



Invention & Industry

Trade Secret Subject Matter

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Konomark
Most rights sharable

**What makes
something trade-
secret-eligible
subject matter?**

Requirements:

- The trade secret must actually be secret (i.e., not generally known to those who could use it).
- Trade secrets must have independent economic value.
- The economic value must be as a result of the secrecy.
- There must be reasonable efforts to keep it secret.

Examples:

- formulas
- recipes
- manufacturing methods
- industrial processes
- source code
- geological survey data
- customer lists

Examples

formulas
recipes
manufacturing
methods
industrial
processes
source code
search
algorithms
geological
survey data
customer lists

UTSA blackletter

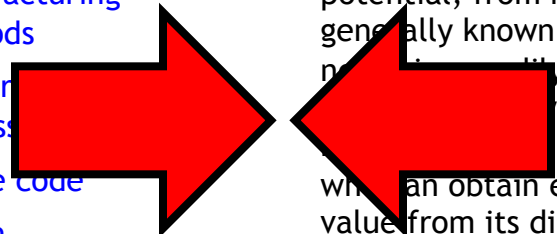
information that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

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DTSA definition of trade secret, 18 U.S.C. § 1839(3)

the term “trade secret” means all forms and types of financial, business, scientific, technical, economic, or engineering information, including [patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes](#), whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if--

(A) the owner thereof has taken reasonable measures to keep such information secret; and

(B) the information derives [independent economic value](#), actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information

What does “independent economic value” mean?

On eligible subject matter, the current trend, exemplified by the UTSA, is to protect any valuable information as a trade secret. So long as the information is capable of adding economic value to the plaintiff, it can be protected by trade secret law.

Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets As IP Rights*, 61 STAN. L. REV. 311, 317 (2008)

FWIW, I think this is mistaken.

On eligible subject matter, the current trend, exemplified by the UTSA, is to protect any valuable information as a trade secret. So long as the information is capable of adding economic value to the plaintiff, it can be protected by trade secret law.

Mark A. Lemley, *The Surprising Virtue of Treating Trade Secrets as Property*, 31

This seems almost unbounded. Many courts take a narrower view, although the bounds of that narrower view are often not well articulated.

What does “independent economic value” mean?

As a general proposition, to come within the ambit of this definition, the claimant must show that the information: (1) was originally gained at the holder's expense; (2) is still of value to the holder because it provides the holder with a demonstrable, continuing competitive advantage; (3) is not generally known or readily ascertainable by third parties, especially competitors; and (4) has been kept confidential by the holder. The fourth element often proves to be the real battleground over the existence of an alleged trade secret.

§ 9.2.2 Scope of the Privilege, WIGMORE'S EVIDENCE

What does “independent

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§ 9.2.2 Scope

This also seems largely unbounded. The decisions of many courts are narrower than this implies ...

Trade Secret - Subject Matter

What does “independent economic value” mean?

A plausible uniting concept:

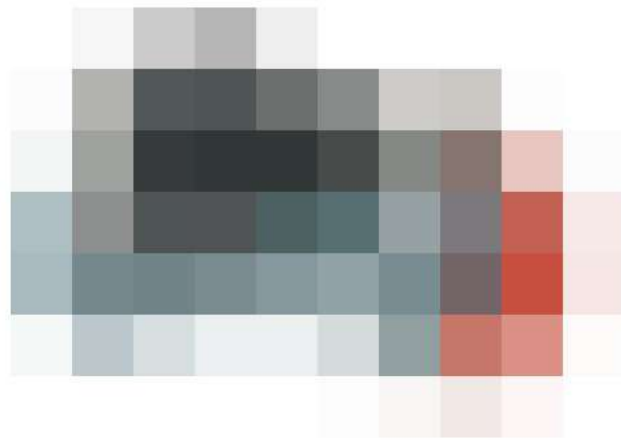
- Information that a competitor could use to the same ends as the trade secret owner to obtain commercial advantage.

EEJ's way of looking at this ... FWIW

What makes a trade secret different from other secrets held by a business?

How do we distinguish true trade secrets from regular confidential information or “business intelligence”?

**Do you want to see a
trade secret?**



Do you want to see a
trade secret?

Too bad!!
You don't get to!!

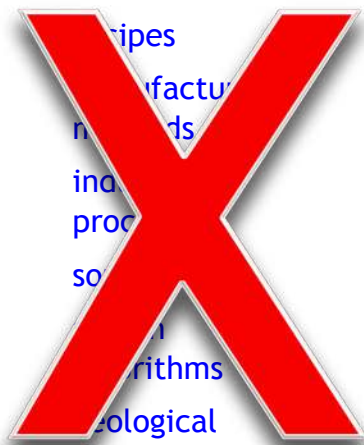
- executive salaries?
- lawsuit settlement terms?
- the identities of a firm's liability insurers?
- current cash reserves?
- past problems with quality control?
- an internal memo that says a company's growth is "de facto good" even though "maybe someone dies"?

*Can it be a
trade secret?*

Can an embarrassing secret be a trade secret?

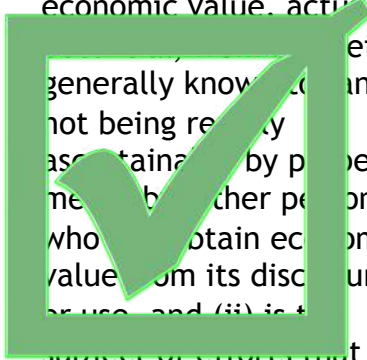
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Blackletter law

information that: (i) derives independent economic value, actual or potential, from not being generally known, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.



Examples	Blackletter law
<ul style="list-style-type: none"> formulas recipes manufacturing methods industrial processes software algorithms geological survey data customer lists 	<p>information that: (i) provides independent economic value, actual or potential, by not being generally known, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.</p>

Examples	Blackletter law
<ul style="list-style-type: none"> processes source code search algorithms geological survey data customer lists 	<p>means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.</p>

My threshold test:
Information that a competitor could use to the same ends as the trade secret owner to obtain commercial advantage in the same way.

Examples of Blackletter law

My threshold test:

Information that is not generally available to the public and that has economic value because of its secrecy or confidentiality and that is the result of substantial investment of money, time, and effort.

processes
source code
search algorithms
geological survey data
customer lists

My secondary factors:

- discrete & countable
- spoilable
- emancipatable
- appropriate for royalties
- feels like IP
- worth clawing back
- worth enjoining innocent third parties
- worth putting someone in jail



Does a putative trade secret have
“independent economic value”?

Google’s search algorithms that come up
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users. *Is there independent economic
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Google’s search algorithms that come up
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users. *Is there independent economic
value?*

Yes, because Yahoo and Bing could use
the search algorithms to the same ends to
get a commercial advantage in the same
way as Google does.

Does a putative trade secret have
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A list of local customers who use gutter-
cleaner services. *Is there independent
economic value?*

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“independent economic value”?

A list of local customers who use gutter-
cleaner services. *Is there independent
economic value?*

Yes, because competing gutter-cleaners
could efficiently target marketing to
these customers, the same way the owner
could to get a commercial advantage.

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The financial statements of Mars (candy company), including cash flow, assets, liabilities, profit & loss. *Is there independent economic value?*

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The financial statements of Mars (candy company), including cash flow, assets, liabilities, profit & loss. *Is there independent economic value?*

No, because the financial statements help C-level officers manage Mars in a general way. Hershey could use them offensively to exploit Mars’s weaknesses.

But courts are split on whether financial statements can be trade secrets.

Builders of the Dakota Access Pipeline told the Iowa Utilities Board the their liability insurance was a trade secret – they are in a highly competitive industry and disclosure would serve no public purpose.

The screenshot shows the Frac Focus Chemical Disclosure Registry website. At the top, there is a navigation bar with the Frac Focus logo and several menu items: HYDRAULIC FRACTURING, GROUNDWATER PROTECTION, CHEMICAL USE, REGULATIONS BY STATE, FIND A WELL BY STATE, and FREQUENT QUESTIONS. Below the navigation bar is a search interface titled "Find a Well". The search options are organized into several sections: STATE (North Dakota), COUNTY (Williams), WELLS IN COUNTY (Choose a Well Name), OPERATOR (Choose One), JOB/SUBMITTED DATE (Job Start Date), DATE RANGE (Between), RANGE START DATE, RANGE END DATE, FEDERAL WELL (checkbox), INDIAN WELL (checkbox), API WELL NUMBER, WELL NAME, and CAS Number. There are also buttons for "INGREDIENT LIST", "Clear Ingredient", "SEARCH", and "RESET".

Displaying 50 of 2063 Records

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API No.	Job Start Dt	Job End Dt	State	County	Operator	WellName
33-105-01693-00-00	12/9/2009	12/9/2009	North Dakota	Williams	Statoil Oil & Gas LP	Olson 10-15 #1H
33-105-01761-00-00	6/11/2010	6/11/2010	North Dakota	Williams	Statoil Oil & Gas LP	Owan 29-32 #1H
33-105-01834-00-00	12/28/2010	12/28/2010	North Dakota	Williams	XTO Energy/ExxonMobil	Helen 11X-5
33-105-01834-00-00	12/29/2010	12/29/2010	North Dakota	Williams	XTO Energy/ExxonMobil	Madisyn State 44x-1
33-105-01945-00-00	1/4/2011	1/4/2011	North Dakota	Williams	EOG Resources, Inc.	Round Prairie 010-1819H
33-105-01925-00-00	1/6/2011	1/6/2011	North Dakota	Williams	Hess Corporation	Bergstrom 2-28H
33-105-01919-00-00	1/17/2011	1/17/2011	North Dakota	Williams	XTO Energy/ExxonMobil	Almer 31X-6
33-105-01909-00-00	1/17/2011	1/21/2011	North Dakota	Williams	Hess Corporation	Hodenfield 15-23H
33-105-01909-00-00	1/23/2011	1/23/2011	North Dakota	Williams	Hess Corporation	GO-Hodenfield 15-23H
33-105-01942-00-00	2/1/2011	2/1/2011	North Dakota	Williams	Hess Corporation	GO Dahl 15-22H
33-105-01628-00-00	2/7/2011	2/7/2011	North Dakota	Williams	Hess Corporation	BL-Iverson 155-95-1819H-1
33-105-01631-00-00	2/10/2011	2/18/2011	North Dakota	Williams	Hess Corporation	TI-IVES-157-95 0106H-1 2
33-105-01908-00-00	2/10/2011	2/10/2011	North Dakota	Williams	Hess Corporation	Bergstrom 2-27H
33-105-01929-00-00	2/13/2011	2/13/2011	North Dakota	Williams	Hess Corporation	Reid 3-3H
33-105-01631-00-00	2/16/2011	2/16/2011	North Dakota	Williams	Hess Corporation	TI-ives 157-95-0106H-1
33-105-01773-00-00	2/16/2011	2/16/2011	North Dakota	Williams	EOG Resources, Inc.	Round Prairie 009-3625H
33-105-01899-00-00	2/17/2011	2/17/2011	North Dakota	Williams	XTO Energy/ExxonMobil	Michael State 31X-16
33-105-01951-00-00	2/18/2011	2/18/2011	North Dakota	Williams	XTO Energy/ExxonMobil	Linda 41X-22
33-105-01943-00-00	2/24/2011	2/24/2011	North Dakota	Williams	Hess Corporation	Dustin Brose 2-29H
33-105-01948-00-00	2/26/2011	2/26/2011	North Dakota	Williams	XTO Energy/ExxonMobil	Normark 24X-31
33-105-02361-00-00	3/2/2011	3/26/2011	North Dakota	Williams	Hess Corporation	Go-Hauge-156-97-2116H 1


Hydraulic Fracturing Fluid Product Component Information Disclosure

Fracture Date	12/9/2009					
State	North Dakota					
County	Williams					
API Number	3310501693					
Operator Name	BRIGHAM OIL & GAS LP					
Well Name and Number	Olson 10-15 #1H					
Longitude	-103.796774					
Latitude	48.182739					
Long/Lat Projection	NAD83					
Production Type	Oil					
True Vertical Depth (TVD)	10,870					
Total Water Volume (gal)	74,288					

Hydraulic Fracturing Fluid Composition:



Trade Name	Supplier	Purpose	Ingredients	Chemical Abstract Service Number (CAS #)	Maximum Ingredient Concentration in Additive (% by mass)**	Maximum Ingredient Concentration in HF Fluid (% by mass)**	Comments
Fresh Water	Operator				100.00%	99.65326%	Density = 8.330
SAND - PREMIUM WHITE	Halliburton	Proppant	Crystalline silica, quartz	14808-60-7	100.00%	2.02092%	
VERSAPROP	Halliburton	Proppant	Aluminum silicate	1302-76-7	63.00%	4.66389%	
			Corundum	1302-44-56	65.00%	4.66389%	
CL-22 UC	Halliburton	Crosslinker	Potassium formate	590-29-4	60.00%	0.00000%	
CL 31 CROSSLINKER	Halliburton	Crosslinker	Potassium hydroxide	1310-58-3	3.00%	0.00000%	
			Potassium metaborate	13709-84-9	60.00%	0.00000%	
MO-67	Halliburton	Buffer	Sodium hydroxide	1310-73-2	30.00%	0.00000%	
FR-66	Halliburton	Friction Reducer	Hydroreated light petroleum distillate	64742-47-6	30.00%	0.00582%	
LOSURF-300M™	Halliburton	Surfactant	1,2,4 Trimethylbenzene	95-63-6	1.00%	0.00093%	
			Ethanol	64-17-5	60.00%	0.03713%	
			Heavy aromatic petroleum naphtha	64742-94-5	30.00%	0.02839%	
			Naphthalene	91-20-3	1.00%	0.00093%	
			Poly(oxy-1,2-ethanediyl), alpha-(4-nonylphenyl)-ontepa-hydroxy-, branched	127087-87-0	10.00%	0.00933%	
ALDACIDES G ANTIMICROBIAL	Halliburton	Corrosion Inhibitor	Glutaraldehyde	111-30-8	100.00%	0.00000%	
OptKeen-WF™	Halliburton	Surfactant	Sodium perborate tetrahydrate	10486-00-7	100.00%	0.00239%	
OPTIFLO-II DELAYED RELEASE BREAKER	Halliburton	Breaker	Ammonium persulfate	7727-54-0	100.00%	0.00000%	
			Crystalline silica, quartz	14808-60-7	30.00%	0.00000%	
WG-38 GELLING AGENT	Halliburton	Gelling Agent	Guar gum	9000-30-0	100.00%	0.00000%	
Bioicide 5000	JACAM	Antibacterial	Glutaraldehyde	111-30-8	50.00%	0.08339%	

			Water	7732-18-5	50.00%	0.08359%	
			Methanol	67-56-1	0.50%	0.00264%	
WSI 3607	JACAM	Scale Inhibitor	Proprietary Component	Proprietary Component	100.00%	1.62880%	
			Ethylene Glycol	107-21-1	100.00%	1.62880%	
			Methanol	67-56-1	100.00%	1.62880%	
WOS 1N	JACAM	Oxygen Scavenger	Proprietary Component	Proprietary Component	100.00%	0.06731%	
			Ethylene Glycol	107-21-1	100.00%	0.06731%	
<p>* Total Water Volume sources may include fresh water, produced water, and/or recycled water ** Information is based on the maximum potential for concentration and thus the total may be over 100% Ingredient information for chemicals subject to 29 CFR 1910.1200(i) and Appendix D are obtained from suppliers Material Safety Data Sheets (MSDS)</p>							



Can a business philosophy be a trade secret?

Avery Dennison v. Kitsonas, 118 F.Supp. 2d 848 (S.D. Ohio 2000)



Can a business philosophy be a trade secret?

Avery Dennison v. Kitsonas, 118 F.Supp. 2d 848 (S.D. Ohio 2000)



We conduct our daily business according to six core values:

- Integrity
- Service
- Teamwork
- Innovation
- Excellence
- Community

A, 118 F.Supp. 2d 848 (S.D. Ohio 2000)

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.

Confusion in the doctrine ...

- 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.

The fuzzy, unchecked boundaries of trade secret subject matter

- 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, effluents, pollutants
 - Regular corporate financial data
 - Hydraulic fracturing chemicals