

Patent Law – Spring '06  
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## Thinking about trade secrets

- How would you keep trade secrets secret without any help from the law?
- How could you use the law of contract, tort, and property to keep trade secrets secret (i.e., without “trade secret law,” per se)?

## What counts as a trade secret?

Must be:

- Protectible subject matter
- Commercially valuable
- Efforts to keep secret
  - Those efforts can fail, because that’s the only time we litigate it

### Protectible subject matter

Restatement: process or device for continuous use in the business

- requirement of concreteness

UTSA: Information “including a formula, pattern, compilation, program, device, method, technique, or process”

Can include:

- invention
- recipe
- customer lists, prices, marketing data
- negative information (fruitless avenues of research) (UTSA, not restatement)
- single events not in continuous operation (UTSA, not restatement)

### Commercially valuable because of its secret nature

- “Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use” (UTSA)

Two prongs of commercially valuable” requirement (EJ’s analysis):

1. Secret (in the first place)
2. The value is commercial in nature (as opposed to personal, spiritual)
  - EJ’s restatement/test: The reason people would want to know the secret is so that they could use it to make money in the same way the secret holder makes money from it.

### Secrecy

- “Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” (UTSA)

## Liability for pirates

- Breach of confidence
  - confidential relationship (agent/principal, attorney/client)
  - explicit agreement
  - reliance on tacit understanding or commercial custom
- Improper means of acquisition (DuPont v. Christophers)
  - wiretaps
  - trespass
  - fraudulent misrepresentation
  - overflights (sometimes, *DuPont* case)

## Secondary liability (successors to the pirate)

A confidant of TS information improperly discloses TS to you –

- You cannot use or disclose the TS if you have notice that it is a TS
- reasonable person test to determine if you are “on notice”

TS information is disclosed to you by mistake –

- You cannot use or disclose the TS learned by mistake if you have notice
- reasonable person test to determine if you are “on notice”

You innocently learned TS, then get notice later –

- You cannot use or disclose TS after receipt of notice, unless:
  - bona fide purchaser for value (in good faith, paid something)
  - changed position in reliance (e.g., built factory)

## Remedies

- Injunctions
  - Perpetual injunctions (older line of cases)
    - Enjoining forever for punitive effect
  - Once in the public domain, no injunction (older line of cases)
    - Learned Hand
  - Modern rule (UTSA):
    - Defendant enjoined for as long as the information would have stayed secret, but for the misappropriation
    - “an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.” (Cal. Civ. Code 3426.2(a))
- Damages
  - Actual damages
    - Plaintiff’s lost profits
    - Reasonable royalty
    - Defendant’s wrongful profits
  - Punitive damages
  - Attorneys fees
    - Not available under common-law TS doctrine
    - UTSA:
      - Plaintiff may get fees where misappropriation was willful and malicious
      - Defendant may get fees where plaintiff’s claim was made in bad faith