts have carved out an *exception* to the general rule (that publication terminates all trade secret rights) for cases in which it is shown it was the *misappropriates* who published the trade secret. The *Rhone-Poulenc* court cited several cases, including *Glaxco Inc. v. Novopharm Ltd.*, 931 F. Supp. 1280, 1300 (E.D.N.C. 1996), in which the court, applying North Carolina law, concluded that “parties responsible for the dissemination of another’s trade secret may not benefit from the disclosure...” The *Rhone-Poulenc* court also cited *Forest Labs., Inc. v. Formulations, Inc.*, 299 F. Supp. 202, 207 (E.D.Wis. 1969) (stating “[t]he general rule is that the issuance of a patent which clearly discloses all essentials of a process destroys any secrecy that previously attached to that process) and *Ferroline Corp. v. General Aniline and Film Corp.*, 207 F.2d 912 (7th Cir. 1953) but also stressed that “if there is a wrongful use or disclosure *prior* to the issuance of the patent, the wrongdoer will not be absolved from liability for his wrong committed during that prior period.” *Rhone-Poulenc*, 272 F.3d at 1359, *citing* *Englehard Industries, Inc. v. Research Instrumental Corp.*, 324 F.2d 347 (9th Cir. 1963). (emphasis supplied).

⁴⁹ It should be pointed out that the statutory definition set out in § 688.002(4) is *elemental*, not *factoral*, and unlike the old Restatement definition of “trade secret” *all* of the components of the statutory definition must be established. If *one* element is not satisfied, the claim fails. As such, even if the trade secret claimant is successful in convincing the court that it took “reasonable efforts” to maintain its secrecy, if it fails to show that the information remained in fact *secret*, the claim must fail.

⁵⁰ *Del Monte Fresh Produce Co. v. Dole Food Co.*, 136 F. Supp.2d 1271, 1291 (S.D. Fla. 2001).

⁵¹ *See id.* at 1291, *relying on* *Yoder Bros., Inc. v. California-Florida Plant Group*, 537 F.2d 1347 (5th Cir. 1976), which had (more generally) found that once a new variety of plant was released, so was its “secret.”

⁵² *See id.*

⁵³ The court in found *Yoder* distinguishable.

Cir. 1994) it refused to dismiss the case on the ground that the pineapples themselves had become “generally known” or “readily accessible” to third parties.

In sum there are a number of ways a trade secret can be rendered “generally known,” and once a trade secret is known, it can never be made “secret” again. Virtually any method of publication or distribution can work to defeat this element of the definition, particularly today, when widespread publication and public access to government documents is at one’s fingertips. Indeed, several courts have held that a third party’s posting of trade secrets on the Internet rendered the information “generally known” and thus not susceptible of trade secret protection.⁵⁴ Whatever the circumstances, and whatever the nature of the information, the trade secret claimant must be sure to gather sufficient evidence to satisfy this critical element of the statutory definition.

4. STEP 5: ESTABLISH THAT THE INFORMATION DERIVES VALUE FROM “NOT BEING READILY ASCERTAINABLE BY PROPER MEANS”

After the claimant has identified the information that he claims is a trade secret, established ownership, shown it to be valuable and “not generally known,” he must next establish that the information could not have been discovered by “proper” means.⁵⁵ The statute does not specify exactly what

⁵⁴ See *ReligiousTechnology Center v. Lerma*, 908 F. Supp. 1362, 1368 (E. D. Va. 1995).

⁵⁵ Section 688.002(4)(a) Florida Statutes (2002) specifically requires that a trade secret must “derive independent value...” in part, from “...not being readily ascertainable by proper means...” While the language of section 688.002 fails to make it clear whether the grocery-list of “improper means” in that section is all-inclusive, the comment to Section 1 of UTSA (from which § 688.002(4)(a) is drawn) indicates that the list is far from exhaustive. In fact, the comments to the Uniform Act (not expressly adopted here in Florida) suggest that the determination of what would be considered “improper” in any given situation is a fluid concept, that goes far beyond the conduct set out on the list. [Noting that one of the broadly stated policies behind trade secret law is “the maintenance of standards of commercial ethics.”] See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). The authors cite to Comment (f) of the Restatement of Torts § 757 which itself notes how “a complete catalogue of improper means is not possible” and announce:

Improper means could include otherwise lawful conduct which is improper under the circumstances; e.g., an airplane overflight used as aerial reconnaissance to determine the competitor’s plant layout during construction of the plant.

UTSA Comment to Section 1, *citing* *E. I. Du Pont de Nemours & Co., v. Christopher*, 431 F.2d 1012 (5th Cir. 1970), *cert. den.*, 400 U.S. 1024 (1970) (emphasis supplied). The comment also expounds on which methods would be “proper.” Its states:

Proper means include:

1. Discovery by independent invention;
2. Discovery by “reverse engineering”, that is, by starting with the known product and working backward to find the method by which it was developed. The acquisition of the

methods are to be considered “proper,” but it does provide a list of specific methods considered “improper.” In fact, under Section 688.002(1), a person can only acquire a trade secret through “improper means” in one of five ways:

1. theft;
2. bribery;
3. misrepresentation;
4. breach (or inducement to breach) a duty to maintain secrecy;
5. Espionage through electronic means.⁵⁶

By providing this specific list of “improper” methods by which a person might acquire trade secret information, the statute characterizes any other method that might be used to gather such information as a “proper” method to do so, and therefore, not an improper means. In other words, in order to satisfy this portion of the statutory definition, the claimant must establish that the only way anyone could have acquired this information would have been through one of the five listed means. If the information could have been acquired without having to resort to theft, bribery, misrepresentation, breach of fiduciary, or espionage—it cannot be characterized as a trade secret. And remember; this is all the burden of the trade secret claimant. As such, the claimant must establish, through substantive evidence, that the information it claims to be a “trade secret” could not have been discovered by anyone—unless “improper” means were used.⁵⁷

known product must, of course, also be by a fair and honest means, such as purchase of the item on the open market for reverse engineering to be lawful;

3. Discovery under a license from the owner of the trade secret;
4. Observation of the item in public use or on public display;
5. Obtaining the trade secret from published literature.

UTSA, Comment to Section 1. In Florida, as in many states, these comments were not expressly adopted and made part of the substantive law; they are, however, persuasive authority—at least arguably so—and as such, must be considered in construing the language of section 688.002(4)(a).

⁵⁶ The language of section 688.002(1) appears to be exclusionary; that is, by stating that improper means *includes* these five methods, the statute may in fact be implying that no *other* methods would be considered improper. Such a construction however, is contradicted by the comments to § 1 of the UTSA, which champions a rather expansive reading of the critical term “improper means.”

⁵⁷ See FLA. STAT. § 688.02(4)(a). This element of the definition is not to be confused—as it often is—with the facts necessary to prove an actual “*misappropriation*” of a trade secret under § 688.002(2). Here, as a threshold requirement to any action, the trade secret claimant seeks only to satisfy the statutory *definition* of the statutory term “trade secret”—not establish that a particular defendant “misappropriated” information that has *already* been qualified as a trade secret. Although these issues can be related, they are two separate questions of proof.

Theft, bribery, and espionage are all well-known crimes, of course, and thus are specifically defined by statute.⁵⁸ Showing that information could not have been accessed “but for” the commission of one of these clearly defined criminal acts may not be all that difficult. The other two “improper methods” can create difficulties in proof, however. Indeed, establishing that commercial information could not have been accessed but through some sort of “misrepresentation” or “breach of a duty of secrecy” might be a bit trickier.

“Misrepresentation,” of course, has its own peculiar history in Florida law, and thus the use of this nomenclature could prove somewhat problematic, particularly when applied in the trade secret context. In essence, the trade secret claimant must be able to show that the information in question could not be acquired unless through the use of an affirmative “misrepresentation” of some kind. And there would be similar difficulties in establishing that the information could not have been accessed but for a breach of some sort of “duty of secrecy.”

It is important to note that this element of the definition does not speak to one’s ability to access the information from the claimant itself, but to the possibility that the information might in fact be “readily ascertainable” from any source that is otherwise “commercially available.”⁵⁹ And, if the trade

In other words, to establish “misappropriation” under § 688.002(2)(a) or (b), the claimant must first establish ownership of an actual “trade secret”—as it is defined in § 688.002(4). Only after the claimant successfully satisfies the statutory definition will it be necessary to prove that the defendant actually utilized an “improper method” to acquire the information.

At this point in the process, however, in order to establish that certain information is a trade secret worthy of protection against such a misappropriation, the statute only requires the claimant to show that the information was *not readily accessible* through any of the “improper” methods on the list—not that it was ever in fact *acquired* by such a method, or that the defendant was the one who used that means. In other words, the claimant need only show that *no one could* have acquired the information unless they used one of the “improper” means.

⁵⁸ “Theft” (of a “trade secret”) is expressly defined in § 812.081; “bribery in § 838.015; and “electronic espionage” which is not expressly defined anywhere in the Florida Statutes.

⁵⁹ See, e.g., *Sethscot Collection, Inc., v. Drbul*, 669 So. 2d 1076, 1078 (Fla. 3rd DCA 1996), where the court held a clothing retailer’s active customer list was not a trade secret - as it was compiled from information which was “readily ascertainable” to the public using commercially-available sources. It is interesting to note that the court in *Drbul* found the retailer’s *active list* (which contained the names and purchasing history of those who had ordered from the retailer previously—and which was not available to the public) *was* protected as trade secret. See also *Alan Scott, D.C., P.A. v. Moses, D.C.* 712 So. 2d 1242, 1243 (Fla. 4th DCA 1998) (chiropractor’s patient-list could not be classified as a trade secret because the claimant failed to submit substantive evidence to establish that the information on the list could “not be obtained by other means”); *Harry G. Blackstone, D.O., P.A., v. Dade City Osteopathic Clinic*, 511 So. 2d 1050, 1051-52 (Fla. 2d DCA 1958) (claimant’s failure to produce evidence that the names on its patients list could not be obtained by other means fatal to trade-secret claim); *Thomas v. Alloy Fasteners, Inc.*, 664 So. 2d 59, 60-61 (5th DCA 1995) (fact that names on “edit order list” were

secret consists of some sort of compilation of data, or business plan, or “pattern” of information, it is the underlying information itself which must be inaccessible—not necessarily the compilation, plan or pattern of that information.⁶⁰

In sum, with respect to the third element of the statutory definition, the trade secret claimant must be able to establish that the information sought to be protected is not “readily ascertainable” from any generally available source—and in fact cannot be accessed unless an “improper” method is used. If someone—anyone—can access the information without resorting to improper methods such as theft, bribery, espionage, misrepresentation or a breach of confidentiality, the information cannot be classified as a trade secret. As such, the claimant must take care to secure the proof necessary to satisfy this substantive element of the definition.⁶¹

5. STEP 6: ESTABLISH THE “REASONABLE” EFFORTS WHICH WERE TAKEN TO MAINTAIN THE “SECRECY” OF THE INFORMATION.

Perhaps the most often discussed element of the statutory definition of a “trade secret” is the fourth element—which requires the claimant to establish that “reasonable efforts” were taken to maintain the “secrecy” of the

readily available from public sources was fatal to trade secret claim); *Health Care Mgmt. Consulting, Inc. v. McCombes*, 661 So. 2d 1223, 1226 (Fla. 1st DCA 1995)(claimant’s secret process of presenting and interpreting Medicare regulations was not a “trade secret;” while the “process” for the assimilation and management of information may fit within the definition of a trade secret, claimant’s process principally involved the interpretation of Medicare Regulations, which were “readily ascertainable” through detailed research of the Code of Federal Regulations); *Anich Ind., Inc. v. Raney*, 751 So. 2d 767, 771 (Fla. 5th DCA 2000)(citing *Blackstone*); *See, e.g., Templeton v. Creative Loafing Tampa, Inc.*, 552 So. 2d 288, 289-90 (Fla. 2d DCA 1989)(customer list not a trade secret because it could be derived from publications); *Public Systems, Inc. v. Towry*, 587 So. 2d 969, 972 (Ala. 1991)(spreadsheet data program not a trade secret because data could be compiled from information generally available to public request); *Leo Publications, Inc. v. Reid*, 458 S.E.2d 651, 652(Ga. 1995)(newspaper’s list of advertising clients was not a trade secret as all of the information compiled on the list was “readily ascertainable” by resorting to proper methods and published sources).

⁶⁰ *Drbul*, 669 So. 2d at 1078.

⁶¹ For instance, in the case of computer software programs, the author of the program may wish to register the program with the U.S. Copyright Office. If the program contains trade secret information, the claimant should be sure to use the procedures the copyright office has in place for protecting trade secrets or the trade secret will no longer be generally unknown. *See supra* note ____ and text therein. It will, in fact, be known to anyone who chooses to acquire the information from the copyright office.

Indeed, as a practical matter, establishing the relative secrecy of certain trade secret information (i.e., as that distributed computer software), can be very difficult to do—and it is even more difficult in some cases for the claimant to prove that he maintained its secrecy.

information in question.⁶² To fit within the statutory definition, the owner of a potential trade secret must submit substantive evidence that establishes the various steps she took, if any, to maintain the secrecy of the information.⁶³ This, of course, is a highly fact-specific inquiry.⁶⁴ If it turns out that such steps were not taken, or the evidence otherwise reveals that the claimant has treated the information carelessly (i.e., in a way that suggests that its use or disclosure has been authorized or permitted to reach “outsiders”), the information may lose any trade secret protection it might have had.⁶⁵

Remember, it is the claimant’s burden to establish all elements of the statutory definition.⁶⁶ In this context, if the claimant is unable to identify and verify the specific protective steps it took, and establish—to the satisfaction of the trier of fact—that these steps were “reasonable” under the circumstances, it may fail to satisfy this element of the statutory definition, and the information will not fall under the protection of the Act.

The determination of what steps are “reasonable” under any given set of circumstances is a question of fact,⁶⁷ and the trade secret owner’s obligation to maintain the secrecy of the information runs forever. In fact, by definition, the secrecy of the information must be maintained in perpetuity, and the claimant will lose trade secret protection the moment of its

⁶² See FLA. STAT. § 688.02(4)(b). The trade secret must have been “the subject of efforts that are reasonable under the circumstances to maintain secrecy.” See, e.g., *American Red Cross v. Palm Beach Blood Bank, Inc.*, 143 F.3d 1407, 1411 (11th Cir. 1998). If the information is readily ascertainable, it can not be classified as a “trade secret” under the statute. In *Health Care Mgt. Consulting, Inc. v. McCombes*, 661 So. 2d 1223, 122 (Fla. 1st DCA 1995), a health care consultant tried to have its method of presenting and interpreting certain Medicare regulations classified as a trade secret. The First District rejected that claim, noting that the consultant’s expertise in (i.e., interpreting the Medicare provisions) was readily ascertainable by researching the Medicare regulations themselves.

⁶³ See FLA. STAT. § 688.02(4)(b).

⁶⁴ See, e.g., *Classic Limousine Airport Serv., Inc. v. Alliance Limousine LLC*, WL 1207404 (Conn. Supp. 2000) (“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.”)

⁶⁵ See, e.g., *American Red Cross v. Palm Beach Blood Bank, Inc.*, 143 F.3d 1407 (11th Cir. 1998); *Palin Mfg. Co. v. Walter Techs., Inc.*, 103 Ill. App. 431 N.E.2d 1310, 1313 (1982) (trade secret protection was not available after the claimant had disclosed the information to third party without securing a confidentiality agreement or an understanding of confidentiality).

⁶⁶ See, e.g., *American Red Cross*, 143 F.3d at 1410.

⁶⁷ See, e.g., *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 664 (4th Cir. 1993) (secrecy is a question of fact); *Injection Research H Specialists, Inc. v. Polaris Industries, L.P.*, 168 F.3d 1320 (Fed. Cir. Colo. 1998); *Stanley Aviation Corp. v. United States*, 196 USPQ 612, 618 (D. Colo. 1977) (whether the degree of protection afforded the secret was sufficient is a question of fact for the jury.)

dissemination.⁶⁸ For this reason, it is important that the trade secret claimant disclose to the court the plans and procedures it had in place to maintain the secrecy of the information.

In short, the trade secret owner must be able to show it took “reasonable” steps to secure the confidentiality of the information and made it difficult for any competitor to copy or duplicate the information or access it through any method that would not be considered “improper.”

Perhaps the most serious (and easy to establish) leaks in security involve employees, and in this context, the key is to set up a comprehensive security program. No single “step” taken to maintain the secrecy of the information secrecy will be determinative; but if the claimant can establish a consistent approach to keeping the information “secret” it will go along way to satisfying this element of the statutory definition. The first step with employees is to have them all agree to sign a detailed confidentiality agreement. This agreement should correlate with a company-wide policy against disclosure, and should apply—at the very least—to all employees who will come in contact with the trade secret information. Without such an agreement in place, it will be very difficult to establish that its employee owed the claimant a duty to keep the information secret, thus potentially negating the argument that the claimant took “reasonable steps” to insure the secrecy alleged “trade secret” information.

Even when employees are no longer part of the company, they should be kept under a duty of confidentiality. The trade secret owner should be sure to conduct an exit interview, at which time departing employees can be reminded of the obligation not to disclose the confidential information, and perhaps, if possible, the claimant should have the departing employee re-execute the confidentiality agreements.

Employees are not the only security risk. It is a commercial reality today that the sophisticated trade secret owner (whether individual or corporation) may have to disclose the information to certain third parties in order to use it more profitably. Architects, engineers, computer programmers, doctors and other professionals may require access to the information in order to assist the owner conduct business. The key is to make sure anyone who is afforded access to such confidential information to signs a non-disclosure agreement, and to take steps—“reasonable steps”—to insure that the subject information isn’t accessible to others.⁶⁹

⁶⁸ See, e.g., *Continental Data Sys., Inc. v. Exxon Corp.*, 1986 WL 20432 (E. D. Pa.) (Publication or public disclosure of a trade secret causes the secret to lose its protection.).

⁶⁹ It is not uncommon, for example, for software suppliers at trade shows to require potential customers to sign a confidentiality agreement.

If the secrets are contained—as most are today—on computer hard drives or similar storage devices, access to these computers and their secret files should be severely restricted, and reasonable security measures should be put in place to assure secrecy. For example, as a pre-requisite of employment, every employee who will have contact with the information via a computer terminal should be required to sign a confidentiality agreement and agree not to disclose the information. The same approach should be used with respect to all forms of media. Every document or file, every computer program or form (which contains the “trade secret”) should be conspicuously labeled “confidential” or “top secret.” Computer programs should contain a legend upon opening such as, “this program and the data contained in it is considered proprietary and confidential to the company and should not be disclosed to anyone.” Individual screens can pose a particular problem, as they are often used to market a particular program, or are visible to guests, customers, or visitors. When a document is ordered destroyed, for example, it should be shredded or otherwise properly disposed of, and its destruction recorded. Access to any and all trade secrets should be restricted to those with the “need to know.”

Whatever methods of security and confidentiality have been used to maintain the secrecy of the information, the claimant must be prepared to establish their history and operation in any claim or litigation involving the trade secret. As such, it is a good idea to keep detailed records of these efforts to help satisfy this element of the statutory definition.

IV. PLEADING AND PROVING-UP THE “MISAPPROPRIATION” OF A TRADE SECRET

Once the owner of the potential trade secret is able to properly identify the information it claims as a trade secret, establish exclusive ownership over it, and satisfy the four substantive elements of the statutory definition, it can be deemed a “trade secret,” and will be entitled to all of the protection granted under the Act, and be afforded other rights and privileges available from other sources of Florida law. Perhaps one of the most important benefits to such a characterization is the right to sue for money damages—and injunctive relief—for a “misappropriation” of the secret by another.⁷⁰ In fact, working in conjunction, sections 688.002 and 688.004 establish a statutory cause of action for two different types of misappropriation—one for the wrongful “acquisition” of such information, and the other for its wrongful “disclosure”—both of which are identified and defined in

⁷⁰ See FLA. STAT. § 688.004.

section 688.002(2).⁷¹ Thus, a trade secret owner can sue a defendant who has wrongfully “acquired” the trade secret—or one who has wrongfully “disclosed” that secret to others. Each cause of action has somewhat different substantive elements, but they are similar in many respects. These two types of misappropriation are discussed more fully below.

A. Misappropriation Of A Trade Secret Through Wrongful “Acquisition”

As noted above, section 688.004 creates a cause of action for damages for the “misappropriation” of a trade secret and section 688.002(2) defines that term and establishes the substantive elements the claimant must prove-up in order to substantiate its claim. Section 688.002(2) (a) defines misappropriation by “acquisition” to be the “[a]cquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by an improper means.”⁷²

To bring a cause of action under this section of the statute, the trade secret owner must be sure to satisfy the six definitional steps previously discussed above (i.e., identify the trade secret information, establish ownership, satisfy the four elements of the statutory definition), and then go on to establish that 1) the defendant in question somehow “acquired” the trade secret information; and 2) knew, or had reason to know, that the

⁷¹ Section 688.002(2) defines “misappropriation” in *two* ways. A misappropriation can occur (under subsection “a”) as the result of the wrongful “acquisition” of a trade secret. Section 688.002(4)(a) defines a misappropriations as “acquisition of a trade secret of another person who knows or has reason to know that the secret was acquired by improper means.” See also UTSA § 1(2)(i).

A misappropriation can also occur through a wrongful “disclosure” of a trade secret under subsection “b.” More specifically, section 688.002(2)(b) defines a misappropriation by disclosure as follows:

Disclosure or use of a trade secret of another without express or implied consent by a person who:

used improper means to acquire knowledge of the trade secret; or

at the time of disclosure or use, knew or had reason to know that her or his knowledge of the trade secret was:

derived from or through a person who had utilized improper means to acquire it;

acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

before a material change of her or his position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

See also *Systems 4, Inc. v. Landis & Gyr, Inc.*, Fed. Appx. 196, WL 434586 (4th Cir. 2001) (a plaintiff can state a claim for misappropriation under the Maryland Uniform Trade Secrets Act (MUPTA) simply by demonstrating that the defendant *acquired* its trade secret by improper means - even if the plaintiff cannot show disclosure or use of that trade secret).

⁷² See FLA. STAT. § 688.002(2)(a).

information was acquired through “improper means;” and 3) the trade secret owner incurred damage⁷³ or requires injunctive relief⁷⁴ as a result of the defendant’s wrongful acquisition of the information.⁷⁵

Showing that the defendant, in fact, “acquired” the information may not be all that difficult, but as discussed previously, use of terminology when defining an “improper use” definition can be vexing. Claims grounded in theft,⁷⁶ bribery⁷⁷ or espionage⁷⁸ are generally easiest to establish and prove-up, but the claimant relying on such indiscretions must be sure to properly identify the appropriate statutory definition, and review the substantive evidence to insure that such a case can be made. Assuming there is sufficient evidence of the defendant’s misdeeds, this should not be a difficult task.⁷⁹

On the other hand, trade secret misappropriations grounded upon some sort of “misrepresentation” may be particularly difficult to prove-up, and

⁷³ FLA. STAT. § 688.004. See generally, *Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp.*, 435 F.2d 1262 (5th Cir. 1970). In *Precision Plating*, the court used the “investment value” of the trade secret as evidence of the “damages” incurred by the claimant. *Id.* at 1263-64.

⁷⁴ See FLA. STAT. § 688.003 (200F).

⁷⁵ See FLA. STAT. § 688.004 and § 688.002(2)(a).

⁷⁶ FLA. STAT. § 688.002(1). Theft of a trade secret is a third degree felony under section 812.081 Florida Statutes (2002). The Fifth Amendment privilege against self-incrimination thus applies in any prosecution under that authority. See *Heddon v. State*, 786 So.2d 1262, 1264 (Fla. 2d DCA 2001).

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ See, e.g., *Systems 4, Inc. v. Landis & Gyr, Inc.*, Fed. Appx. 196, WL434586 at 3-4 (4th Cir. 2001). In *Systems 4*, the court found that the defendant’s employee had not acquired the plaintiff’s trade secrets by “improper means,” (i.e., in violation of the Maryland Uniform Trade Secrets Act (MUTSA)), since he had been “inadvertently” provided with the information, and when he received it, it was inside a closed box—so he could not see the proposal contained inside—and he did not realize what was inside until he opened the box in his office. The Second Circuit held that since the employee had taken possession of the trade secret inadvertently, without using deception or trickery and merely “looked” at it after acquiring that way—did not constitute “improper means”—and particularly so, in light of the fact that the information was not clearly marked as confidential. The court stated:

MUTSA defines “improper means” as including “theft, bribery, misrepresentation, breach or inducement of breach of a duty to maintain secrecy, or espionage through electronic or other means.” Md. Code Ann., Comm. Law § 11-1201(b). To be sure, this list is not exhaustive. See *Reingold v. Swiftships, Inc.*, 126 F.3d 645, 648 (5th Cir. 1997); *E. I. DuPont de Nemours & Co. v. Christopher*, 431 F.2d 1012, 1016 (5th Cir. 1970) (“A complete catalogue of improper means is not possible. In general, they are means which fall below the generally accepted standards of commercial morality and reasonable conduct.”). But from this list, one can derive some common characteristics of improper means. All of the examples listed in the MUTSA constitute intentional conduct involving some sort of stealth, deception or trickery. Cf. *Hurst v. Hughes Tool Co.*, 634 F.2d 895, 897 (5th Cir. 1981)(asking questions of an inventor and requesting a prototype of his invention does not constitute stealth or other improper means).

especially so if there is no written or documentary evidence to corroborate the purported fraud. As a result, there appears to be relatively few misappropriation actions grounded in misrepresentation, and even fewer reported decisions involving trade secret cases of that kind.

In contrast, there are a disproportionate number of cases that involve claims that someone breached an alleged of "duty of secrecy." Indeed, most, if not all, of the successful cases in this group arise in the "employer-employee" context. A handful of others are based upon the breach of an express covenant of confidentiality, whereby the misappropriates executed - and then breached - some sort of express agreement not to disclose the information in question.

A third (and typically unsuccessful) type of case seen in this area is that which is based upon some form of "implied duty of confidentiality," wherein the claimant alleges that the facts and circumstances—or more specifically, the parties' "relationship" —impose some sort of "duty of secrecy" on the alleged misappropriates not to disclose the information. This "implied duty of secrecy" theory of liability is difficult, but not impossible to sustain; but in any event, the claimant in such case—at the very minimum—should be prepared to show that the misappropriates had been made aware that the information was secret, and in fact knew that it was not to be disclosed.⁸⁰ The facts and circumstances must be such that the law rightfully should impose a duty upon them not to disclose.

If the claimant is able to establish that the "acquired" trade secret,⁸¹ and either knew—or had reason to know—that "improper means" were used to

⁸⁰ See, e.g., *Bateman v. Mnemonics*, 79 F.3d 1532, 1550 (11th Cir. 1996). In *Bateman*, the court stated:

In the case at bar, it is not the lack of a written confidentiality agreement that is fatal to the trade secret claim; rather, it is the lack of any substantial evidence that PAC *was ever made aware of any obligation of confidentiality* to Bateman and Fricker regarding the engineering materials at issue.

Id. at 1550. See also *Tedder Boat Ramp Sys., Inc. v. Hillsborough County*, 54 F. Supp. 2d 1300, 1305 (M.D. Fla. 1999) (applying *Bateman* standard, and finding that by clearly marking the information it gave to the defendant as "confidential," the claimant made the defendant sufficiently aware of the confidential nature of the information; and, coupled with the claimant's allegation of an implied agreement was sufficient to satisfy the requirement of a confidential relationship); *Dotolo v. Schouten*, 426 So. 2d 1013, 1015 (Fla 2d DCA 1983) (pre-FUSTA case in which the court found that a "confidential relationship" existed because the defendants "were instructed that the formula was a trade secret and that [the claimant] wished to protect it"); *Aries Information Systems, Inc. v. Pacific Mgt. Systems Corp.*, 366 N.W.2d 366, 369 (Minn. 1985) (by reading and signing confidentiality agreements, employees knew they were under a duty to maintain secrecy of trade secret information); *Tele-Count Engineers, Inc. v. Pacific Tel and Tel. Co.*, 168 Cal App. 3d 455, 214 Cal. Rptr. 276 (1985) (an obligation of confidentiality will not ordinarily be imposed upon a person who had no opportunity to decline the disclosure).

⁸¹ This assumes, of course, that steps 1-6 have been followed.

acquire it, then the claimant has an action for damages under Section 688.004,⁸² and under Section 688.003, can seek injunctive relief and perhaps force the return of the misappropriated materials.

B. Misappropriation Of A Trade Secret By Wrongful "Use or Disclosure"

Section 688.002(b) defines a second type of "misappropriation," this one occurring when the defendant wrongfully "uses" the trade secret, or "discloses" the information to another. These causes of action are a bit more complex than those for wrongful "acquisition." They are set out in Section 688.002(2) (b), and in fact, have several more substantive elements than those in section 688.002(2) (a).

There are three (3) separate and distinct ways to plead a cause of action under section 688.002(2) (b). For each one of these three causes of action, in addition to satisfying the statutory definition, the claimant must establish that the defendant actually "used"⁸³ the trade secret—or "disclosed" the information to another. If the defendant merely "acquired" the information, but never used it or disseminated it, the action most likely lies in Section 688.002(2) (a).

The statute does not expressly define the critical terms "use" or "disclosure," but presumably, these words would be given their common, ordinary meanings, and an action for misappropriation would lie for virtually *any* use of the protected information (whether profitable or not) and any size distribution, however limited in scope. Of course, the intensity of the defendant's use (or the extent of any disclosure) might impact on the size of any damage award, and may, in fact, serve to justify an award of fees and costs under section 688.005⁸⁴; but the statute does not appear to require a certain level of activity triggering liability.

After establishing the defendant's use or disclosure, the claimant should be prepared to submit evidence to confirm the fact that the misappropriates had not been granted any "express or implied consent" to use or disclose the secret that would negate any cause of action raised under Section 688.002(2) (b).⁸⁵

⁸² FLA. STAT. § 688.004(1).

⁸³ Not every "use" of a trade secret may give rise to liability. Some states require that the use affect the parties' competitive market position. *See, e.g., Omnitech Int'l, Inc. v. Clorox Co.*, 11 F. 3d 1316, 1325 (5th Cir. 1994) ("to sustain a trade secrets action under the 'use' prong of the [Louisiana] statutory definition of 'misappropriation,' a plaintiff must demonstrate that the defendant received some sort of unfair trade advantage").

⁸⁴ *See infra* notes 85-87 and accompanying text.

⁸⁵ FLA. STAT. § 688.002(2)(b) (2002).

Once the claimant has established that the defendant used or disclosed the secret, and it had not been granted consent to do so, there are three distinct ways to establish the cause of action. The first is the perhaps the simplest to understand, but, as mentioned previously, they all have difficulties in practical application. Under section 688.002(2)(b)(1), the claimant needs to show that the *defendant* used “improper means” to acquire knowledge of the trade secret. Again, as discussed previously, the question of what constitutes “improper means” within the context of the Act can be subjective and therefore problematic—and particularly so if the improper means identified happen to be either “misrepresentation” or “breach of a duty of secrecy.”

Under section 688.002(2)(b)(1), a second way that the trade secret claimant can establish a cause of action for wrongful use or disclosure is to show that the defendant knew—or had reason to know—that the trade secret had been obtained from someone who themselves used “improper means” (or perhaps breached a duty of confidentiality—either express or implied—to acquire it.⁸⁶ A closer look at section 688.002(b) thus reveals that this second theory of liability is actually broken down further into three separate causes of action.⁸⁷

The third and final way a claimant can establish a cause of action for a wrongful “disclosure or use” under section 688.002(b) involves situations where the defendant appears to have acquired the trade secret by some sort of “accident or mistake.” In such cases, the claimant will still have a cause of action for misappropriation if it can be shown that the defendant went ahead and used or disclosed the accidentally-acquired information despite the fact that it either “knew or had reason to know” that it was in fact a trade secret.⁸⁸ This section appears to create a safe harbor of sorts for those defendants who mistakenly come into possession of trade secret information - but neither know nor have reason to know of its protected status or the circumstances of its unlawful procurement.

⁸⁶ Section 688.002(2)(b)(1) provides, in pertinent part, that the claimant must show that “at the time of disclosure or use, [the defendant], knew or had reason to know that her or his knowledge of the trade secret was: a) derived from or through a person who had utilized improper means to acquire it; b) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or c) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use.”

⁸⁷ See FLA. STAT. § 688.002(b)(2)(a)-(c) (2002).

⁸⁸ See FLA. STAT. § 688.002(b)(3) (2002).

C. Seeking Damages Under FUTSA

Under Section 688.004, the successful trade secret owner is entitled to recover damages from an unlawful misappropriation.⁸⁹ If damages are awarded, the amount can include any “actual loss” caused⁹⁰ by the misappropriation, as well as any “unjust enrichment” not taken into account in computing actual loss.⁹¹ In addition, if the claimant can establish the misappropriation was “willful or malicious,” the court, in its discretion⁹² may award “exemplary” damages in an amount not to exceed twice the amount of any award for “actual” loss or unjust enrichment.⁹³

In lieu of damages calculated by any other method, section 688.004(1) permits the court to impose a “reasonable royalty” upon misappropriates commensurate with the unauthorized disclosure or use.⁹⁴ The imposition of royalty payments, in lieu of an amount of actual damages, is a practicable approach in some cases, in that it adequately compensates the aggrieved

⁸⁹ See FLA. STAT. § 688.004(1) and (2) (2002). Section 688.001(1) provides:
688.004 Damages.—

(1) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled to recover damages for misappropriation. Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator’s unauthorized disclosure or use of a trade secret.

Under section 688.005, if the court finds that the misappropriation was “willful and malicious,” it may also award “exemplary” damages in an amount not exceeding twice any award made under subsection (1). Several courts have characterized this provision as being “permissive” in nature. See, e.g., *Perdue Farms, Inc. v. Hook*, 777 So. 2d at 1052; *Fixel v. Clevenger*, 285 So.2d 687 (Fla. 3rd DCA 1973); *City of Miami v. Save Brickell Ave., Inc.*, 426 So.2d 1100 (Fla. 3d DCA 1983). It should be noted that the language of section (1) specifically provides that damages are *not* available if a “material and prejudicial change in position” might render such an award of monetary damages “inequitable.”

⁹⁰ See, e.g., *McCallister Co. v. Kastelia*, 825 P.2d 980, 984 (Ct. App. 1992) and *Bancroft-Whitney Co. v. Glenn*, 64 Cal. 2d 49 Cal. Rptr. 825, 411 P.2d 921 (1996) (direct evidence of causation required in trade secret actions or damages). *But see Frantz v. Johnson*, 999 P.2d 351, 359 (Nev. 2000) (permitting circumstantial evidence of causation; “[w]e recognize that there is legal support to the contrary that requires *direct* evidence of causation, such as testimony of clients lost...however, we explicitly disapprove of such a requirement.”)

⁹¹ See FLA. STAT. § 688.004(1).

⁹² See FLA. STAT. § 688.004(2) (“...the court *may* award...”).

⁹³ See FLA. STAT. § 688.004(2). “Willful and malicious” has been defined as conduct “necessary to sustain a conviction for manslaughter” or actual malice, moral turpitude, wantonness or outrageousness.” *Purdue Farms*, 777 So.2d at 1053. (*citations omitted*).

⁹⁴ See FLA. STAT. § 688.004(1) (2002).

claimant, and at the same time promotes—rather than hampers—future competition.

As such, the Act provides the successful claimant with a flexible array of remedies, including actual damages, reimbursement for unjust enrichment, and the alternative to recoup a reasonable royalty commensurate with the nature of the misappropriation.

D. Seeking Injunctive Relief Under FUTSA

Section 688.003(1) authorizes the court to issue an injunction to enjoin an “actual” or “threatened”⁹⁵ misappropriation of a trade secret.⁹⁶ The claimant, of course bears the burden of establishing the existence of the trade secret.⁹⁷ In the “appropriate circumstances,” the court is empowered to order that affirmative acts be undertaken to protect the secret.⁹⁸ The court must⁹⁹ terminate an injunction upon a showing that the trade secret upon which it is based has ceased to exist,¹⁰⁰ but it may be continued for a “reasonable period of time” to eliminate any commercial advantage which may have been derived from the misappropriation.¹⁰¹ In “exceptional circumstances,” the court may issue an injunction which conditions a further use on the payment of some sort of royalties—but such payments can only be imposed for that period of time during which the defendant’s

⁹⁵ See FLA. STAT. § 688.003(1) (2002). *cf.* Lovell Farms, Inc. v. Levy, 641 So. 2d 103, 105 (Fla. 3rd DCA 1994) (an injunction cannot be granted upon mere allegation of use of trade secret in employer-employee context and require strict proof); Sun Elastic Corp. v. O.B. Ind., Inc., 603 So. 2d 516, 516-17 (Fla. 3D DCA 1992). FUTSA does not define the term “threatened misappropriation,” and thus it is not clear what conduct or circumstances would justify an injunction under that phraseology.

⁹⁶ Section 688.003 is identical to section 2 of The Uniform Trade Secrets Act. See generally Thomas v. Alloy Fasteners, Inc., 664 So. 2d 59, 60 (Fla. 5th DCA 1995) (employer granted an injunction enjoining former employees from using employer’s pricing and profit structure which former employee had misappropriated).

⁹⁷ See, e.g., Keel v. Quality Med. Systems, 515 So.2d 337 (Fla. 3rd DCA 1987) (injunction deemed improper because “the evidence adduced at the injunction hearing does not demonstrate, as it must, that the customer information was confidential or was a business or trade secret.”)

⁹⁸ See FLA. STAT. § 688.003(3) (2002). See also Phillips v. Corporate Express Office Products, Inc., 800 So. 2d 618, 621 (Fla. 5th DCA 2001) (recognizing, upon rehearing, the trial court’s inherent authority to the issue and maintain a temporary injunction related to the use and disclosure of trade secrets).

⁹⁹ Section 688.003(1) states that the court “shall” terminate the injunction “when the trade secret . . . ceased to exist.”

¹⁰⁰ See FLA. STAT. § 688.003(1) (2002).

¹⁰¹ See FLA. STAT. § 688.003(1) (2002). This is consistent with UTSA policy which limits injunctive relief to that necessary “to eliminate commercial advantage or ‘lead time’ with respect to good faith competitors that a person has obtained through misappropriation” See Uniform Trade Secrets Act, Comment to § 2.

use of the information might have been enjoined.¹⁰² “Exceptional circumstances” include, but are not limited to, “a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.”¹⁰³ In other words, if the defendant in a trade secret action can show that he did not know (or have reason to know) that the information being used was a “trade secret”—at least before he materially changed its position in some way—the court may permit the defendant to utilize the information and then order it to pay royalties to the claimant.¹⁰⁴

It must be pointed out that the usual standards for injunctive relief also apply. As such, the claimant must establish a “likelihood of success” on the merits,¹⁰⁵ and show that it would incur “irreparable harm”¹⁰⁶ if the injunction is not granted.¹⁰⁷ In addition, the claimant must convince the court that the harm it will incur (if the injunction is denied) will outweigh any harm to the defendant if it is granted, and show how the “public interest” will be served by the court’s exercise of its equitable powers.¹⁰⁸

Of course, to establish a “likelihood” that it will succeed on the merits, the trade secret claimant must first be sure to satisfy the six-step definitional process outlined above, and by doing so, establish to the satisfaction of the court that there is a likelihood the information it seeks to protect is in fact a “trade secret.”¹⁰⁹ The claimant must then establish the substantive elements of one or both forms of “misappropriation” against the party it seeks to enjoin.

¹⁰² See FLA. STAT. §688.003(2) (2002).

¹⁰³ See *id.*

¹⁰⁴ See *id.*

¹⁰⁵ See, e.g., *Ice Cold Auto Air v. Cold Air & Access, Inc.*, 828 F. Supp. 925 (M.D. Fla. 1993)(request for injunction in trade secret action properly denied because claimant failed to establish likelihood of success on the merits).

¹⁰⁶ See, e.g., *Barberio-Powell v. Bernstein Assoc., v. Bernstein Liebstone Assoc.*, 624 So. 2d 383 (Fla. 4th DCA 1993)(claimant’s failure to demonstrate irreparable harm fatal to request for injunctive relief in trade secret action).

¹⁰⁷ See, e.g., *Tedder Boat Ramp Sys., Inc. v. Hillsborough County*, 54 F. Supp. 2d 1300, 1305 (M.D. Fla.1999).

¹⁰⁸ See, e.g., *American Red Cross v. Palm Beach Blood Bank, Inc.*, 143 F.3d 1407, 1410 (11th Cir. 1998); *Church v. City of Huntsville*, 30 F.3d 1332, 1342 (11th Cir. 1994).

¹⁰⁹ See *Keel v. Quality Medical Systems, Inc.*, 515 So. 2d 337 (Fla. 3d DCA 1987)(injunction in trade secret action vacated because “the evidence adduced at the injunction hearing simply [did] not demonstrate, as it must, that the customer information was confidential or was a business or trade secret.”); *Pure Foods v. Sir Sirloin, Inc.*, 84 So. 2d 51, 54 (Fla. 1955); *Inland Rubber Corp. v. Helman*, 237 So. 2d 291, 295 (Fla. 1st DCA 1970); *Renpack, Inc. v. Oppenheimer*, 104 So. 2d 642, 645 (Fla. 2d DCA 1958).

V. USING A "TRADE SECRET" CHARACTERIZATION TO LIMIT DISCOVERY IN LITIGATION

Trade Secrets are considered "privileged" under section 90.506 of the Florida Statutes. Section 90.506 provides:

A person has a privilege to refuse to disclose, and to prevent other persons from disclosing, a trade secret owned by that person if the allowance of the privilege will not conceal fraud or otherwise work injustice. When the court directs disclosure, it shall take the protective measures that the interests of the holder of the privilege, the interests of the parties, and the furtherance of justice require.¹¹⁰ If a "trade secret privilege" is asserted as grounds for resisting production, the trial court must first determine whether the requested production constitutes a trade secret. To protect the confidentiality of the purported secret, the court may conduct *in camera* proceedings (or a full evidentiary hearing) whenever the trade secret privilege is invoked, at which time it can determine if the information is in fact a trade secret, and make specific findings of fact to that effect.¹¹¹

¹¹⁰ FLA. STAT. § 90.506 (2002). See also Fl. R. Civ. Pr.; Harley Shipbuilding Corp. v. Fast Cats Ferry Serv., LLC, 820 So. 2d 445, 448 (Fla. 2d DCA 2002).

¹¹¹ This sort of determination will usually require that the trial court conduct an in-camera inspection of the materials in question to determine whether they contain trade secrets. See, e.g., Salick Health Care, Inc. v. Spunberg, 722 So.2d 944 (Fla. 4th DCA 1998)(disclosure of trade secrets creates the potential for irreparable harm); Aspex Eyewear, Inc. v. Ross, 805 So. 2d 118, 118 (Fla. 4th DCA 2002)(trial court has responsibility to determine when information constitutes a "trade secret" for purposes of discovery, and if so, whether such information should be redacted or disclosed with appropriate protections"); Sheridan Health Corp., Inc. v. Total Choice, Inc., 770 So.2d 221, 222-23 (Fla. 3rd DCA 2000)(when a trade secret privilege is asserted as the basis for resisting production, the trial court must determine whether the requested materials contain a trade secret; this determination will usually require the court conduct an in camera inspection of the materials to establish whether they actually contain trade secrets); American Express Travel Related Services, Inc. v. Jessica Cruz, 761 So. 2d 1206, 1209 (Fla. 4th DCA 2000)(determination of applicability of trade secret privilege will usually require that trial court conduct in camera inspection of materials in question to determine whether they contain trade secrets); 641 So.2d 103, 105 Lovell Farms, Inc. v. Levy (Fla. App. 3 Dist. 1994).

In general, the burden is on the party *resisting* discovery to show "good cause" for protecting or limiting access to the requested information. As such, the trade secret claimant will have to demonstrate that the information sought is in fact a trade secret and that disclosure may be harmful. See Kaiser Aluminum & Chem. Corp. v. Phosphate Eng'g & Constr. Co., 153 F.R.D. 686, 696 (M.D.Fla.1994). If production is then ordered, the court must set forth its findings. See Rare Coin-it, Inc. v. I.J.E., Inc. 625 So. 2d 1277, 1278-1279 (Fla. 3d DCA 1993).

Once the court makes that initial determination, the party seeking production must then establish a reasonable necessity for the requested materials. Thus, the trade secret claimant—as the party resisting discovery has the burden to establish “good cause” for protecting or limiting the requested discovery by 1) demonstrating that the information sought is, in fact, a trade secret; and 2) showing why disclosure may be harmful.¹¹² If production is ultimately ordered, the court must set forth its findings in its order.¹¹³ If the court denies the claimant’s motion for protective order, the claimant can seek review by means of a petition for *writ of certiorari*.¹¹⁴

VI. DEFENDING AGAINST A TRADE SECRET CLAIM

As any survey of the reported cases would confirm, perhaps the most utilized “defenses” in trade secret litigation are not really defenses at all—but are instead challenges to the claimant’s substantive elements of proof. With so many substantive facts needed to satisfy the statutory definition—and then prove the case of misappropriation—the defendant in the trade secret action has many targets to probe for potential weaknesses. This is one reason the trade secret claimant must be sure to identify and satisfy each and every one of the applicable elements of proof before proceeding with the action. If the defendant can find a weakness, it may become the deciding issue in the case.

In *Beck v. Dumas*, 709 So. 2d 601 (Fla. 4th DCA 1998), the court granted *certiorari* and reversed a trial court decision to compel production of a certain computer source code, along with some design documentation and other related technical information. The plaintiff alleged the code and information were trade secrets, and requested a protective order. The trial court refused, without first conducting an *in camera* inspection or evidentiary hearing. On appeal, the court stated:

The question before us is whether the court departed from the essential requirements of law by ordering [Petitioner] to disclose its trade secret without first conducting either an *in camera* inspection or an evidentiary hearing. We think so, given the sophisticated and highly technical nature of the requested materials.

See also *American Express v. Cruz*, 761 So. 2d at 1209; *Uniroyal Goodrich Tire Co. v. Eddings*, 673 So. 2d 131, 132 (Fla. 4th DCA 1996)(trial court departed from essential requirements of law by failing to conduct an *in camera* inspection or an evidentiary hearing to determine if a certain manual was a trade secret); *Virginia Electronics and Lighting Corp. v. Koester*, 714 So. 2d 1164 (Fla. 1st DCA 1998)(order compelling discovery was deficient as a matter of law for failing to specify what trade secret existed and set forth findings of fact as to why its disclosure was necessary).

¹¹² See, e.g., *American Express*, 761 So. 2d at 1209 citing *Kaiser Aluminum & Chem. Corp. v. Phosphate Eng'g & Constr. Co.*, 153 F.R.D. 686 (M.D. Fla. 1994).

¹¹³ See, e.g., *American Express*, 761 So. 2d. at 1209, citing *Rare Coin-it, Inc. v. I.J.E., Inc.*, 625 So. 2d 1277, 1278-79 (Fla. 3rd DCA 1993).

¹¹⁴ *Virginia Electronics and Lighting Corp. v. Koester*, 714 So. 2d 1164, 1164-65 (Fla. 1st DCA 1998).

As such, the trade-secret defendant, of course, needs to look first for the weaknesses in the claimant's *prima facie* case. Each one of the substantive facts that the claimant submits to satisfy the elements of the statutory definition should be closely scrutinized, and, if necessary, rebuttal evidence prepared. The claimant's failure to identify the information in question (or establish ownership of it) should be challenged, if appropriate. The defendant should probe for factual weaknesses in any aspect of the claimant's case, particularly with respect to the areas of value, secrecy, and accessibility. The defendant should also consider securing an expert on value to determine if the information qualifies as a trade secret, and should retain someone who can provide persuasive testimony on that issue, if necessary. This same approach should be utilized with respect to any claim for misappropriation or invocation of the statutory privilege. This is the most effective way of defending any action through evidence, ground upon the existence of a trade secret.

There are other considerations as well. Section 688.007 proscribes a three (3) year statute of limitation on all misappropriation actions brought under the Act.¹¹⁵ The statute begins to run on the date the misappropriation is discovered, or by the exercise of reasonable diligence, should have been discovered.¹¹⁶ A continuing misappropriation constitutes a single claim.¹¹⁷ Therefore, the defendant should review all dates of consequence to determine if the claim or action has been barred by the statute.

Section 688.004 provides an "exception" to the right to sue for damages for misappropriation. If the defendant in a misappropriation action can show that 1) it made a material and prejudicial change in its position prior to acquiring knowledge of the misappropriation (or having a reason to know of it; which has 2) rendered monetary relief inequitable, the claimant is not entitled to a damage award under §§688.004(1).

Not many other defenses to "trade secret" actions have been successfully asserted. It appears well-settled that actions brought under FUSTA are not to be preempted by the federal copyright act¹¹⁸ and very few opinions even

¹¹⁵ See FLA. STAT. § 688.007 (2002).

¹¹⁶ See *id.*

¹¹⁷ See *id.*

¹¹⁸ All Pro Sports Camp, Inc. v. Walt Disney Co., 727 So. 2d 363, 367 (Fla. 5th DCA 1999) (holding that an action brought under the Florida Trade Secret Act is not pre-empted by the federal Copyright Act. Applying the aptly-titled "extra-element" test, the court concluded that an action brought under the Trade Secret Act required the plaintiff to prove at least one "extra element." *Id.*, citing Batemen v. Mnemonics, 79F.3d 1532, 1549 (11th Circ. 1996), wherein the court proclaimed: "we have no doubt that the Florida Trade Secret Act statute at issue satisfies the extra element test...".

It should be noted, however, that the only "extra element" which the courts have identified and relied upon in avoiding preemption is the need to show (in trade secret actions) the "existence of a

discuss defenses to UTSA actions other than those brought as challenges to the substantive statutory elements. Once again, maintaining a strong focus on the statutory definitions and causes of action cannot be underestimated.

VII. SEEKING ATTORNEYS FEES UNDER FUTSA

Attorneys' fees are recoverable under the Act, but only in specific circumstances. Under Section 688.005, the court "may" award reasonable attorneys fees to a prevailing trade secret claimant in only two situations. In the first, the claimant may be awarded fees if able to establish that the defendant's misappropriation was "willful and malicious."¹¹⁹ The second way a successful claimant can receive fees under the Act is to secure an injunction, and then establish that the defendant made a motion to terminate an injunction "in bad faith."¹²⁰

In *Real-Time Systems, Inc. v. Predator*,¹²¹ a defense contractor brought an action for trade secret misappropriation of its unique design for rate dampers used in laser-guided missiles. The defendant was a new, competing firm, formed by several of the claimant's former employees. After securing an injunction and winning a favorable final judgment for damages, the contractor moved for attorney's fees pursuant to section 688.005.¹²² The trial court denied the contractor's request for fees, finding that the misappropriation was not "willful and malicious" as is expressly required by the statute. The decision was affirmed upon appeal. The court stated:

Section 688.005, Florida Statutes 1995), provides, in pertinent part, that, "[i]f... willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party." (Emphasis supplied). [The defendant] argues that "willful and malicious" requires only that the trade secrets were taken with "knowing or reckless disregard." [The Plaintiff] not only disputes that standard but also argues that in any event the court is given discretion whether to award fees even if it finds a willful and malicious misappropriation, and the trial court cannot be shown to

confidential relationship." See, e.g., *Bateman*, 793 F. 3d at 1549.

¹¹⁹ See FLA. STAT. § 688.005. See, e.g., *Real-Time Systems, Inc. v. Predator Systems, Inc.*, 757 So. 2d 634, 637-638 (Fla. 4th DCA 2000). For a discussion of the approaches used elsewhere, see, Halijan, *supra* note 4 at 29, citing *Stillwell Dev., Inc. v. Chen*, ____ U.S.P.Q. 2d 1328 (C.D.Cal. 1989).

¹²⁰ See FLA. STAT. § 688.005.

¹²¹ *Real-Time Systems, Inc. v. Predator*, 757 S.2d 634 (Fla. 4th DCA 2000).

¹²² See *id.* at 635.

have abused its discretion in denying the fee request under the facts of this case¹²³

The court distinguished two federal cases the claimant had relied upon to support its position,¹²⁴ and held that the evidence adduced below could in fact have supported the trial court's finding that the defendant—while having admittedly violated agreements prohibiting disclosure of the claimant's trade secret—had not “set out from the start to violate those agreements.” The court noted that there was, in fact, evidence in the record from which the trial court could have concluded that the defendant had reason to believe its design was not a violation of the policy.¹²⁵

In light of the discretionary language in the statute¹²⁶ and the threshold requirement that the misappropriation be “willful and malicious,” any trade secret claimant seeking fees would do well to prepare substantive evidence in advance with which to satisfy this still-developing standard.

¹²³ *Id.* at 637, citing *Canakar v. Canakar*, 382 So.2d 1197, 1203 (Fla. 1980) (defining abuse of discretion standard).

¹²⁴ To support its position, the claimant relied on two federal cases in which the appellate court affirmed the award of attorney's fees by the district court, *Mangren Research & Development Corp. v. National Chemical Corp.*, 87 F.3d at 946 and *Boeing Co. v. Sierracin Corp.*, 108 Wash. 2d 38, 738 P.2d 665 (1987).

In *Mangren*, the court initially admitted it could find “no Illinois case interpreting that phrase [willful and malicious],” but nevertheless held that “it surely must include an intentional misappropriation as well as a misappropriation resulting from the conscious disregard of the rights of another.” 87 F.3d at 946 (citations omitted). Drawing a contrast to the case before it, the *Real Time* court pointed out that the record contained no testimony that the defendant-employees in that case had set out to use the claimant's trade secrets to undermine its business.

The *Real Time* court also distinguished *Boeing*, noting how the defendant in that case “knew its actions were of ‘dubious legality,’” and how the Boeing trial court did not believe that [the defendant] ever entertained any honest doubt as to the legality of its conduct, but took a calculated risk and lost.” *Id.* at 638, citing *Boeing Co.*, 108 Wash. 2d 38, 738 P.2d 665, 680-81 (1987).

¹²⁵ *See id.* at 637-38. In essence, *Real-Time* is more about the “substantial competent evidence” standard use in appeals directed at the competency of the evidence) than it is about the “willful and malicious” standard set out in section 688.005. As the Real Time Court concluded:

The trial court determined that the actions of [the defendnat] were not malicious and denied the attorney's fees. The trial court's finding is supported by competent, substantial evidence, and its denial of attorney's fees cannot be said to be an abuse of discretion.

Id., citing *Canakar*, 382 So.2d at 1203. While *Real-Time* might be not be too helpful outside of its peculiar factual predicate, it is significant in that the opinion appears to suggest that 1) not only is the final determination as to whether to award fees under section 688.005 discretionary, but the threshold requirement—that the misappropriation be “willful and malicious”—is a question of fact, not law.

¹²⁶ *See* FLA. STAT. § 688.005.

VIII. CONCLUSION

Trade secret law is not tricky once one knows the basics. There are no real “secrets” to trade secret claims or trade secret litigation. All the claimant need do is follow the right steps, secure the appropriate substantive evidence, and determine what relief is appropriate to the particular facts of the case. Conversely, the defendant in a trade secret action must first closely evaluate whatever substantive evidence is available to the claimant, then determine 1) if a trade secret does in fact exist; 2) if its conduct in any way comprises one of the two types of statutory misappropriation; and 3) if so, what its liability might be. The courts can help in this process of clarification by making sure that all trade secret litigants follow a coherent step-by-step approach to the presentation of cases brought under FUTSA with each individual element of each particular cause or claim addressed and resolved properly. In this way, the provisions of FUTSA may very well see increased use, trade secret actions can be adjudicated more effectively, and the purpose of FUTSA itself—uniformity in the disposition of all trade secret claims—can finally be fully realized.

