



Trade Secret



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Trade Secrets: Subject Matter

Trade Secret - Subject Matter

Key takeaways

- Trade secret is not merely information that a business wants to keep secret (e.g., embarrassing information).
- Trade secrets must have economic value that comes from their secrecy.
- Classic examples are: formulas, recipes, manufacturing methods, industrial processes, source code, geological survey data.
- Uniting concept: Information that a competitor could use to the same ends as the trade secret owner to obtain commercial advantage.

Trade Secret - Subject Matter

Key takeaways

- There is room to argue for a very broad conception of trade secret subject matter.
- This is because:
 - There is a lack of development of the doctrine.
 - Precedent is slippery, since a successful assertion of trade-secret status means a court decision won't say exactly what it is (otherwise, the secret would be out!).
 - Litigants are often non-adverse when courts rule on trade secret subject matter.
 - E.g., both parties to a business dispute want to keep everything away from the press, so they will stipulate to trying to treat a wide swath of discovery as trade secret.

Trade Secret - Subject Matter

Key takeaways

- Because of doctrinal confusion and a lack of an adversarial dynamic in many proceedings, businesses can sometimes successfully assert trade secret status to avoid public disclosure of things that are not classical trade secrets.
- Examples:
 - Toxic emissions (pollution).
 - Regular corporate financial data.

Trade Secrets: Gaining and Losing Protection

Trade Secret - Gaining & Losing Protection

Two requirements:

- Must be actually secret.
- Must be the subject of reasonable efforts to maintain secrecy.

Trade Secret - Gaining & Losing Protection

Must be an actual secret:

- Secret means "secret" in the ordinary sense.
- Two or even more independent parties can have the same secret.
- If a trade secret becomes generally known, it stops being a protectable trade secret.
 - Trade secret status can be lost by wrongful means
 - E.g., someone steals the secret and publishes it.
 - or non-wrongful means.
 - E.g., disclosure by mistake, or everyone else eventually figures it out independently.

Trade Secret - Gaining & Losing Protection

Must be the subject of reasonable efforts
to maintain secrecy

- What's reasonable depends on the circumstances and how valuable the secret is.
- Might include:
 - Locks, fences, security guards, password protection, firewalls
 - Limiting the number of people who know
 - Splitting up knowledge among different people
 - Employee contracts, non-disclosure agreements, non-compete agreements

Trade Secret - Gaining & Losing Protection

Problems to look at:

- "Leaving the barn door open" on p. 516.
- "Sticky situation" on p. 516-517.

Trade Secrets: Misappropriation and Remedies

Trade Secret - Misappropriation & Remedies

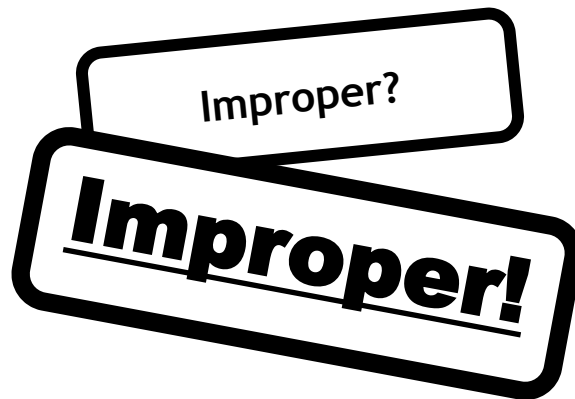
Forms of misappropriation:

- Improper disclosure.
 - E.g., violating confidence, breaching contract
- Improper use.
 - E.g., breaching contract, violating business norms, violating reasonable expectations
- Improper acquisition.
 - Includes criminal actions, contract breach, and torts, but need not be any of those

Trade Secret - Misappropriation & Remedies

Things that are not improper acquisition:

- Reverse engineering.
- Independent discovery.
- Getting from patent or published patent application.
- Getting through a business deal or license.



El DuPont DeNemours & Company v.
Christopher, 431 F. 2d 1012 (5th Cir. 1970)

"This is a case of industrial espionage in which an airplane is the cloak and a camera the dagger. ... In taking this position we realize that industrial espionage of the sort here perpetrated has become a popular sport in some segments of our industrial community. However, our devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations."

El DuPont DeNemours & Company v.
Christopher, 431 F. 2d 1012 (5th Cir. 1970)

"To require DuPont to put a roof over the unfinished plant to guard its secret would impose an enormous expense to prevent nothing more than a school boy's trick. We introduce here no new or radical ethic since our ethos has never given moral sanction to piracy."

El DuPont DeNemours & Company v.
Christopher, 431 F. 2d 1012 (5th Cir. 1970)

Trade Secret - Misappropriation & Remedies

Remedies:

- Injunctions
 - Can be prophylactic
 - Can be against innocent third parties
- Damages
 - Larger of
 - Plaintiff's losses
 - Defendant's wrongful gains
 - Reasonable royalties as an alternative