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A PRACTITIONER'S GUIDE TO OKLAHOMA TRADE SECRETS LAW, PAST, PRESENT, AND FUTURE: THE UNIFORM TRADE SECRETS ACT*

Richard J. Cipolla, Jr.†

"The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law. 'The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world.'"¹

I. INTRODUCTION

The Oklahoma legislature has recently adopted the Uniform Trade Secrets Act (UTSA).² The UTSA now constitutes the law governing

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1. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974) (quoting *National Tube Co. v. Eastern Tube Co.*, 3 Ohio C.C. (n.s.) 459, 462 (1902), *aff'd*, 70 N.E. 1127 (Ohio 1903)).

2. OKLA. STAT. tit. 78, §§ 85-94 (Supp. 1990) (Oklahoma's Trade Secrets Act). The Uniform Trade Secrets Act (UTSA) was approved for enactment in all the states in 1979 and clarifying amendments to sections 2(b), 3(a), 7, and 11 were approved in 1985. UNIF. TRADE SECRETS ACT, 14 U.L.A. 433, 434-36 Prefatory Note (1990). See generally Steve Borgman, *The Adoption of the Uniform Trade Secrets Act: How Uniform Is Uniform?*, 27 IDEA 73 (1986); Ramon A. Klitzke, *The Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277 (1980) [hereinafter Klitzke, *Uniform Act*]; James C. Lydon, *The Deterrent Effect of the Uniform Trade Secrets Act*, 69 J. PAT. & TRADEMARK OFF.

trade secret misappropriation in Oklahoma,³ and expressly "displaces" prior conflicting common law on the subject.⁴ Although the UTSA became effective in 1986, it has not been the subject of judicial interpretation in Oklahoma.

Soc'y 427 (1987); Linda B. Samuels & Bryan K. Johnson, *The Uniform Trade Secrets Act: The States' Response*, 24 CREIGHTON L. REV. 49 (1990). Thirty-six jurisdictions have adopted the UTSA. See UNIF. TRADE SECRETS ACT, 14 U.L.A. 50 (Supp. 1991).

3. Oklahoma's Trade Secrets Act provides in pertinent part that:

A. Except as provided for in subsection B of this section, the Uniform Trade Secrets Act displaces conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of a trade secret.

B. The Uniform Trade Secrets Act does not affect:

1. contractual remedies, whether or not based upon misappropriation of a trade secret; or
2. other civil remedies that are not based upon misappropriation of a trade secret

....

Oklahoma's Trade Secrets Act § 92.

Washington is one of the first jurisdictions to have squarely addressed the issue of the effect of the UTSA on common law. The Washington Supreme Court expressly held that the UTSA had no effect on traditional common law causes of action that are not dependent upon the existence of trade secrets, such as breach of contract or breach of confidentiality; these claims may be brought independently of trade secret claims governed by the UTSA. See *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 673-74 (Wash. 1987); *Herbster v. Global Intermediary, Inc.*, No. 89-2198-V, 1991 WL 205659, at *1 (holding that plaintiff's fraud and breach of contractually implied duty of good faith is not precluded by UTSA); *accord* *Legal Serv. Plans, Inc. v. Heneghan, Pikor, Kennedy & Allen*, No. CV-90 299448, 1990 WL 283681, at *1 (Conn. Super. Ct. Sept. 24, 1990) (holding in cursory fashion that plaintiff's breach of implied contract and tortious interference with contractual relations claims do not conflict with UTSA provisions); see also *MAI Basic Four, Inc. v. Generic Business Solutions, Inc.*, No. CIV.A.9908, 1990 WL 3665 (Del. Ch. Jan. 16, 1990) (mem.) (holding that the UTSA does not supersede equitable remedies). Compare *Ace Novelty Co. v. Vijuk Equip., Inc.*, No. 90 C 3116, 1990 WL 129510, at *3-4 (N.D. Ill. Aug. 31, 1990) (mem.) (finding that the common law conversion of invention and research and development claims is preempted by Illinois' Trade Secrets Act).

Other UTSA jurisdictions have impliedly held in accordance with Washington's resolution of the issue. See *Saliterman v. Finney*, 361 N.W.2d 175, 178 (Minn. Ct. App. 1985) ("The Uniform Trade Secrets Act is not a 'catch-all for industrial torts.'") (quoting *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 897 (Minn. 1983)); *Rehabilitation Specialists, Inc. v. Koering*, 404 N.W.2d 301, 306-07 (Minn. Ct. App. 1987) (adjudicating common law claims for breach of duty of loyalty and unfair competition as independent of and not governed by the UTSA); see also *Micro Display Sys. v. Axtel, Inc.*, 699 F. Supp. 202, 205 (D. Minn. 1988) (interpreting Minnesota's Trade Secrets Act as preempting only conflicting law pertaining solely to trade secrets and holding that to the extent a cause of action in the commercial area is not dependent on trade secrets, such as a breach of a duty of loyalty and unfair competition, it will continue to exist). But see *Trade Secrets: Common Law Claims Are Preempted By Uniform Trade Secrets Act*, 36 PAT. TRADEMARK & COPYRIGHT J. (BNA) 29 (discussing *ITT Shadow, Inc. v. Stein*, No.86-5367 (D. Minn. Apr. 15, 1987)).

4. Oklahoma's Trade Secrets Act § 92(A). For decisions from other jurisdictions holding that the UTSA controls where there is a conflict between the statute and prior case law, see *American Credit Indem. Co. v. Sacks*, 262 Cal. Rptr. 92, 96 (Cal. Ct. App. 1989), *Optic Graphics, Inc. v. Agee*, 591 A.2d 578, 585 (Md. Ct. Spec. App. 1991), and *Electro-Craft*, 332 N.W.2d at 898. For decisions holding that state trade secrets law is not preempted by federal patent and copyright law see *Kewanee*, 416 U.S. at 470 (patent law) and *Balboa Ins. Co. v. Trans Global Equities*, 267 Cal. Rptr. 787 (Cal. Ct. App. 1990) (copyright law). See also *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); *Roboserve, Ltd. v. Tom's Foods, Inc.*, 940 F.2d 1441, 1455 (11th Cir. 1991). See generally Gary M. Ropski & Michael J. Kline, *A Primer On Intellectual Property Rights: The Basics of Patents, Trademarks, Copyrights, Trade Secrets & Related Rights*, 50 ALB. L. REV. 405

Sister states lacking prior judicial interpretation of the UTSA have not hesitated to incorporate pre-existing common law into their judicial analyses of the UTSA.⁵ Indeed, the UTSA's comments state that the UTSA "codifies the basic principles of common law trade secret protection" and "the results of the better reasoned cases concerning the remedies for trade secret misappropriation."⁶

Thus, the trade secret common law of Oklahoma,⁷ and the common law of other influential states, may serve as the foundation of future judicial interpretation of Oklahoma's version of the UTSA (Oklahoma's Trade Secrets Act). At the very least, a rudimentary understanding of such law must serve as a prerequisite to any analysis concerning the current or future status of trade secret law in Oklahoma.

In stark contrast to the myriad of cases which comprise the common law of trade secrets, there have been relatively few reported decisions rendered under the UTSA.⁸ Accordingly, this article will survey pre-UTSA Oklahoma, and pertinent non-Oklahoma common law, augmented with relevant references to post-UTSA law where necessary and available.

II. THE TRADE SECRET CAUSE OF ACTION

Absent an agreement to the contrary, an employee may leave his employment in order to compete with his former employer as long as the employee departs without misappropriating his former employer's property, i.e., trade secrets.⁹ If an employer believes that former employees

(1986). Thus, under *Kewanee* and its progeny, an Oklahoma trade secrets plaintiff's claims must be determined entirely under Oklahoma trade secrets law.

5. See, e.g., *Surgidev Corp. v. Eye Technology, Inc.*, 648 F. Supp. 661, 688 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987); *Network Telecommunications, Inc. v. Boor-Crepeau*, 790 P.2d 901, 903 (Colo. Ct. App. 1990); *Engineered Mechanical Serv., Inc. v. Langlois*, 464 So. 2d 329, 333 (La. Ct. App. 1984); *Electro-Craft*, 332 N.W.2d at 898.

6. UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 434-35 (1990).

7. For a functional synopsis of Oklahoma trade secrets common law, see generally E. Harry Gilbert, III, Note, *Trade Regulations: Trade Secret Law in Oklahoma*, 32 OKLA. L. REV. 691 (1979). For a survey of subsequent Oklahoma trade secrets common law, see *ABC Coating Co. v. J. Harris & Sons, Ltd.*, 747 P.2d 266 (Okla. 1986), and *Amoco Prod. Co. v. Lindley*, 609 P.2d 733 (Okla. 1980). See also *Tenneco Oil Co. v. Joiner*, 696 F.2d 768 (10th Cir. 1982).

8. See *Gillis Assoc. Indus. v. Cari-All, Inc.*, 564 N.E.2d 881, 884 (Ill. App. Ct. 1990).

9. *Safeway Stores v. Wilcox*, 220 F.2d 661, 665 (10th Cir. 1955); *Optic Graphics v. Agee*, 591 A.2d 578, 584 (Md. Ct. Spec. App. 1991) (post-UTSA); see also RESTATEMENT (SECOND) OF AGENCY §§ 393, 395, 396 (1958). See generally Marcia A. Crone, *The Departing Employee—Prevention of Competition and Protection of Trade Secrets*, 50 TEX. B.J. 372 (1987); *Employee Disloyalty: Pre-Departure Preparations & Solicitation of the Employer's Customers & Employees*, 3 BUS. TORTS REPORTER 234 (1991); S. R. Shapiro, Annotation, *Liability for Inducing Employee Not Engaged for Definite Term to Move to Competitor*, 24 A.L.R.3d 821 (1969).

have misappropriated trade secrets, the employer may bring suit against the former employees seeking injunctive or compensatory relief.¹⁰

In order to prevail upon a common law cause of action alleging misappropriation of trade secrets, a "plaintiff must establish that: (1) a trade secret existed; (2) [the] defendants acquired the trade secret through a confidential relationship; and, (3) [the] defendants used the trade secret without authorization from [the] plaintiff."¹¹ The burden of proving the existence of a trade secret is on the plaintiff.¹² The existence of a trade secret represents a question of fact for the jury to resolve.¹³

A. *Element Number One: Existence of a Trade Secret*

First, the plaintiff must show that the alleged trade secret is within the class of data usually regarded as trade secrets. The information must derive economic value from not being publicly known or readily discoverable. Then, the plaintiff must show that reasonable measures were

10. See sources cited *supra* note 9. See generally Michael R. Griffinger, *Strategies for Ex-employer Plaintiffs in Trade Secret Actions*, 34 PRAC. LAW. 69 (March 1988).

11. *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication*, 584 F.2d 946, 951 (10th Cir. 1978); *accord Jostens, Inc. v. National Computer Sys.*, 318 N.W.2d 691, 701 (Minn. 1982) (explaining that the three elements "should not be artificially separated for purposes of analysis since, in a significant sense, they are interdependent.") (quoting 1 ROGER M. MILGRIM, TRADE SECRETS § 7.07(1), at 95 (1980)).

The UTSA has condensed the three common law elements into two elements by de-emphasizing the importance of trade secret *use*. See UNIF. TRADE SECRETS ACT, 14 U.L.A. 433, 434 Prefatory Note (1990); *Clinipad Corp. v. Aplicare, Inc.*, No. 235252, 1991 WL 27899, at *2 (Conn. Super. Ct. Jan. 10, 1991) (elements of action under UTSA are: (1) trade secret existence; and (2) trade secret misappropriation); see also *infra* note 79.

12. *Amoco Prod. Co. v. Lindley*, 609 P.2d 733, 743 (Okla. 1980); *accord Acuson Corp. v. Aloka Co.*, 257 Cal. Rptr. 368, 373 n.6 (Cal. Ct. App. 1989) (post-UTSA); *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 674 (Wash. 1987) (post-UTSA). One UTSA jurisdiction has extrapolated a geographic restriction upon a trade secret plaintiff's general burden of proof. See *Dionne v. Southeast Foam Converting & Packaging*, 397 S.E.2d 110, 113 n.2 (Va. 1990) which held, without a single precedential citation, that while a trade secret plaintiff bears the burden of proof under Virginia's Trade Secrets Act, "the evidence required is that pertaining to the trade area in which the proponent competes; unlike the standard applicable to an applicant for a patent, the trade-secret proponent is not required to prove its claim nationwide." In this regard, the *Dionne* court's unsupported holding is at least questionable, if not wholly aberrational.

13. See *Black*, 584 F.2d at 952; *ABC Coating Co. v. J. Harris & Sons, Ltd.*, 747 P.2d 266 (Okla. 1986). No trend has emerged in other states regarding whether existence of a trade secret is a question of law or fact under the UTSA. Most states appear to have followed state common law on the issue. For cases holding the issue is one of fact, see *Gronholz v. Sears Roebuck & Co.*, 869 F.2d 390, 393 (8th Cir. 1989); *Rockwell Graphic Sys. v. DEV Indus.*, 925 F.2d 174, 180 (7th Cir. 1991); *Andrew Corp. v. Van Doren Indus.*, No. CIV.A.88-2414-0, 1990 WL 136779, at *4 (D. Kan. July 5, 1990); *Colorado Supply Co. v. Stewart*, 797 P.2d 1303, 1306 (Colo. Ct. App. 1990); *Engineered Mechanical Serv. v. Langlois* 464 So. 2d 329, 333 (La. Ct. App. 1984); *Rehabilitation Specialists v. Koering*, 404 N.W.2d 301, 306 (Minn. Ct. App. 1987). But see *Acuson*, 257 Cal. Rptr. at 373, which held that the issue is one of law.

taken to keep the information secret. The alleged trade secret must fit the legal definition of trade secret.

1. Definition of a "Trade Secret"

The term "trade secret" is a term of art, yet it is often inartfully used by courts and practitioners, as well as laymen. Trade secret law is factually determinative,¹⁴ and as such, is inconsistent. This incongruity undoubtedly stems from the fact that "an exact definition of a trade secret is not possible."¹⁵

a. *The UTSA*

Nevertheless, the UTSA has attempted to articulate a contemporary definition of the term "trade secret." Oklahoma's Trade Secrets Act states that:

'Trade secret' means information including a formula, pattern, compilation, program, device, method, technique or process, that:

(a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by

14. See, e.g., *National Presto Indus. v. Hamilton Beach, Inc.*, No. 88 C 10567, 1990 WL 208594, at *8 (N.D. Ill. Dec. 12, 1990) (post-UTSA).

15. *Central Plastics Co. v. Goodson*, 537 P.2d 330, 333 (Okla. 1975); see also Alois V. Gross, Annotation, *What Is "Trade Secret" So As To Render Actionable Under State Law Its Use or Disclosure By Former Employee*, 59 A.L.R.4TH 641 (1988). But see *Optic Graphics, Inc. v. Agee*, 591 A.2d 578, 585 (Md. Ct. Spec. App. 1991) (citing 2 RUDOLF CALLMANN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES* § 14.06, at 35 (4th ed. 1982 & Supp. 1991) (There are really only two generic "types of trade secrets: technological developments and internal operating information.") (post-UTSA).

The United States Supreme Court has held that trade secrets are property, and that where state action is implicated, such property is "protected by the Taking Clause of the Fifth Amendment." *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003-04 (1984). Yet, in *E. I. Du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917), Justice Holmes initially observed that "[t]he word 'property' as applied to . . . trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith." Justice Holmes then admonished that in trade secret cases, the "property may be denied, but the confidence cannot be. Therefore the starting point [in such cases] is not property . . . but that the defendant stood in confidential relations with the plaintiffs [T]he first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him." *Id.* at 102.

Under Oklahoma common law, protection of a trade secret rests upon both "the theory of property right in the trade secret and the theory of a confidential relationship between the parties who have knowledge of the trade secret." Gilbert, *supra* note 7, at 691. Neither component of this dichotomy should be over-emphasized by trade secret courts.

Unfortunately, in apparent ignorance of Justice Holmes' declaration in *Du Pont*, the reported cases often over-emphasize the existence of a trade secret while the objectionable conduct of the alleged trade secret misappropriator takes a secondary role. Ramon A. Klitzke, *Trade Secrets: Important Quasi-Property Rights*, 41 BUS. LAW. 555, 570 (1986) [hereinafter Klitzke, *Trade Secrets*]. Accordingly, in order to prevail upon a claim of misappropriation of trade secrets, the plaintiff must first prove that it was the owner of trade secrets. However, a plaintiff, in its efforts to prove ownership of trade secrets, must stress the defendant's egregious efforts to improperly acquire trade secrets.

proper means by, other persons who can obtain economic value from its disclosure or use, and

(b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.¹⁶

b. *The Restatement*

Prior to the promulgation of the UTSA, the overwhelming majority of states utilized the definition of trade secret propounded in Restatement of Torts section 757.¹⁷ Before the UTSA was adopted in Oklahoma, the Oklahoma Supreme Court relied almost exclusively on the Restatement and the Restatement's common law progeny as the source of Oklahoma's trade secret law.¹⁸

In *Amoco Production Company v. Lindley*,¹⁹ the term trade secret was defined as "any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage²⁰ over competitors who do not know or use it."²¹

The *Amoco* court also quoted with approval the following criteria to be used in the determination of trade secret status:

(1) [T]he extent to which the information is known outside of [the employer's] business; (2) the extent to which it is known by employees and others involved in [the employer's] business; (3) the extent of measures taken by [the employer] to guard the secrecy of the information; (4) the value of the information to [the employer] and to [the employer's] competitors; (5) the amount of effort or money expended by [the employer] developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.²²

16. Oklahoma's Trade Secrets Act § 86(4).

17. RESTATEMENT OF TORTS § 757 cmt. b (1939); see also *Kewanee Oil Co. v. Bicon Corp.*, 416 U.S. 470, 474 (1974). Interestingly, the nation's most widely accepted trade secret law, Restatement of Torts § 757 (1939), was omitted from the Restatement (Second) of Torts (1979). The omission was undoubtedly a necessary and motivating factor in the 1979 promulgation of the UTSA. See UNIF. TRADE SECRETS ACT, 14 U.L.A. 433, 434 Prefatory Note (1990).

18. See, e.g., *Central Plastics*, 537 P.2d at 333; *Amoco Prod. Co. v. Lindley*, 609 P.2d 733, 743 (Okla. 1980); See generally Gilbert, *supra* note 7.

19. 609 P.2d 733 (Okla. 1980).

20. The competitive advantage contemplated by the Restatement was discussed in *Surgidev Corp. v. Eye Technology, Inc.*, 648 F. Supp. 661, 692 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987), where the court stated that "[i]f the idea of another saves a person who has wrongful knowledge of it time and money, such person has been materially benefitted and the information has economic value." Even a slight competitive advantage may fulfill this requirement of trade secret protection. *Sheridan v. Mallinckrodt, Inc.*, 568 F. Supp. 1347, 1352 n.7 (N.D.N.Y. 1983).

21. *Amoco*, 609 P.2d at 743 (quoting the RESTATEMENT OF TORTS § 757 cmt. b (1939)).

22. *Id.*

Five years earlier, in *Central Plastics Co. v. Goodson*,²³ the Oklahoma Supreme Court quoted with approbation another passage emphasizing the critical role of secrecy in any trade secret analysis, stating that:

The subject matter of a trade secret must be secret. Matters of public knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be a secret. Substantially, a trade secret is known only in the particular business in which it is used. It is not requisite that only the proprietor of the business know it. He may without losing his protection communicate it to employees involved in its use. He may likewise communicate it to others pledged to secrecy. Others may also know of it independently, as, for example, when they have discovered the process or formula by independent invention and are keeping it a secret. Nevertheless, a substantial element of secrecy must exist, so that, except by the use of improper means, there would be difficulty in acquiring the information.²⁴

The statutory definition of trade secret, for the most part, embodies its Restatement predecessor.²⁵ Thus, although no longer controlling, cases decided under the Restatement provide guidance in deciding whether a trade secret exists under the new definition contained in the UTSA.²⁶ There are only two material differences between the definition of trade secret included in the Restatement and that which is contained in the UTSA. The Restatement required that a trade secret be continuously used in one's business,²⁷ whereas the UTSA does not.²⁸ Furthermore, the Restatement necessitates a "substantial element of secrecy,"²⁹ whereas the UTSA requires secrecy "reasonable under the circumstances,"³⁰ as a prerequisite to trade secret status.

Determination of trade secret status is necessarily dependent upon

23. 537 P.2d 330 (Okla. 1975).

24. *Id.* at 333 (quoting RESTATEMENT OF TORTS § 757 cmt. b (1939)).

25. *See, e.g.,* Surgidev Corp. v. Eye Technology, Inc., 648 F. Supp. 661, 688 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987); Optic Graphics, Inc. v. Agee, 591 A.2d 578, 585 (Md. Ct. Spec. App. 1991).

26. *See* Network Telecommunications, Inc. v. Boor-Crepeau, 790 P.2d 901, 903 (Colo. Ct. App. 1990); New England Ins. Agency, Inc. v. Miller, No. CV-89-0285030-S, 1991 WL 65766, at *6 (Conn. Super. Ct. Apr. 16, 1991); Optic Graphics, 591 A.2d at 585; Minuteman, Inc. v. Alexander, 434 N.W.2d 773, 778 (Wis. 1989).

27. RESTATEMENT OF TORTS § 757 cmt. b (1939).

28. UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 439 (1990) (UTSA "extends protection to a plaintiff who has not yet had an opportunity or acquired the means to put a trade secret to use.").

29. RESTATEMENT OF TORTS § 757 cmt. b (1939) (emphasis added); *see also* Patrick P. Phillips, *The Concept of Reasonableness in the Protection of Trade Secrets*, 42 BUS. LAW. 1045 (1987).

30. Oklahoma's Trade Secret Act § 86(4)(b) (emphasis added); *see also* David W. Slaby et al.,

the facts of each case.³¹ The court looks at the equities of the "circumstances out of which the claimed trade secret arises."³² The court then balances the right of the company to use its employees and resources to its utmost advantage against the right of the intelligent and skillful employee to exercise his creativity on-the-job.³³ The courts consider questions such as: (1) how many of the innovative elements in the process were available in the prior art, and (2) how dependent is the development of the product on the intrinsic knowledge of the innovator?³⁴ Ultimately, courts must answer the question: Did the company treat the innovation with the requisite secrecy to place others on notice of its claim?³⁵ Other factors considered are the time, money and company facilities used in the item's production, and the employer's own knowledge about the subject matter of the claim.³⁶

2. Secrecy

An analysis of the issue of secrecy serves to demonstrate just how difficult a plaintiff's burden of proof may be in establishing the existence of a trade secret. If the plaintiff has not treated a process or design as if it were a trade secret, the court will act accordingly and deny the plaintiff's request for trade secret status and protection.³⁷ The foregoing truism begs the crucial question: "How secret is secret?"³⁸

Although somewhat different semantically, the plaintiff's burden of

Trade Secret Protection: An Analysis of the Concept "Efforts Reasonable Under the Circumstances to Maintain Secrecy," 5 SANTA CLARA COMPUTER & HIGH TECH. L.J. 321 (1989).

31. Knudsen Corp. v. Ever-Fresh Foods, Inc., 336 F. Supp. 241, 244 (C.D. Cal. 1971).

32. Amoco Prod. Co. v. Lindley, 609 P.2d 733, 745 (Okla. 1980).

33. *Id.*

34. *Id.*

35. *Id.*

36. *Id.*

37. See Gasway Corp. v. Consolidated Eng'g Co., No. 89 C 874, 1990 WL 205462, at *4 (N.D. Ill. Nov. 29, 1990) ("Without secrets there can be no violation of the [Uniform] Trade Secrets Act.").

38. "Because of the intangible nature of a trade secret, the extent of the property right therein is defined by the extent to which the owner of the secret protects his interest from disclosure to others." Ruckelshaus v. Monsanto, 467 U.S. 986, 1002 (1984). However, in the context of trade secret litigation, "[s]ecrecy is a relative term." Minnesota Mining & Mfg. Co. v. Technical Tape Corp., 192 N.Y.S.2d 102, 114 (N.Y. Sup. Ct. 1959), *aff'd*, 226 N.Y.S.2d 1021 (N.Y. App. Div. 1962) (quoting L.M. Rabinowitz & Co. v. Dasher, 82 N.Y.S.2d 431, 437 (1948)). "The degree of secrecy that is required for a trade secret need not be absolute or 100% perfect." General Aniline & Film Corp. v. Frantz & Frantz Indus., 272 N.Y.S.2d 600, 606 (Sup. Ct. 1966). See USM Corp. v. Marson Fastener Corp., 393 N.E.2d 895, 902 (Mass. 1979) ("We do not require the possessor of a trade secret to take heroic measures to preserve its secrecy."); see also Slaby et al., *supra* note 30 (pre- and post-UTSA); Phillips, *supra* note 29 (pre- and post-UTSA).

proving secrecy is materially similar under either the Restatement's common law, or the UTSA's statutory, prerequisites. The Restatement required "a *substantial* element of secrecy," such that "except by the use of improper means, there would be difficulty in acquiring the information."³⁹ The UTSA, however, requires "[o]nly reasonable efforts, not all conceivable efforts" under the circumstances, to protect the confidentiality of putative trade secrets.⁴⁰

Specifically, the plaintiff must show that the purported trade secrets were not "of public knowledge or of a general knowledge in the trade."⁴¹ While the plaintiff's claimed trade secrets need not be patentable,⁴² they must contain unique elements not generally known or used in the trade.⁴³ However, "[a] trade secret can exist in the unique combination of otherwise known components; although each of its parts, by itself, may be in the public domain, the unified process, design and operation of the combination may be the essence of the secret."⁴⁴ Indeed, a trade secret can

39. *Amoco*, 609 P.2d at 743 (emphasis added by the court) (quoting RESTATEMENT OF TORTS § 757 cmt. b, at 6 (1939)).

40. *Surgidev Corp. v. Eye Technology, Inc.*, 828 F.2d 452, 455 (8th Cir. 1987). For an economic analysis, written by Judge Posner, of the UTSA's concept of "efforts reasonable under the circumstances to maintain secrecy," see *Rockwell Graphic Sys. v. DEV Indus.*, 925 F.2d 174, 179-80 (7th Cir. 1991) (reversing trial court's grant of summary judgment based upon existence of factual issues concerning secrecy, and observing that "[i]f trade secrets are protected only if their owners take extravagant, productivity-impairing measures to maintain their secrecy, the incentive to invest resources in discovering more efficient methods of production will be reduced, and with it the amount of invention."); see also UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 439 (1990) ("The Courts do not require that extreme and unduly expensive procedures be taken to protect trade secrets against flagrant industrial espionage."); *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 901-02 (Minn. 1983) (finding that mere intent to keep information secret is not enough; an employer must show reasonable efforts to maintain secrecy by its use of some combination of physical security and confidentiality procedures designed to indicate to employees the secret character of the information) (post UTSA); *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985) ("It is difficult, if not impossible, to prevent an employee from discovering his employer's trade secrets."); *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 675 (Wash. 1987) ("A trade secrets plaintiff need not prove that every element of an information compilation is unavailable elsewhere.") (post-UTSA).

41. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1974); see *Central Plastics Co. v. Goodson*, 537 P.2d 330, 333 (Okla. 1975).

42. See *Imi-Tech Corp. v. Gagliani*, 691 F. Supp. 214, 231 (S.D. Cal. 1986). See generally Lisa M. Brownlee, *Trade Secret Use of Patentable Inventions, Prior User Rights and Patent Law Harmonization: An Analysis and Proposal*, 72 J. PAT. & TRADEMARK OFF. SOC'Y 523 (1990); Ropski & Kline, *supra* note 4; Harold See, *A General Practitioner's Introduction to Patent and Trade Secret Law: A Primer On Intellectual Property*, 46 ALA. LAW. 188 (1985).

43. *Central Plastics*, 537 P.2d at 333-34; *Kewanee*, 416 U.S. at 476.

44. *Lowndes Prod. v. Brower*, 191 S.E.2d 761, 764 (S.C. 1972) (quoting 2 RUDOLF CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 52.1 (3d ed. 1968)); see *Integrated Cash Management Serv. v. Digital Transactions, Inc.*, 920 F.2d 171, 174 (2d Cir. 1990) (finding that several non-secret generic utility computer software programs combined to create a unique computer software product constituted a trade secret); *Salsbury Lab. v. Merieux Lab.*, 735 F. Supp. 1555, 1569 (M.D. Ga. 1989) (explaining that although some components may be

be merely a minor technological advancement over common industry practice.⁴⁵

Furthermore, as the Court in *Surgidev Corp. v. Eye Technology, Inc.*⁴⁶ proclaimed:

Manufacturing methods and techniques—the technical ‘know-how’ gleaned from experience and repeated practical application—is [often] a proper subject of trade secret protection. Processes relating to manufacture or treatment of metals, chemicals, or raw materials have frequently been found to be subject to trade secret protection.⁴⁷

Nevertheless, the often-repeated notion that “[a]most anything may be in the nature of a trade secret,”⁴⁸ is untrue and ill-conceived. The reported decisions are replete with examples of plaintiffs who have failed to meet their burden of proving the existence of a trade secret in the face of evidence that the alleged trade secret was in fact commonly known in the industry.⁴⁹

Trade secret status and protection can be forfeited in any number of ways. It cannot be over-emphasized that public disclosure of information can preclude trade secret protection.⁵⁰ Knowledge placed in the

in public domain, multi-step vaccine manufacturing process as a whole constitutes trade secret), *aff'd as modified*, 908 F.2d 706 (11th Cir. 1990).

45. *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 812 (E.D. Pa. 1974).

46. 648 F. Supp. 661 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987).

47. *Id.* at 687 n.8 (citation omitted) (citing *State ex rel. Armour & Co. v. Gulf Sulphur Corp.*, 231 A.2d 470 (Del. Super. Ct. 1967) (process for manufacture of potassium sulfate)). *See also Imperial Chem. Indus. v. National Distillers and Chem. Corp.*, 342 F.2d 737 (2d Cir.), *modified*, 354 F.2d 459 (1965) (high pressure process for manufacture of polyethylene); *Amberley Co. v. Brown Co.*, 156 U.S.P.Q. 633 (S.D. Ohio 1967), *aff'd*, 408 F.2d 1358 (6th Cir. 1969) (process for recovering cellulose fibers from thermoplastic coated broke); *Dionne v. Southeast Foam Converting*, 397 S.E.2d 110, 113 (Va. 1990) (process for manufacturing “Durofoam” plastic packaging) (post-UTSA).

48. *Lowndes*, 191 S.E.2d at 764 (quoting 2 RUDOLF CALLMANN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* § 52 (3d ed. 1968)).

49. *See, e.g.*, *Central Plastics Co. v. Goodson*, 537 P.2d 330, 333 (Okla. 1975) (negating trade secret status for plaintiff’s procedures which constituted “common practice”); *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1500 (5th Cir. 1990) (holding that there was no trade secret because no “showing that others in the industry did not have the same information . . .”) (post-UTSA); *Surgidev*, 648 F. Supp. at 689-90 (holding that *Surgidev*’s IOL manufacturing know-how was not a protectable trade secret because it was “generally known” in industry; and “new product ideas” are not trade secrets, when such products “have been on the market for years”) (post-UTSA); *Greenberg*, 378 F. Supp. at 812 (injection molding technique was “common knowledge in the plastics trade at the time of the alleged misappropriation” and therefore not a trade secret) (emphasis added); *Cudahy Co. v. American Labs.*, 313 F. Supp. 1339, 1344-45 (D. Neb. 1970) (clarifying that defendant’s plant and production techniques represented general principles and machinery common to the industry, rather than trade secrets belonging to plaintiffs); *Andrea Dumon, Inc. v. Pittway Corp.*, 442 N.E.2d 574, 578-79 (Ill. App. Ct. 1982) (holding that within commonly known range of temperature settings, specific temperature setting was of no greater utility for manufacturing process, and was thus not a trade secret).

50. UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 439 (1990); *accord Acuson Corp. v. Aloka Co.*, 257 Cal. Rptr. 368, 374 (Cal. Ct. App. 1989) (post-UTSA).

public domain, either intentionally or inadvertently, simply cannot constitute a trade secret.⁵¹ Conversely, even the most extreme efforts to preserve confidentiality of information will not result in trade secret protection if the information is not secret in the first place.⁵² Information is not secret if it is "readily ascertainable" by proper means.⁵³ Information is publicly and "readily ascertainable" if it is available in trade journals, reference books . . . published materials,⁵⁴ patents,⁵⁵ advertising, test marketing, or industry trade shows.⁵⁶ Once again, the reported decisions provide many examples of plaintiffs who have failed to meet their burden of proving the existence of claimed trade secrets in the face of evidence that such trade secrets were in fact readily ascertainable public information.⁵⁷

51. See *Knudsen Corp. v. Ever-Fresh Foods, Inc.*, 336 F. Supp. 241, 244 (C.D. Cal. 1971); *Colorado Supply Co. v. Stewart*, 797 P.2d 1303, 1306 (Colo. Ct. App. 1990) (holding that price lists published by plaintiff and distributed to customers, employees, and independent contractors were not trade secrets) (post-UTSA).

52. *Xpert Automation Sys. v. Vibromatic Co.*, 569 N.E.2d 351, 356 (Ind. Ct. App. 1991) (finding customer list data ascertainable through both trade publications and contacts with customers and competitors was not a trade secret) (post-UTSA).

53. *Id.*

54. *Surgidev Corp. v. Eye Technology, Inc.*, 648 F. Supp. 661, 688 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987).

55. *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 951 (10th Cir. 1978); see *Eaton Corp. v. Appliance Valves Co.*, 634 F. Supp. 974, 984 (N.D. Ind. 1984), *aff'd*, 790 F.2d 874, 876 (Fed. Cir. 1986).

56. UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 439 (1990). See *Sheets v. Yamaha Motors Corp.*, 849 F.2d 179, 183-84 (5th Cir. 1988) (allowing alleged trade secret to be shown at defendant's professional seminar, to be used as a demonstrator by a retailer and nine friends without confidentiality restrictions, and to be photographed by defendant's representative, extinguished any proprietary rights plaintiff may have had in alleged trade secret) (post-UTSA); *National Presto Indus. v. Hamilton Beach, Inc.*, No. 88 C10567, 1990 WL 208594, at *8-9 (N.D. Ill. Dec. 12, 1990) (holding that disclosures made in trade show displays and in test marketing the product were the type of disclosures that resulted in the abandonment of a trade secret) (post-UTSA); *Economation, Inc. v. Automated Conveyor Sys.* 694 F. Supp. 553, 556 (S.D. Ind. 1988) (holding that price quotes provided to customers were "readily ascertainable" under UTSA); *Century Personnel, Inc. v. Brummett*, 499 N.E.2d 1160, 1164 (Ind. Ct. App. 1986) (holding that information obtained through newspaper advertisements were not trade secrets) (post-UTSA). For an intriguing line of jurisprudence on the issue of whether disposing of averred trade secret data by placing such data in the trash constitutes public disclosure or lack of secrecy sufficient to preclude trade secret status and protection, see *Tennant Co. v. Advance Mach. Co.*, 355 N.W.2d 720 (Minn. Ct. App. 1984) (holding trade secrets not abandoned for lack of secrecy); *B.C. Ziegler & Co. v. Eheen*, 414 N.W.2d 48 (Wis. Ct. App. 1987) (holding trade secret survived inadvertent disclosure) (post-UTSA). *But see Frank W. Winne & Sons v. Palmer*, No. 91-2239, 1991 WL 155819 (E.D. Pa. Aug. 7, 1991). See also Oklahoma's Trade Secrets Act § 86(2)(6)(3); UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 439 (1990) (accident or mistake that can result in misappropriation involves conduct "that does not constitute a failure of efforts that are reasonable under the circumstances to maintain secrecy"); RESTATEMENT OF TORTS §§ 757(d), 758 (1939).

57. See, e.g., *Central Plastics Co. v. Goodson & Wayne Mfg.*, 537 P.2d 330, 333 (Okla. 1975) (holding that customer lists, plans, or designs consisting of information available anywhere, were not trade secrets); *Roboserve, Ltd. v. Tom's Foods, Inc.* 940 F.2d 1441, 1444-45 (11th Cir. 1991) (holding that sale of machines containing alleged trade secret "destroyed any reasonable expectation of

The employer will not forfeit his trade secret claim by disclosing information to employees or third parties who need the information to carry on the employer's business.⁵⁸ A plaintiff may divulge alleged trade secrets to employees, suppliers, licensees, or other third-parties who need the information in order to conduct business with the plaintiff.⁵⁹ However, the requisite element of secrecy is not forfeited as long as the information is revealed in confidence and under an implied, or presumably express, obligation not to use or disclose the information in an unauthorized manner.⁶⁰ If, on the other hand, the plaintiff discloses alleged trade secrets to third parties without reserving rights in the claimed trade secrets (perhaps through a confidentiality agreement), the plaintiff can not claim trade secret status and protection for the information.⁶¹

The plaintiff will commonly be required to show that reasonably extensive measures were taken to ensure secrecy.⁶² A trade secret plaintiff must demonstrate that in its offices and manufacturing facilities, it considered its technology to be confidential trade secrets, and treated its

secrecy by placing the machines in the public domain"); *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 951 (10th Cir. 1978) (holding that where alleged trade secrets were discoverable by examining plaintiff's patent and certain materials published or otherwise disseminated by plaintiff, no trade secrets existed); *Capitol Mktg. Assoc. v. Western States Life Ins. Co.*, No. 884199-R, 1991 WL 50255, at *4 (D. Kan. March 14, 1991) (holding that no trade secret existed where the information was available to anyone) (post-UTSA); *Knudsen Corp. v. Ever-fresh Foods, Inc.*, 336 F. Supp. 241, 244 (C.D. Cal. 1971) (denying trade secret status because alleged trade secret was available to the defendant through trade journals and trade practices); *Colorado Supply Co. v. Stewart*, 797 P.2d 1303, 1306 (Colo. Ct. App. 1990) (finding plaintiff's customer list not trade secret because data could be obtained from telephone directory and customer contacts) (post-UTSA); *Hamer Holding Group, Inc. v. Elmore*, 560 N.E.2d 907, 918 (Ill. App. Ct. 1990) ("Anyone equipped with a public telephone directory could have collected the contact information . . . which plaintiff seeks to protect.") (post-UTSA); *accord Carbonic Fire Extinguishers, Inc. v. Heath*, 547 N.E.2d 675, 677-78 (Ill. App. Ct. 1989) (post-UTSA).

58. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1975).

59. See *id.* See generally Peter L. Michaelson, *A Brief Look at the Legality of Competitive Restrictions Imposed on Trade Secret Licensees By Trade Secret Licensors*, 63 J. PAT. OFF. SOC'Y 320 (1981).

60. *Kewanee*, 416 U.S. at 475; see also *Taco Cabana Int'l v. Two Pesos, Inc.*, 932 F.2d 1113, 1124 (5th Cir. 1991) (finding that mandatory filing of architectural plans with a municipality does not make the plans public information or eviscerate trade secret rights); *Rockwell Graphic Sys. v. DEV Indus.*, 925 F.2d 174, 177 (7th Cir. 1991) (post-UTSA); *Gronholz v. Sears Roebuck & Co.*, 869 F.2d 390, 393 (8th Cir. 1989) (post-UTSA); *Span-Deck, Inc. v. Fabcon, Inc.*, 570 F. Supp. 81, 87 (D. Minn. 1983) ("post-contract use of trade secrets by a franchisee creates a tort claim . . ."); *Mineral Deposits, Ltd. v. Zigan*, 773 P.2d 606, 608 (Colo. Ct. App. 1988) (post-UTSA).

61. See *Secure Serv. Technology v. Time & Space Processing*, 722 F. Supp. 1354, 1360-61, (E.D. Va. 1989) (post-UTSA); *Eli Lilly & Co. v. EPA*, 615 F. Supp. 811, 820 (S.D. Ind. 1985) (citing *Thomas v. Union Carbide Agric. Prod.*, 473 U.S. 568, 584 (1985)); *Bush v. Goldman Sachs & Co.*, 544 So. 2d 873, 875 (Ala. 1989); *American Antenna Corp. v. Amperex Elec. Corp.*, 546 N.E.2d 41, 44 (Ill. App. Ct. 1989).

62. *Amoco Prod. Co. v. Lindley*, 609 P.2d 733, 743 (Okla. 1980).

technology as such *prior to the alleged misappropriation*.⁶³ In this regard, courts tend to scrutinize plaintiffs' efforts to prohibit industry or public access to the claimed trade secrets. Plant security is of paramount importance in the context of manufacturing-related trade secrets. As the Fifth Circuit Court of Appeals observed in *Metallurgical Industries v. Fourtek, Inc.*,⁶⁴ a manufacturer's "subjective belief of a secret's existence suggests that the secret exists. Security measures, after all, cost money; a manufacturer therefore presumably would not incur these costs if it believed its competitors already knew about the information involved."⁶⁵ Thus, it is no surprise that there exists a substantial correlation between the existence (and degree) of plant security precautions taken to protect putative trade secrets and judicial cognizance of the existence of such trade secrets.⁶⁶

Stringent internal office security and company-wide security policies are also looked upon favorably by the courts in trade secret litigation.⁶⁷

63. See *Midland-Ross Corp. v. Yokana*, 293 F.2d 411, 413 (3d Cir. 1961) (holding that security measures taken after the alleged misappropriation are too late and therefore irrelevant).

Whether a plaintiff's invocation of the evidentiary "subsequent remedial measures" rule, OKLA. STAT. tit. 12, § 2407 (1981), would preclude the admission of a defendant's evidence of a plaintiff's recently implemented trade secret security measures to prove a relative lack of trade secret security is an interesting issue. See generally Susan B. Ward, Note, *Admissibility of Subsequent Remedial Measures*, 32 OKLA. L. REV. 371 (1979). The ultimate determination of this issue rests in the trial court's determination of whether: (1) plaintiff's conduct in failing to adequately protect its alleged trade secrets is properly and directly at issue; (2) section 2407 is applicable; and (3) any of the numerous exceptions to section 2407 are applicable. It would be a difficult task for a plaintiff to overcome these delineated impediments to the applicability of section 2407 in a trade secret case. Additionally, it would be difficult for the defendant to successfully introduce this type of evidence because the defendant would have to demonstrate that the proffered evidence is probative under the evidentiary standards espoused in the Oklahoma evidence code, OKLA. STAT. tit. 12, §§ 2401-2403. Such evidence would almost always be irrelevant under trade secret common or statutory law.

64. 790 F.2d 1195 (5th Cir. 1986).

65. *Id.* at 1199; see *Lamb-Weston v. McCain Foods, Ltd.*, 941 F.2d 970, 973 n.2 (9th Cir. 1991) (post-UTSA).

66. See *Johns-Manville Corp. v. Guardian Indus.*, 586 F. Supp. 1034, 1071 (E.D. Mich. 1983), *aff'd*, 770 F.2d 178 (Fed. Cir. 1985) (maintaining secrecy by restricted plant access, employee warnings, physical barriers, visitor control systems, and vendor secrecy agreements); *Greenberg Co. v. Croydon Plastics*, 378 F. Supp. 806, 813-14 (E.D. Pa. 1974) (conducting secret process in corner of plant, away from other operations, by a few key employees); *USM Corp. v. Marson Fastener, Corp.*, 393 N.E. 2d 895, 898-99 (Mass. 1979); *Bertotti v. C.E. Shepherd Co.*, 752 S.W.2d 648, 651 (Tex. Ct. App. 1988) (securing plant by the use of guards when management is not present).

67. See *Technical, Inc. v. Allpax Prod., Inc.*, No. CIV.A. 90-872, 1990 WL 41924, at *11 (E.D. La. March 28, 1990) (restricting computer access on a need-to-know basis, mandatory confidentiality agreements on starting employment, and keys required to operate certain computer software programs) (post-UTSA); *Surgidev Corp. v. Eye Technology*, 648 F. Supp. 661, 693-94 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987) (securing secret documents in locked files and distributing secret materials on a strictly 'need-to-know' basis) (post-UTSA); *Johns-Manville*, 586 F. Supp. at 1071 (maintaining security by mandatory key employee nondisclosure contracts and oversight programs for publications); *USM*, 393 N.E.2d at 898-99; *Bertotti*, 752 S.W.2d at 651 (maintaining security by mandatory employment agreements, mandatory plant visitor confidentiality agreements, and

In *Kodekey Electronics, Inc. v. Mechanix*,⁶⁸ the Tenth Circuit held that mandatory execution of a secrecy or nondisclosure agreement represents the "primary and essential [security] precaution" that an alleged trade secret owner must exercise.⁶⁹ However, in light of the foregoing authorities, it is obvious that inordinate reliance on the language of *Kodekey* would be risky. Secrecy or nondisclosure agreements are clearly not a panacea in and of themselves, but merely represent one component of a comprehensive trade secret security policy. Plaintiffs who fail to demonstrate vigilant maintenance of requisite security measures simply fail to sustain their burden of proof as to the existence of a trade secret.⁷⁰

The existence of covenants not to compete, as well as nondisclosure covenants,⁷¹ is probative of the existence of trade secrets.⁷² However, it

shredding of sensitive documents before discarding). See generally MICHAEL A. EPSTEIN, *MODERN INTELLECTUAL PROPERTY* 28-50 (2d ed. 1989); Michael A. Epstein & Stuart D. Levi, *Protecting Trade Secret Information: A Plan for Proactive Strategy*, 43 *BUS. LAW.* 887 (1988); Thomas I. O'Brien, *Establishing A Company Policy and Program for Intellectual Property Rights*, 50 *ALB. L. REV.* 539 (1986).

68. *Kodekey Elecs., Inc. v. Mechanix Corp.*, 486 F.2d 449, 455 (10th Cir. 1973).

69. *Id.*

70. See *Amoco Prod. Co. v. Lindley*, 609 P.2d 733, 743 (Okla. 1980); *Capitol Mktg. Assoc. v. Western States Life Ins. Co.*, No. 88-4199-R, 1991 WL 50255, at *4 (D. Kan. March 14, 1991) (post-UTSA); *Smith v. Mid-State Nurses, Inc.*, 403 S.E.2d 789, 790 (Ga. 1991) (post-UTSA); *Gillis Assoc. Indus. v. Cari-All, Inc.*, 564 N.E.2d 881, 886 (Ill. App. Ct. 1990) (explaining that the customer list is not a trade secret in the absence of evidence of affirmative internal or external physical security, or confidentiality agreements) (post-UTSA); *Gordon Employment, Inc. v. Jewell*, 356 N.W.2d 738, 741 (Minn. Ct. App. 1984) (finding no trade secret existed where there were unlocked files, lack of a confidentiality policy, and a failure to discuss confidentiality with employees) (post-UTSA); *Lowndes Prod. v. Brower*, 191 S.E.2d 761, 765 (S.C. 1972).

71. See generally Harlan M. Blake, *Employee Agreements Not To Compete*, 73 *HARV. L. REV.* 625 (1960); Jordan Leibman & Richard Nathan, *The Enforceability of Post-Employment Noncompetition Agreements Formed After At-Will Employment Has Commenced: The "Afterthought" Agreement*, 60 *S. CAL. L. REV.* 1468 (1987); P. Jerome Richey & Margaret J. Bosik, *Trade Secrets and Restrictive Covenants*, 4 *LAB. LAW.* 21 (1988); Julie A. Henderson, Comment, *The Specifically Defined Trade Secret: An Approach to Protection*, 27 *SANTA CLARA L. REV.* 537 (1987); Ferdinand S. Tinio, Annotation, *Sufficiency of Consideration for Employee's Covenant Not to Compete, Entered Into After Inception of Employment*, 51 *A.L.R.3d* 825 (1973).

For a discussion of whether an employee-at-will, terminated by his employer for refusing to execute a covenant not to compete, could sue his employer under a public policy exception to the terminable-at-will rule predicated upon a restraint of trade theory, see *Vaske v. DuCharme, McMullen & Assoc.*, 757 F. Supp. 1158, 1163-65 (D. Colo. 1990) (declining, on comity grounds, to enlarge Colorado's public policy exception to employment-at-will doctrine to encompass a wrongful discharge action predicated upon a restraint of trade statute (similar to OKLA. STAT. tit. 15, § 217 (Supp. 1991))). See also *Simon v. Brand Serv. Center*, No. CIV.A.88-4114, 1989 WL 48455 (E.D. La. May 1, 1989); *Apperson v. Ampad Corp.*, 641 F. Supp. 747 (N.D. Ill. 1986); *Polk v. Mutual Serv. Life Ins. Co.*, 344 N.W.2d 427 (Minn. Ct. App. 1984). *Contra Bloom v. General Elec. Supply Co.*, 702 F. Supp. 1364 (M.D. Tenn. 1988).

The Oklahoma Supreme Court has adopted a public policy exception to the terminable-at-will rule wherein a terminated employee may bring a wrongful discharge tort cause of action if the employee is discharged for refusing to violate established and well defined public policy or for acting consistently with such public policy. See *Burk v. K-Mart Corp.*, 770 P.2d 24 (Okla. 1989); see also *White v. American Airlines, Inc.*, 915 F.2d 1414, 1420-21 (10th Cir. 1990) (finding that a discharge

must be noted that matters of general or common knowledge cannot be unilaterally converted into trade secrets by contractually labelling them as such.⁷³ Furthermore, a misappropriator's conduct while employed by the plaintiff may be judicially interpreted as an acknowledgement or implied agreement that the employer's claimed trade secret was and "is a trade secret subject to security measures."⁷⁴ Of course, if a restrictive covenant is valid and in effect at the time of the alleged transgression, the contract will govern the relationship of the parties concerning trade secrets and competition,⁷⁵ and will serve to protect the plaintiff's proprietary interests.⁷⁶ Even if no contract is in effect, the independent tort law of trade secrets has always functioned to enhance existing contracts or replace non-existing contractual protection of trade secrets.⁷⁷

must be significantly motivated by employee's compliance with, or refusal to violate, public policy). See generally Brian F. Berger, Note, *Defining Public Policy Torts in At-Will Dismissals*, 34 STAN. L. REV. 153 (1981); Note, *Protecting Employees At Will Against Wrongful Discharge: The Public Policy Exception*, 96 HARV. L. REV. 1931 (1983).

72. See *Kodekey*, 486 F.2d at 455 ("An employee's express agreement 'not to disclose any of the processes and methods' of his employer is a positive acknowledgment of the fact that some of such processes and methods are secret.") (quoting 2 RUDOLF CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 53.3 (3d ed. 1968)); *USM Corp. v. Marson Fastener Corp.*, 393 N.E.2d 895, 899 (Mass. 1979); *Dionne v. Southeast Foam Converting & Packaging, Inc.*, 397 S.E.2d 110, 114 (Va. 1990) (post-UTSA); see also *Surgidev*, 648 F. Supp. at 693; *Continental Group, Inc. v. Kinsley*, 422 F. Supp. 838, 844 (D. Conn. 1976); *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985) (post-UTSA).

73. *Andrea Dumon, Inc. v. Pittway Corp.*, 442 N.E.2d 574, 579 (Ill. App. Ct. 1985); see also *Gabriel Int'l v. M & D Indus.*, 719 F. Supp. 522, 523 (W.D. La. 1989) (post-UTSA). The lesson to be learned from cases like *Andrea Dumon* and *Gabriel* is that form cannot control over substance. See 1 ROGER M. MILGRIM TRADE SECRETS § 2.03, at 2-47 (1990) ("It is not the characterization of the parties which establishes the existence of a trade secret.").

74. *Surgidev*, 648 F. Supp. at 693 (reasoning that the employee implicitly agreed that a process was a trade secret because the employee designed plans ensuring security); see *Alexander & Alexander Benefits Servs. v. Benefit Brokers & Consultants*, 756 F. Supp. 1408, 1414 (D. Or. 1991) (signature on confidentiality forms indicated understanding of confidential nature of the information) (post-UTSA); *Telerate Sys. v. Caro*, 689 F. Supp. 221, 232 (S.D.N.Y. 1988) (employee authored manual with proprietary information warning on cover); see also *USM*, 393 N.E.2d at 901; *Dionne*, 397 S.E.2d 110, 114 (Va. 1990) (post-UTSA); *Aries*, 366 N.W.2d at 369 (post-UTSA).

75. See *Bayly, Martin & Fay, Inc. v. Pickard*, 780 P.2d 1168 (Okla. 1989); *Amoco Prod. Co. v. Lindley*, 609 P.2d 733 (Okla. 1980); *Cohen Realty, Inc., v. Marinick*, 62 OKLA. B.J. 3313 (Okla. Ct. App. 1991). See also UNIF. TRADE SECRETS ACT § 7 cmt., 14 U.L.A. 433, 463 (1990) ("The enforceability of covenants not to disclose trade secrets and covenants not to compete that are intended to protect trade secrets . . . is governed by other law.").

76. See *Michels v. Dyna-Kote Indus.*, 497 N.E.2d 586, 589 (Ind. Ct. App. 1986) (Indiana's Trade Secrets Act states that the Act displaces prior conflicting trade secrets law, not contract law).

77. E.g., *Techinca, Inc., v. Allpax Prod., Inc.*, No. CIV.A. 90-872, 1990 WL 41924, at 10 n.8 (E.D. La. March 28, 1990) (post-UTSA); *Surgidev*, 648 F. Supp. at 697 n.19; accord *Loral Corp. v. Moyes*, 219 Cal. Rptr. 836, 840 (Cal. Ct. App. 1985); *Clinipad Corp. v. Aplicare, Inc.*, No. 235252, 1991 WL 27899, at *2 (Conn. Super. Ct. Jan. 10, 1991) (post-UTSA); *Televation Telecommunication Sys. v. Saindon*, 522 N.E.2d 1359 (Ill. App. Ct. 1988); *McCombs v. McClelland*, 354 P.2d 311, 315-16 (Or. 1960); see also *Den-Tal-Ez, Inc. v. Siemens Capital Corp.*, 566 A.2d 1214, 1224 (Pa. Super. Ct. 1989) (explaining that the existence of a confidentiality agreement between the parties does not implicitly waive or preclude a common law trade secret action).

In conclusion, if a plaintiff can establish uniqueness and secrecy, trade secret law is flexible enough to encompass and protect an array of information.⁷⁸

B. *Element Number Two: Confidential Relationship*

Once the plaintiff proves ownership of trade secrets, the plaintiff must next show that the defendant(s) "acquired the trade secret[s] through a confidential relationship."⁷⁹ While the plaintiff might find it difficult to establish the first element of secrecy, he should encounter less difficulty in establishing that the defendant acquired the trade secrets through a confidential relationship. This element of proof presents a question of fact for the jury to resolve.⁸⁰

The defendant's misconduct in discovering, disclosing, or using the alleged trade secret is the focal point of the confidential relationship inquiry. Restatement section 757 declares that "[o]ne who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by *improper means*, or (b) his disclosure or use constitutes a *breach of confidence* reposed in him by the other

78. See *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 972-73 (9th Cir. 1991) (helical blade and waterfeed system technology for the production of curlicue french fries) (post-UTSA); *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1245 (Fed. Cir. 1989) (design modifications), *cert. denied*, 110 S. Ct. 154 (1989); *Metallurgical Indus. v. Fourtek, Inc.*, 790 F.2d 1195, 1202-03 (5th Cir. 1986) (finding no distinction between positive and negative knowledge and concluding that "negative know-how" may achieve trade secret status); *accord* *Courtesy Temporary Serv., Inc. v. Camacho*, 272 Cal. Rptr. 352, 357 (Cal. Ct. App. 1990) (post-UTSA); see also *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 952 (10th Cir. 1978) (operating and pricing policies and mathematical "heat transfer coefficient"); *Kodekey Electronics, Inc. v. Mechanex Corp.*, 486 F.2d 449, 455 (10th Cir. 1973) (speedometer technology); *Telex Corp. v. IBM*, 510 F.2d 894, 930 (10th Cir.) (IBM-compatible computer technology), *cert. dismissed*, 423 U.S. 802 (1975); *Surgidev*, 648 F. Supp. at 691-92 (identities of consultants) (post-UTSA); *Saunders v. Florence Enameling Co.*, 540 So. 2d 651, 654 (Ala. 1988) (pipe coating process); *Courtesy*, 272 Cal. Rptr. at 357 (customer list) (post-UTSA); *Brostron v. Warmann*, 546 N.E.2d 3, 5 (Ill. App. Ct. 1989) (gross profits documents) (post-UTSA); *Televation*, 522 N.E.2d at 1365 (Ill. App. Ct. 1988) (analog circuitry); *Michels*, 497 N.E.2d at 588-89 (Ind. Ct. App. 1986) (formulas, customer lists); *Kozuch v. CRA-MAR Video Center, Inc.*, 478 N.E.2d 110, 113 (Ind. Ct. App. 1985) (video center's customer list) (post-UTSA); *Optic Graphics, Inc. v. Agee*, 591 A.2d 578, 586 (Md. Ct. Spec. App. 1991) (pricing information and marketing strategy) (post-UTSA); *Aries Info. Sys. v. Pacific Management Sys. Corp.*, 366 N.W.2d 366, 368-69 (Minn. Ct. App. 1985) (computer software) (post-UTSA); *Bertotti v. C.E. Shepard Co.*, 752 S.W.2d 648, 652-53 (Tex. Ct. App. 1988) (production methods, machine modifications, and temperature and pressure settings). See generally Michael J. McNeil, Comment, *Trade Secret Protection for Mass Market Computer Software: Old Solutions for New Problems*, 51 ALB. L. REV. 293 (1987); Susan M. Shields, Comment, *Trade Secret—The Most Widely Used Method of Protecting Proprietary Interests in Computer Software. Is it the Most Effective?* 17 CAP. U. L. REV. 291 (1988).

79. *Black*, 584 F.2d at 951. The statutory counterpart of the common law confidential relationship requirement is the requirement of trade secret acquisition through improper means. See Oklahoma's Trade Secrets Act § 86(1), (2)(a); see also *infra* notes 11, and 145-160.

80. See, e.g., *Metallurgical*, 790 F.2d at 1204.

in disclosing the secret to him”⁸¹

The phrase “improper means” is defined in section 757(a) as discovery of another’s trade secrets through physical force, theft, fraud, electronic eavesdropping, or other espionage.⁸² These examples are not exhaustive. “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.”⁸³ Restatement section 757 cross-references section 759 which is entitled “Procuring Information By Improper Means.”⁸⁴ The latter provision expands the definition of “improper means” to include “inducing employees or others to reveal the information in breach of duty, . . . [or] procuring one’s own employees or agents to become employees of the other for purposes of espionage.”⁸⁵ This interwoven definition of the phrase “improper means” is expansive enough to encompass virtually all conceivable business misconduct.⁸⁶

The phrase “breach of confidence,” as utilized in Restatement section 757(b), defies precise definition. Although the definition is broad enough to include breach of contract, the ultimate question is “whether in the circumstances B knows or should know that the information is A’s trade secret and that its disclosure is made in confidence.”⁸⁷ Primary examples of the confidential relationships contemplated by the Restatement are the relationships between principal and agent,⁸⁸ partners, joint

81. RESTATEMENT OF TORTS § 757 (1939) (emphasis added).

82. *Id.* at § 757 cmt. f (1939). See also William E. Hilton, *What Sort of Improper Conduct Constitutes Misappropriation of a Trade Secret*, 30 IDEA 287 (1990).

83. RESTATEMENT OF TORTS § 757 cmt. f (1939).

84. *Id.* Section 759 provides that: “One who, for the purpose of advancing a rival business interest, procures by improper means information about another’s business is liable for the harm caused by his possession, disclosure or use of the information.” *Id.* “The rule stated in this Section applies to information about one’s business whether or not it constitutes a trade secret.” *Id.* at cmt. b. Restatement § 759 and the legal ramifications of the dichotomy between trade secret (Restatement § 757) and non-trade secret and non-trade secret (Restatement § 759) commercial data were touched upon by the Oklahoma Supreme Court in Oklahoma’s most recent reported trade secret decision, *ABC Coating Co. v. J. Harris & Sons, Ltd.*, 747 P.2d 266 (Okla. 1986).

85. RESTATEMENT OF TORTS § 759 cmt. c (1939).

86. For an example of what a California trial court labelled the “worst case” the court had ever seen, see *Courtesy Temporary Serv., Inc. v. Camacho*, 272 Cal. Rptr. 352, 356-57 (Cal. Ct. App. 1990) (finding by the trial court that the defendant “represented the ‘American way’ by being a ‘small person who saved his money and went into business on his own in an attempt to make a life for himself and his wife by *stealing, lying and cheating.*’”) (post-UTSA).

87. RESTATEMENT OF TORTS § 757 cmt. j (1939).

88. RESTATEMENT (SECOND) OF AGENCY §§ 393, 395, 396 (1958).

adventurers,⁸⁹ employers and employees,⁹⁰ and of course, fiduciary relationships.⁹¹ The Oklahoma Supreme Court recently elaborated upon the scope of the duty imposed by fiduciary relationships in *In re Mailath*.⁹² The court observed that the fiduciary is held to a much higher standard of conduct than that which applies to those acting at arms length in the normal marketplace.⁹³

A corporate plaintiff may choose to assert that former officers, directors, or other key employees *indirectly* misappropriated trade secrets through solicitation and employment of its employees in a competing corporation. If so, the plaintiff must demonstrate that the former officer or director acquired sensitive information in derogation of a fiduciary relationship with their former employer.⁹⁴ The former officer's or director's fiduciary *relationship* is terminable, but the fiduciary *duty* towards the employer is not.⁹⁵ The fiduciary duty may be breached either *during* or *after* employment, whenever the employee uses information gained during employment to damage an employer or former employer.⁹⁶

A plaintiff may also assert that former employees *directly* misappropriated trade secrets. To prove direct misappropriation, the plaintiff

89. RESTATEMENT OF TORTS § 757 cmt. j (1939).

90. See, e.g., *Atochem N. Am., Inc. v. Gibbon*, No. 91-1201 (CSF), 1991 WL 160939, at *7 (D.N.J. Aug. 15, 1991); *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 770 (Tex.), cert. denied, 358 U.S. 898 (1958); Klitzke, *Trade Secrets*, supra note 15, at 567, 569.

91. See *Adolph Gottscho, Inc. v. American Marking Corp.*, 114 A.2d 438, 442 (N.J.), cert. denied, 350 U.S. 834 (1955); Klitzke, *Trade Secrets*, supra note 15, at 567, 569 (corporate officers and directors). Under Oklahoma common law, "[a] 'confidential relationship' is generally synonymous with a 'fiduciary relationship.'" *In re Estate of Beal*, 769 P.2d 150, 154 (Okla. 1989). Oklahoma law treats "the terms alike semantically as well as justicially." *Id.* at 154-55. See also *In re Mailath*, 752 P.2d 803 (Okla. 1988).

92. 752 P.2d 803 (Okla. 1988).

93. *Id.* at 809-10 n.15 (quoting Cardozo, C.J., from *Meinhard v. Salmon*, 164 N.E. 545, 546 (N.Y. 1928)).

94. See *Johns-Manville Corp. v. Guardian Indus. Corp.*, 586 F. Supp. 1034, 1074 (E.D. Mich. 1983), *aff'd*, 770 F.2d 178 (Fed. Cir. 1985); Klitzke, *Trade Secrets*, supra note 15, at 567, 569-70.

95. See *Tenneco Oil Co. v. Joiner*, 696 F.2d 768, 775-76 (10th Cir. 1982) (appealed from W.D. Okla.); *Johns-Manville*, 586 F. Supp. at 1074-75; *Adolph Gottscho, Inc. v. American Marking Corp.*, 114 A.2d 438, 441-42 (N.J.), cert. denied, 350 U.S. 834 (1955); *Opie Brush Co. v. Bland*, 409 S.W.2d 752, 757-58 (Mo. Ct. App. 1966).

96. See *Julius Hyman & Co. v. Velsicol Corp.*, 233 P.2d 977, 1000 (Colo. 1951), cert. denied, 342 U.S. 870 (1951); Klitzke, *Trade Secrets*, supra note 15 at 569. As the court in *Julius Hyman* admonished:

[D]efendants acquired . . . [plaintiff's trade secrets] while they were plaintiff's employees, and under a contractual obligation, as evidenced by their employment agreements, and in addition thereto this knowledge of plaintiff's trade secrets was acquired by them in confidence and while they were occupying a fiduciary relationship. They now seek to appropriate these trade secrets to their own use and profit by a violation of their contractual agreements and a betrayal of the confidence reposed in them by plaintiff. This they may not do; such conduct is abhorrent to our conception of ordinary honesty.

Julius Hyman, at 1000.

must demonstrate that the defendant gained personal knowledge of the secret information via a confidential relationship.⁹⁷ For example, in *Greenberg v. Croydon Plastics Co.*,⁹⁸ because the defendant was “present during much of the experimentation,” he was “familiar with the essential elements of the process[es],” and knew “the reasons why other methods would bring unsatisfactory results.”⁹⁹ Thus, the defendant’s personal use of the information to gain a competitive edge constituted direct misappropriation.¹⁰⁰

A confidential relationship “exists whenever trust and confidence are placed by one person in the integrity and fidelity of another.”¹⁰¹ The potentially broad scope of such a relationship dictates that the confidential relationship element of the common law trade secret cause of action is generally easy to establish.

C. *Element Number Three: Use of Trade Secrets*

Finally, even if a plaintiff can show that a defendant acquired its trade secrets through a confidential relationship, the common law dictates that the plaintiff must also prove that the defendant used the information without authorization.¹⁰² Use of a trade secret is a question of fact for the jury.¹⁰³

1. The Restatement

The Restatement section 757 preamble expressly requires trade secret disclosure or use as a prerequisite to liability, regardless of the means of acquisition.¹⁰⁴ Thus, quite clearly, “[c]ommercial use is an element of the tort as set forth in section 757 of the Restatement; while the nature of the use may be relevant in determining the proper extent of damages,¹⁰⁵ its existence must also be shown to establish wrong doing in the first

97. *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 814 (E.D. Pa. 1974).

98. 378 F. Supp. 806, 814 (E.D. Pa. 1974).

99. *Id.*

100. *Id.* See also *Bertotti v. C.E. Shepard Co.*, 752 S.W.2d 648, 652 (Tex. Ct. App. 1988) (pointing out that defendant was involved in most stages of the development of the trade secrets).

101. *In re Estate of Beal*, 769 P.2d 150, 154 (Okla. 1989) (citing *Fipps v. Stidham*, 50 P.2d 680 (Okla. 1935)).

102. *E.g.*, *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 951 (10th Cir. 1978).

103. *Id.* at 952.

104. “One who discloses or uses another’s trade secret, without a privilege to do so, is liable to the other if[;] (a) he discovered the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him” RESTATEMENT OF TORTS § 757 (1939).

105. See *Simplex Wire & Cable Co. v. Dulon, Inc.*, 196 F. Supp. 437, 441 (E.D.N.Y. 1961)

place.”¹⁰⁶

a. *Definition of “Use”*

The courts have been reluctant to define the term “use” in the trade secret context. Courts that have attempted a definition have encountered difficulty. For example, perhaps the most commonly-cited definition of trade secret “use” was promulgated by the Fifth Circuit in *University Computing Co. v. Lykes-Youngstown Corp.*,¹⁰⁷ wherein the court held that “any misappropriation, followed by an exercise of control and dominion . . . must constitute a commercial use.”¹⁰⁸ Some twelve years later, however, in *Metallurgical Industries v. Fourtek*,¹⁰⁹ the Fifth Circuit retreated from its former broad definition of “use.” In *Metallurgical*, the court distinguished *Lykes-Youngstown* as a case in which “the trade secret itself was what was to be sold.”¹¹⁰ The *Metallurgical* court reasoned that the *Lykes-Youngstown* court “explicitly contrasted a case like ours, ‘where the trade secret is used to improve manufacturing, and subsequently manufactured items were sold at a profit.’”¹¹¹ Accordingly, the court in *Metallurgical* employed the everyday meaning of the term “use,” and held that if the trade secret is a manufacturing process, “use” is shown when the products are actually manufactured and sold.¹¹² Although the court affirmed the trial court’s directed verdict based on a lack of evidence that the defendant had benefitted¹¹³ from any misappropriation,¹¹⁴ the court cryptically noted that if the defendant sought to

(holding that, “[a]s a matter of fact . . . [plaintiff] could show no damage since [defendant], at the time of the hearing herein, had just commenced the construction of its plant.”).

106. *Metallurgical Indus. v. Fourtek, Inc.*, 790 F.2d 1195, 1205 (5th Cir. 1986).

107. 504 F.2d 518 (5th Cir. 1974).

108. *Id.* at 542.

109. 790 F.2d 1195 (5th Cir. 1986).

110. *Metallurgical*, 790 F.2d at 1205 (quoting *University Computing Co. v. Lykes-Youngstown, Corp.*, 504 F.2d 518, 540 (5th Cir. 1974)).

111. *Id.*

112. *Id.* (“If Smith has not put the furnace into commercial operation to produce carbide power it can then use, then no commercial use has occurred.”).

113. The fact that lack of evidence of any benefit to the alleged misappropriator played a role in the court’s “use” analysis lends support to the definition of trade secret “use” espoused in 1 MELVIN F. JAGER, *TRADE SECRETS LAW* § 7.03[2][a], at 7-60 to 7-61 (1990 rev.). Jager advocates that “the concept of ‘use’ should be defined so that no one will unjustly enrich himself at the expense of another.” *Id.* Thus, reasons Jager, “[i]n the broadest sense, the ‘use’ of a trade secret starts with the beginning of the activity which causes economic detriment to the trade secret owner. This economic detriment could be either damage to the trade secret owner or unjust enrichment to the misappropriator.” *Id.*

114. *Metallurgical*, 790 F.2d at 1205.

profit from use or sale of the product in the future, a different fact situation would arise.¹¹⁵

Thus, common law trade secret courts have been less than adept at fashioning a durable and adaptable definition of trade secret "use." Similarly, courts have struggled in the determination of whether a misappropriator may "use" a trade secret without actually benefitting from the use.¹¹⁶

b. *Proof of "Use"*

Rather than attempting to define trade secret "use," most courts engage in a factual analysis of the circumstantial evidence before them in order to discern trade secret "use."¹¹⁷ Often circumstantial evidence is the only evidence that a trade secret plaintiff can produce, due to the nature of the cause of action.¹¹⁸ As the court in *Greenberg v. Croydon Plastics Co.*¹¹⁹ keenly observed:

Plaintiffs in trade secret cases, who must prove by a fair preponderance of the evidence disclosure to third parties and use of the trade secret by the third parties, are confronted with an extraordinarily difficult task. Misappropriation and misuse can rarely be proved by convincing direct evidence. In most cases plaintiffs must construct a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inferences which convince him that it is more probable than not that what plaintiffs allege happened did in fact take place. Against this often delicate construct of circumstantial evidence there frequently must be balanced defendants and defendants' witnesses who directly deny everything.¹²⁰

c. *Evidentiary "Use" Factors*

The courts have almost universally found the presence or absence of three key factors to be probative in their evaluation of circumstantial evidence of trade secret "use." Not surprisingly, the first key factor is

115. *Id.*

116. *See id.*

117. *See, e.g.,* *Electro-Miniatures Corp. v. Wendon Co.*, 771 F.2d 23, 26 (2d Cir. 1985); *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 952 (10th Cir. 1978); *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 814 (E.D. Pa. 1974).

118. *See, e.g., Greenberg*, 378 F. Supp. at 814.

119. *Id.*

120. *Id.*; *accord* *Telex Corp. v. IBM*, 510 F.2d 894, 928 (10th Cir. 1975) ("[N]o one testified that he 'saw' Telex misappropriating IBM's trade secrets, nor did any . . . IBM employee admit that he had taken IBM's trade secrets with him to Telex. But, in our view, the facts and circumstances, when viewed in their totality, do permit the inference that there was such misappropriation.") *Atochem N. Am., Inc. v. Gibbon*, No. 91-1201 (CSF), WL 160939, at *7 (D.N.J. Aug. 15, 1991).

the relationship between the parties.¹²¹ In this regard, “[f]iduciary responsibility is a powerful tool . . . in the hands of the owner of a trade secret if the misappropriator is an employee, a partner, a corporate officer or director, or an authorized agent.”¹²² In *Surgidev Corp. v. Eye Technology, Inc.*,¹²³ the court found that the longstanding employer-employee relationship between the parties gave rise to a confidential relationship that “impose[d] *per se* a duty upon the employee[s] not to use or disclose [their] employer’s trade secrets.”¹²⁴ In light of this confidential relationship, the *Surgidev* court liberally interpreted the “use” element of the trade secret claim as requiring not necessarily actual use or disclosure, but rather “proof that there is an *intention* on the part of the defendants to *use or disclose* the putative trade secrets, *or alternatively*, that under the circumstances of the case, there is a *high degree of probability* of inevitable disclosure [and subsequent use].”¹²⁵

Perhaps in deference to the trade secret plaintiff’s arduous burden of proof concerning trade secret disclosure or use, the *Surgidev* court recognized that:

A competing corporation formed by former employees of the plaintiff is naturally subject to some degree of probability that the newly-formed corporation will utilize trade secrets gained in the plaintiff’s employ. Some courts have found that where a defendant commences competitive activity which might jeopardize plaintiff’s trade secrets, and where such activity is in breach of a valid restrictive covenant, the Court might presume that wrongful disclosure will take place.¹²⁶

121. See, e.g., *Surgidev Corp. v. Eye Technology, Inc.*, 648 F. Supp. 661, 695 (D. Minn. 1986), *aff’d*, 828 F.2d 452 (8th Cir. 1987). Note that the district court’s judgment in *Surgidev* was purportedly rendered upon the basis of the UTSA of both California and Minnesota. *Id.* at 679-80. However, the court relied almost exclusively on pre-UTSA common law authority in its opinion. *Id. passim*.

122. Klitzke, *Trade Secrets*, *supra* note 15, at 569.

123. 648 F. Supp. 661 (D. Minn. 1986), *aff’d*, 828 F.2d 452 (8th Cir. 1987).

124. *Surgidev*, 648 F. Supp. at 694-95 (emphasis added).

125. *Id.* at 695 (emphasis added). See also Suellen Lowry, *Inevitable Disclosure Trade Secret Disputes: Dissolutions of Concurrent Property Interests*, 40 STAN. L. REV. 519 (1988). But see *Oberg Indus. v. Finney*, 555 A.2d 1324, 1327 (Pa. Super. Ct. 1989) (“[Defendant’s] position in the company and the knowledge he obtained while in that position do not demonstrate an inevitability of disclosure . . . which would require the issuance of an injunction.”).

The *Surgidev* court relied on the elements of a trade secret cause of action set forth in *Jostens, Inc. v. National Computer Sys.*, 318 N.W.2d 691, 701 (Minn. 1982). *Surgidev*, 648 F. Supp. at 694 n.16. Significantly, although the elements articulated in *Jostens* were almost identical to the elements enunciated by the Tenth Circuit in *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 951 (10th Cir. 1978), neither case mentioned or required anything less than actual use or disclosure of another’s trade secrets. See *Jostens*, 318 N.W.2d at 701. The “intent to use or disclose” standard thus seems to represent a unilaterally generous construction of the court’s opinion in *Jostens*.

126. *Surgidev*, 648 F. Supp. at 695 (citations omitted); accord *Lamb-Weston, Inc. v. McCain*

Ultimately, the *Surgidev* court held that it did not need to rely upon a presumption of wrongful intent, because the defendants had affirmatively demonstrated their intent to use some of plaintiff's customer information.¹²⁷ The court thus relied on evidence of actual trade secret use on the part of some defendants and planned trade secret use on the part of other defendants to raise an "inference of intent to use."¹²⁸

The relationship between a former employee-defendant and the defendant's new employer, a competing corporation in most cases, is an important aspect of trade secret "use" analysis. If the competing corporation knew or should have known that the information it received from its employee, the defendant, was obtained or disclosed improperly, or in breach of confidence, then the defendant's employer would be equally liable for the "use" of the plaintiff's trade secrets.¹²⁹ Furthermore, even if a plaintiff's evidence is insufficient to hold its former employee personally liable for misappropriation of trade secrets, the employee's present employer may be held liable for the "use" and commercialization of the plaintiff's trade secrets.¹³⁰ A trade secret plaintiff may wish to carefully consider including a competing corporation formed by, or employing, former employees in litigation against the employees for misappropriation of trade secrets.

The second key factor in judicial appraisal of circumstantial evidence of trade secret "use" involves the presence or absence of material similarities in the products produced or manufacturing processes utilized

Foods, Ltd., 941 F.2d 970, 973 (9th Cir. 1991) ("As a practical matter, it would be difficult for a person developing the same technology for two clients not to use knowledge gained from the first project in producing the second.") (post-UTSA); *Continental Group, Inc. v. Kinsley*, 422 F. Supp. 838, 845 (D. Conn. 1976) ("It is enough if the second employer's work is sufficiently similar to that of the first employer to make likely the risk of disclosure by the employee in the course of his subsequent employment.") (citing *Eastman Kodak v. Powers Film Prod.*, 179 N.Y.S. 325, 330 (N.Y. App. Div. 1919)).

127. *Surgidev*, 648 F. Supp. at 695.

128. *Id.* ("[Defendant's] . . . business plan as disclosed in its prospectus indicates that [its] . . . sales force planned to contact [plaintiff's customers].")

129. RESTATEMENT OF TORTS § 757(c) (1939); Oklahoma's Trade Secrets Act § 86(2)(b). See *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 972-73 (9th Cir. 1991) (post-UTSA); *Commuter Print Sys. v. Lewis*, 422 A.2d 148, 155 (Pa. Super. Ct. 1980); *Lowndes Prod. v. Brower*, 191 S.E.2d 761, 769-70 (S.C. 1972) (explaining that a corporation that has benefitted from wrongful conduct along with its creators should be held jointly and severally liable for losses which the plaintiff sustained); see also *Telex Corp. v. IBM*, 510 F.2d 894, 929 (10th Cir. 1975).

130. See *Electro-Miniatures Corp. v. Wendon Co.*, 771 F.2d 23, 26 (2d Cir. 1985). As to whether or not such competing corporation is an indispensable party to trade secret litigation against its employees, see *The Torrington Co. v. Yost*, No. 8:91-1599-20, 1991 WL 193746 (D.S.C. Sept. 23, 1991).

by the parties. A defendant's slight or cosmetic modifications or improvements to plaintiff's trade secret will not defeat a claim of misappropriation.¹³¹ The court will compare factors such as production efficiency, costs, and speed, and product quality before and after alleged trade secret disclosure or use.¹³² Substantial changes on the defendant's part, resulting in cogent similarities in the factors indicate that the trade secret has been used.¹³³ Comparison of manufacturing processes and products¹³⁴ often plays a substantial, if not dispositive, role in judicial recognition or rejection of alleged trade secret "use."¹³⁵

Unfortunately, a *quid pro quo* analysis of the parties' respective products and manufacturing processes is not always available, feasible, or probative. In lieu of, or in addition to, such a comparative analysis, courts often explore circumstantial evidence of the third key factor in the adjudication of trade secret "use," commonly known as head start or "lead time" advantage. "The concept of 'use' of a trade secret by the misappropriator does not necessarily depend upon the generation of a dollar profit."¹³⁶ Even if no products embodying or using the trade secrets have been built or sold, "a trade secret is used if it has contributed to the acceleration of the introduction of the product."¹³⁷ Thus, the essence of the "lead time" concept is discerning whether defendant's use of

131. RESTATEMENT OF TORTS § 757 cmt. c (1989); see e.g., *Atochem N. Am., Inc. v. Gibbon*, No. 91-1201 (CSF), 1991 WL 160939, at *7 (D.N.J. Aug. 15, 1991).

132. Klitzke, *Trade Secrets*, *supra* note 15, at 566.

133. Klitzke, *Trade Secrets*, *supra* note 15, at 566.

134. While differentiation of products is not an essential prerequisite to the existence of a trade secret or a trade secret process, it may be demonstrative of trade secret use. *ABC Coating Co. v. J. Harris & Sons, Ltd.*, 747 P.2d 266, 268 (Okla. 1986). See *infra* note 135.

135. See *Black, Sivals & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 948 (10th Cir. 1978) (finding functional equivalency and similarity in design between the products); *Kodekey Elec., Inc. v. Mechanex Corp.*, 486 F.2d 449, 453 (10th Cir. 1973) (finding defendant's product similar in appearance, operation and design as the plaintiff's product); *Continental Group, Inc. v. Kinsley*, 422 F. Supp. 838, 844-45 (D. Conn. 1976) (considering the marked differences in the machinery, materials, and manufacturing techniques employed by the parties); *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 815 (E.D. Pa. 1974) (finding that defendant's flavoring method was essentially identical to the method used by the plaintiff even though the flavoring agent itself and the quantity used were slightly different); *Keystone Plastics, Inc. v. C & P Plastics, Inc.*, 340 F. Supp. 55, 63 (S.D. Fla. 1972), *aff'd*, 506 F.2d 960 (5th Cir. 1975) (holding that Defendants' product differed in every material detail from the plaintiff's product where defendants did not utilize the same variations or details as plaintiff and the products varied in dimension, temperature and speed); *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985) (finding no material differences between plaintiff's and defendants' products).

136. 1 JAGER, *supra* note 113, at 7-59 (citing *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518 (5th Cir. 1974)); see *Telex Corp. v. IBM*, 510 F.2d 894, 914 (10th Cir.) (recognizing that, although Telex did not complete the project at issue, improper use of IBM's trade secret allowed Telex to save \$10 million in development costs allowing Telex to be unjustly enriched), *cert. dismissed*, 423 U.S. 802 (1975).

137. 1 JAGER, *supra* note 113, at 7-58; see *Telex*, 510 F.2d at 929 ("IBM employees brought with

the trade secret resulted in a competitive edge by allowing the defendant to enter the market faster or less expensively than otherwise possible without improper trade secret use.

A trade secret plaintiff can advance an array of fact scenarios which tend to be circumstantially indicative of the lead time advantage gained by a defendant. For example, a former employee's quick start-up and successful entry into a relatively complex competitive business may constitute circumstantial evidence of lead time wrongfully gained through trade secret use.¹³⁸ A trade secret plaintiff should, through the discovery process,¹³⁹ avail itself of the opportunity to inquire into the quantitative as well as qualitative depths of the defendant's research and development efforts and expenditures to date. The plaintiff can create a strong inference of lead time attained through trade secret use by showing that the defendant's establishment and successful entry into the competitive market occurred without the benefit of substantial independent research or experimentation.¹⁴⁰ This inference may be overcome by the defendant's

them [to Telex] IBM trade secrets which enabled Telex to market [its products] sooner than it would have otherwise been able to It was this 'head start' or 'lead time' that placed Telex in a better economic position because of its misappropriation [and use] of IBM trade secrets."); *see also* Englehard Indus. v. Research Instrumental Corp., 324 F.2d 347, 353 (9th Cir. 1963) (affirming that acceleration of production due to utilization of trade secrets gives rise to a claim of misappropriation), *cert. denied*, 377 U.S. 923 (1964); Midland-Ross Corp. v. Yokana, 293 F.2d 411, 413-14 (3rd Cir. 1961); Epstein v. Dennison Mfg. Co., 314 F. Supp. 116, 124 (S.D. N.Y. 1969).

138. *See Black*, 584 F.2d at 948-49, 952; *Atochem N. Am. Inc. v. Gibbon*, No. 91-1201 (CSF), 1991 WL 160929, at *7 (D.N.J. Aug. 15, 1991) (finding that "the circumstances surrounding [defendant's employer's] extraordinary rapid introduction of [a competitive product] into the market raises an inference of misconduct" by the defendant).

139. *See generally* Pope et al., *In Discovery: Protecting a Client's Secret Data*, NAT'L L.J., July 8, 1991, at 16, col. 4; Note, *Trade Secrets in Discovery: From First Amendment Disclosure to Fifth Amendment Protection*, 104 HARV. L. REV. 1330 (1991).

Oklahoma's Trade Secrets Act, which provides for the protection of trade secrets during the discovery process, states in part, "[i]n an action brought pursuant to the provisions of the Uniform Trade Secrets Act, a court shall preserve the secrecy of an alleged trade secret by reasonable means." Oklahoma's Trade Secrets Act § 90. Note that the statutory language of Trade Secrets Act section 90 is mandatory, whereas the language of title 12, section 3226(C)(6) of the Oklahoma Statutes is discretionary. The only UTSA jurisdiction which has ruled upon this procedural conflict held that the jurisdiction's discretionary rule of civil procedure governing trade secret protective orders controlled over the UTSA's mandatory secrecy provision. *See Vibromatic Co. v. Xpert Automation Sys.*, 540 N.E.2d 659, 661-62 (Ind. Ct. App. 1989); *see also Gabriel Int'l v. M & D Indus.*, 719 F. Supp. 522 (W.D. La. 1989) (post-UTSA); *Brostron v. Warmann*, 546 N.E.2d 3, 5 (Ill. App. Ct. 1989) (discovery of trade secrets "is not automatically foreclosed" under the UTSA). *But see Stork-Werkspoor Diesel V.V. v. Koek*, 534 So. 2d 983, 985 (La. Ct. App. 1988) (UTSA "never intended to apply to discovery in civil actions").

140. *See Black*, 584 F.2d at 952 ("If nothing else, a jury could find that [defendant] did not have to experiment with the broad range of disclosed coefficients to determine the proper starting point."); *Atochem*, No. 91-1201 (CSF), 1991 WL 160939, at *8 (finding that only defendant's disclosure and defendant's employer's use of plaintiff's trade secrets could explain defendant's employer's "'development' of such a similar process, given its complete lack of research, experimentation and production."); *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 815 (E.D. Pa. 1974) ("There is no

showing that it arrived at and developed its manufacturing process or a product independently.¹⁴¹ A defendant's failure to overcome this inference can be fatal.¹⁴² The plaintiff's demonstration of unusually expedient pre-production advertising or contracting¹⁴³ by a defendant is also highly suggestive of lead time generated through trade secret use.¹⁴⁴ Perhaps the most persuasive evidence that a plaintiff could offer of a defendant's trade secret use is empirical data and expert testimony contrasting (and emphasizing) the chronological and financial differences between the respective parties' market entries and product developments.¹⁴⁵

2. The UTSA

The common law placed a difficult burden on the plaintiff trying to

evidence that defendants did any independent research to come up with a method for flavoring mouthguards The decision to use [the plaintiff's] method was made without any prior experimentation Defendants had apparently predetermined to use the [plaintiff's] method.") (footnote omitted).

141. See, e.g., *Greenberg*, 378 F. Supp. at 815.

142. See *Rockwell Graphic Sys. v. DEV Indus.*, 925 F.2d 174, 180 (7th Cir. 1991) (holding that the defendant's inability to establish the existence of a lawful source of the piece part drawings it possessed created a permissible jury inference of misappropriation) (post-UTSA); *Electro-Miniatures Corp. v. Wendon Co.*, 771 F.2d 23, 27 (2nd Cir. 1985); *Black*, 584 F.2d at 952 (finding that where the defendant did not present evidence of an independent source of the coefficient, a jury could view with suspicion defendant's statement that he pulled the number "out of the air"); *Atochem N. Am., Inc. v. Gibbon*, No. 91-1201 (CSF), 1991 WL 160939, at *8 (D.N.J. Aug. 15, 1991) (Noting that there was "no evidence that [defendant's employer] made any effort at all to research or experiment . . ." The court found this fact "incredible."); *Salsbury Lab. v. Merieux Lab.*, 735 F. Supp. 1555, 1569 (M.D. Ga. 1989) (finding that the defendants failed to show they developed the product through independent research); *Greenberg*, 378 F. Supp. at 815-16; *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985) (concluding that the defendant's failure to show how they developed or acquired the product allegedly embodying the plaintiff's trade secret; and the fact that the information was unavailable from any source except the plaintiff, constitutes strong circumstantial evidence of trade secret misappropriation and use).

143. See *Atochem*, No. 91-1201 (CSF), 1991 WL 160939, at *8. Mere commonality of customers does not, however, necessarily support the conclusion that a defendant misappropriated or used another's trade secrets. *Greenberg*, 378 F. Supp. at 813.

144. See *Electro-Miniatures*, 771 F.2d at 26 ("[Defendant] Wendon, which had been able to produce only a few printed circuit slip ring assemblies of questionable quality prior to employing [defendant] Eccles, issued a catalog depicting an entire line of printed circuit slip ring assemblies, resembling those built by [plaintiff] EMC . . . soon after it hired Eccles away from EMC."); *Black*, 584 F.2d at 948 ("[Defendant] . . . first successful underbidding [of plaintiff] was confidently accomplished without building or testing a prototype of the proposed [product]").

145. See, e.g., *Telex v. IBM*, 510 F.2d 894, 911, 932 (10th Cir.) ("IBM had itself expended \$30,000,000 to develop the Merlin, and . . . it took six years to do so. Telex, on the other hand, through the use of IBM trade secrets was able to develop its equivalent in some eighteen months."), *cert. dismissed*, 423 U.S. 802 (1975); *Bertotti v. C.E. Shepard*, 752 S.W.2d 648, 652-53 (Tex. Ct. App. 1988) (reasoning that defendant, who within five months of his departure from plaintiff's employ, formed a new company and stood ready to manufacture competing products in breach of defendant's non-competition covenant, was only able to do so because defendant had the advantage of four years of trial and error encountered in plaintiff's research and development program).

establish trade secret use. The UTSA, however, has seemingly lightened that burden.

The plain language of Oklahoma's version of the UTSA supports the proposition that the *mere acquisition* of another's trade secrets, through *improper means, without subsequent disclosure or use*,¹⁴⁶ will suffice to impose liability upon the defendant for misappropriation of trade secrets.¹⁴⁷ A brief survey of the terms of art used and defined in Oklahoma's Trade Secrets Act serves to corroborate this proposition.

Under Oklahoma's Trade Secrets Act, a plaintiff is entitled to damages for misappropriation of the plaintiff's trade secrets.¹⁴⁸ The Oklahoma Trade Secrets Act defines the term "misappropriation" in pertinent part as *acquisition* of a trade secret by a person who knows or should have known that the trade secret was acquired by *improper means*; or the unauthorized *disclosure or use* of a trade secret by a person who used improper means to obtain it, or at the time of disclosure or use, knew or should have known that knowledge of the trade secret was obtained from a person who had used improper means to obtain it.¹⁴⁹

Note that the definition of "misappropriation" in Oklahoma's Trade Secrets Act is articulated in the disjunctive—the "acquisition" provision,¹⁵⁰ and the "disclosure or use" provision,¹⁵¹ are separated by a semicolon and the word "or."¹⁵² Thus, if a plaintiff can show that the defendant *acquired* its trade secrets through *improper means*, the plaintiff does

146. The Oklahoma Trade Secrets Act does not define the term "use." See Oklahoma's Trade Secrets Act § 86. Presumably, the Oklahoma judiciary would rely upon relevant common law decisions concerning trade secret "use" in attempting to define and/or discern such "use" under the UTSA. See *supra* note 106 and accompanying text.

147. See Oklahoma's Trade Secrets Act §§ 86, 88.

148. Oklahoma's Trade Secrets Act § 88(A).

149. Oklahoma's Trade Secrets Act § 86(2) (emphasis added). The UTSA's definition of "misappropriation" has been interpreted as creating four distinct potential classes of trade secret misappropriators: (1) intentional; (2) fiduciary; (3) third-parties with notice that the trade secret was acquired through improper means; and (4) those who accidentally acquired the trade secret. See Lydon, *supra* note 2, at 430-31.

150. Oklahoma's Trade Secrets Act § 86(2)(a).

151. *Id.* § 86(2)(b).

152. *Id.* § 86(2). Oklahoma's version of the UTSA also contains a bifurcated damages provision. The statute provides that "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." *Id.* § 88(A). However, the provision goes on to posit that "[i]n 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." *Id.* (emphasis added). See also Oklahoma's Trade Secrets Act § 89 (attorney's fee provision provides fees for, *inter alia*, willful and malicious misappropriation); UNIF. TRADE SECRETS ACT 14 U.L.A. 433, 434 Prefatory Note (1990) ("For liability to exist under this Act, a . . . trade secret must exist and either a person's acquisition of the trade secret, disclosure of the trade secret to others, or use of the trade secret must

not necessarily have to prove that the defendant thereafter actually *disclosed or used* the trade secrets. The defendant may be liable under either provision.

This task may not be too onerous because Oklahoma's Trade Secrets Act defines the term "improper means" to include "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means."¹⁵³ The phrase "improper means" under the UTSA may include "otherwise lawful conduct which is improper under the circumstances."¹⁵⁴ Research has revealed few reported decisions expressly interpreting "improper means" as utilized in the UTSA.¹⁵⁵ However, the purpose of the UTSA is to provide "unitary definitions of trade secret and trade secret misappropriation, and a single statute of limitations¹⁵⁶ for the various property, quasi-contractual, and violation of fiduciary relationship theories of non-contractual liability utilized at common law," through codification of well-reasoned common law.¹⁵⁷ Certainly the definition of "improper means" in Oklahoma's Trade Secrets Act is broad enough to envelop the same type of evidence that a plaintiff would produce in order to meet the common law requirement of acquisition of another's trade secret through a "confidential relationship."¹⁵⁸

The theory of strict liability under the UTSA for "acquisition" of

be improper . . ."). The draftsmen of the UTSA obviously recognized that, pragmatically, mere acquisition of one's trade secret through improper means, in and of itself, diminishes the present or potential market value of the trade secret because the value depends, in material part, upon its secrecy. *See* *Herbster v. Global Intermediary*, No. 89-2198-V, 1991 WL 205659 (D. Kan. Sept. 11, 1991); *See also* RESTATEMENT OF TORTS § 757 cmt. c (1939).

153. Oklahoma's Trade Secrets Act § 86(1); *see also* *Hilton*, *supra* note 82.

154. UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 439 (1990).

155. *But see* *Herbster v. Global Intermediary, Inc.*, No. 89-2198-V, 1991 WL 205659, at *3 (D. Kan. Sept. 11, 1991) (noting that actual damages are not required under the UTSA, as evidenced by the fact that "the mere acquisition of trade secrets and their potential value or use are protected" by the UTSA) (emphasis added); *EDO Corp. v. Beech Aircraft Corp.*, 715 F. Supp. 990, 995 (D. Kan. 1988), *aff'd*, 911 F.2d 1447 (10th Cir. 1990); *Rehabilitation Specialists, Inc. v. Koering*, 404 N.W.2d 301, 306-07 (Minn. Ct. App. 1987); *Minuteman, Inc. v. Alexander*, 434 N.W.2d 773, 778 (Wis. 1989).

156. *See* Oklahoma's Trade Secrets Act § 91 ("An action for misappropriation must be brought within three (3) years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim."). For an interpretation of the phrase "continuing misappropriation" under the UTSA, *see* *B.C. Ziegler & Co. v. Eheen*, 414 N.W.2d 48, 50-51 (Wis. Ct. App. 1987). *See also* Oklahoma's Trade Secrets Act § 94.

157. *American Credit Indemnity Co. v. Sacks*, 262 Cal. Rptr. 92, 96 (Cal. Ct. App. 1989) (emphasis added) (quoting UNIF. TRADE SECRETS ACT 14 U.L.A. 433, 435 Prefatory Note (1990)).

158. *See supra* notes 83-86 and accompanying text.

trade secrets through "improper means," regardless of subsequent "disclosure or use," found judicial approval in the only case directly addressing the issue.¹⁵⁹ That case was *Minuteman, Inc. v. Alexander*,¹⁶⁰ in which the Wisconsin Supreme Court framed the issue as: What remedy, if any, is available under the UTSA if a trade secret is acquired by improper means, but not subsequently used by the taker?¹⁶¹ The trial court held, in obvious deference to trade secret common law, that although the defendant acquired the trade secret through "improper means," liability for trade secret misappropriation could not be imposed unless the defendant actually disclosed or used the trade secret.¹⁶² After reviewing the language of Wisconsin's version of the UTSA,¹⁶³ the supreme court, reversing the trial court, held that improper acquisition alone constitutes misappropriation of a trade secret because the statute requires a violation of only one of the subsections.¹⁶⁴ The court concluded that such a statutory violation would trigger the availability of injunctive¹⁶⁵ or compensatory relief in order to redress the injured trade secret owner under

159. See *Minuteman, Inc. v. Alexander*, 434 N.W.2d 773, 778 (Wis. 1989); see also *Rehabilitation Specialists, Inc. v. Koering*, 404 N.W.2d 301, 306 (Minn. Ct. App. 1987); UNIF. TRADE SECRETS ACT, 14 U.L.A. 433, 434 Prefatory Note (1990). But see *Insurance Assoc. Corp. v. Hansen*, 782 P.2d 1230, 1235 (Idaho 1989) (holding that the plaintiff may have trade secrets, but since no evidence of defendant's use of same, plaintiff's claim fails).

160. 434 N.W.2d 773 (Wis. 1989).

161. *Id.* at 774.

162. *Id.* at 778.

163. Both the Oklahoma and Wisconsin versions of the UTSA contain substantially similar language. See Oklahoma's Trade Secrets Act §§ 85-94; WIS. STAT. ANN. § 134.90 (West 1989).

164. *Minuteman*, 434 N.W.2d at 774, 778.

165. Oklahoma's Trade Secrets Act provides for injunctive relief where actual or threatened misappropriation is shown. Oklahoma's Trade Secrets Act § 87(A). In exceptional circumstances, such as when prohibitive injunction is inequitable, the court may order that the defendant pay a reasonable royalty for future use of the trade secret. *Id.* § 87(B); see also UNIF. TRADE SECRETS ACT § 2 cmt., 14 U.L.A. 433, 450 (1990) (providing for the duration of an injunction); *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 974-75 (9th Cir. 1991) (post-UTSA); *Minuteman*, 434 N.W.2d 773, 778-79 (post-UTSA); Klitzke, *Uniform Act, supra* note 2, at 302-03.

The UTSA's injunctive relief provision has been interpreted as incorporating, as opposed to displacing or conflicting with, pre-existing prerequisites to, or requirements for, the issuance of an injunction. See *Bishop & Co. v. Cuomo*, 799 P.2d 444, 446-47 (Colo. Ct. App. 1990); see also *MAI Basic Four, Inc. v. Generic Business Solutions, Inc.*, No. CIV.A.9908, 1990 WL 3665, at *1 (Del. Ch. Jan. 16, 1990). For an interpretation of the term "threatened misappropriation" under the UTSA, see *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353, 356-57 (N.D. Ill. 1989) and *Den-Tal-Ez, Inc. v. Siemens Capital Corp.*, 566 A.2d 1214, 1232 (Pa. Super. Ct. 1989) ("The proper inquiry is not whether defendant already has used or disclosed, but whether there is sufficient likelihood, or substantial threat, of defendant doing so in the future."). See generally Edmond Gabbay, Note, *All the King's Horses—Irreparable Harm in Trade Secret Litigation*, 52 FORDHAM L. REVIEW 804 (1984); Ruth E. Leistensnider, Comment, *Trade Secret Misappropriation: What Is the Proper Length of an Injunction After Public Disclosure?* 51 ALB. L. REV. 271 (1987) (pre- and post-UTSA).

Wisconsin's Trade Secrets Act.¹⁶⁶

III. ANCILLARY CONSIDERATIONS

In preparation of its litigation strategy against a defendant in a trade secret action, a plaintiff must consider several collateral issues. Important collateral issues include potential defenses, the amount and nature of damages, and the possibility of recovering attorneys' fees.

A. Defenses

Trade secret law does not protect against fair and honest discovery of products or processes.¹⁶⁷ The defendant may legally discover the product by independent invention, accidental disclosure, or by reverse engineering.¹⁶⁸ The UTSA is in substantial agreement with the common law on this subject, and indicates that "proper means" to discover a trade secret include: (1) discovery by independent invention; (2) discovery by reverse engineering (subsequent to acquisition of the product by "fair and honest means"); (3) discovery under a license from the owner of the trade secret; (4) observation of the item in public use or on public display; and (5) obtaining the trade secret from published literature.¹⁶⁹ In addition to the assertion of lack of secrecy, the most common defenses raised against a misappropriation of trade secret claim are the "experience" defense and the reverse engineering defense.¹⁷⁰

166. See *Minuteman*, 434 N.W.2d at 774; WIS. STAT. ANN. § 134.90(3), (4) (West 1989) (providing that a court may grant injunction, restraining order, damages, and punitive damages).

167. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974).

168. Reverse engineering is accomplished by starting with the known product and working backward to discover the process which developed or manufactured it. See *id.*; *infra* notes 182-94 and accompanying text.

169. UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 433, 438 (1990) (citing RESTATEMENT OF TORTS § 757 cmt. (f) (1939)).

170. A trade secret plaintiff bears the burden of proof on the existence of the trade secret and the impropriety of the defendant's conduct in misappropriating, disclosing, or using the secret. Therefore, the defendant's arguments of lack of secrecy, experience, and reverse engineering, which are denominated as defenses in this article, may not technically qualify as affirmative defenses under the Oklahoma Pleading Code. OKLA. STAT. tit. 12, §§ 2001-2027 (Supp. 1990). Caution and prudence dictate, however, that any potential affirmative defense should be pleaded by a defendant, lest same be waived. See OKLA. STAT. tit. 12, § 2008(B) (Supp. 1990); *RST Serv. Mfg., Inc. v. Musselwhite*, 628 P.2d 366, 368 (Okla. 1981). Because these theories are pragmatically and invariably relied upon by trade secret defendants as if they were affirmative defenses, their status as *de facto* trade secret defenses warrants further scrutiny. For a discussion of the topic of secrecy, see *supra* note 20 and accompanying text.

1. The Experience Defense

If a plaintiff establishes a prima facie case of trade secret misappropriation against former employees, and perhaps their competing corporation, then the defendants will inevitably argue that in the establishment and operation of their corporation, they merely used knowledge properly acquired through years of experience in the industry. Although the extent of a defendant's prior experience in the industry is not dispositive,¹⁷¹ trade secret courts give it prominent consideration.¹⁷² The "experience" defense is specifically designed to refute the plaintiff's evidence that the putative trade secrets were not generally known or used in the trade.¹⁷³ While many trade secret courts have tacitly recognized the validity of this defense,¹⁷⁴ few have explored its parameters. However, the Oklahoma Supreme Court attempted to do so in *Amoco Production Co. v. Lindley*.¹⁷⁵

In *Amoco*, the court reasoned that in dealing with a trade secret defendant who has amassed appreciable skill, knowledge, and experience in the industry, the key question is how the defendant obtained the knowledge.¹⁷⁶ If the employee learns of the trade secret knowledge in a

171. See *Continental Group, Inc. v. Kinsley*, 422 F. Supp. 838, 844-45 (D. Conn. 1976).

172. See *Keystone Plastics, Inc. v. C & P Plastics, Inc.*, 340 F. Supp. 55, 61 (S.D. Fla. 1972) ("Prior to setting up the [defendant] C & P line, [defendant] Polnau had many years of experience in the . . . art"), *aff'd*, 506 F.2d 960 (5th Cir. 1975); *Knudsen Corp. v. Ever-Fresh Foods, Inc.*, 336 F. Supp. 241, 244 (C.D. Cal. 1971) (reasoning that defendant's operation of a business for 37 years obviated any need he might have to obtain plaintiff's trade secrets using improper means); see also Suellen Lowry, *Inevitable Disclosure Trade Secret Disputes: Dissolutions of Concurrent Property Interests*, 40 STAN L. REV. 519 (1988); P. Guthrie, Annotation, *Employee's Duty, In Absence of Express Contract, Not to Disclose or Use in New Employment Special Skills or Techniques Acquired in Earlier Employment*, 30 A.L.R.3d 631 (1970).

173. See *Surgidev Corp. v. Eye Technology, Inc.*, 648 F. Supp. 661, 688 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987).

174. See *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 952 (10th Cir. 1978); *Safeway Stores v. Wilcox*, 220 F.2d 661, 665 (10th Cir. 1955) (citing *Brenner v. Stavinsky*, 88 P.2d 613 (Okla. 1939)); *Mirafi, Inc. v. Murphy*, No. CIV.A.C-C-87-578M, 1989 WL 206491, at *18 (W.D. N.C. Oct. 23, 1989) ("[Defendants'] use of general background knowledge and experience which he may have acquired during his employment with [the plaintiff] is clearly not actionable under North Carolina law."), *aff'd in part, rev'd in part*, 928 F.2d 410 (Fed. Cir. 1991); *Universal Analytics, Inc. v. MacNeal-Schwendler Corp.*, 707 F. Supp. 1170, 1177-78 (C.D. Cal. 1989) ("[S]ecrets acquired and developed as a result of long employment in the particular trade may be carried over and put to use by the new employer." (quoting *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*, 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd*, 283 F.2d 695 (9th Cir. 1960))), *aff'd*, 914 F.2d 1256 (9th Cir. 1990); *Knudsen*, 336 F. Supp. at 244; *Cudahy Co. v. American Lab., Inc.*, 313 F. Supp. 1339, 1345 (D. Neb. 1970); *Capsonic Group v. Swick*, 537 N.E.2d 1378, 1383 (Ill. App. Ct. 1989) (acknowledging that generalized knowledge and expertise is neither subject to restriction nor a trade secret); *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 900 (Minn. 1983) ("[Trade secret law] will not protect talent or expertise, only secret information.") (post-UTSA).

175. 609 P.2d 733 (Okla. 1980).

176. *Id.* at 744-45.

confidential relationship in the course of employment, then a duty not to disclose the information arises.¹⁷⁷ However, if the trade secret is borne of the employee's own initiative, then there is no duty not to disclose because the employee's interest in the trade secret is equal to, or greater than that of the employer, or, in any event, the trade secret knowledge is an integral part of the employee's skill and experience.¹⁷⁸ The *Amoco* court concluded that ultimately courts must balance the "equities between the right of the company to use its employees and resources to its utmost advantage against the right of the highly developed mind and skill of the employee."¹⁷⁹ Thus, the success or failure of the "experience" defense in trade secret cases is contingent upon whether it is possible to separate the alleged trade secret from the employee's independent knowledge.¹⁸⁰ As the Tenth Circuit Court of Appeals reflected in *Black*:

It is difficult in [trade secret cases] to draw distinctions "between the skills acquired by an employee in his work and the trade secrets, if any, of his employer. . . . [T]he former may be used by the employee in subsequent employment while the latter may not. Against this background it seems clear that trade secret status should be accorded the fruits of research carried out by the plaintiff, compiled by plaintiff in the form of charts, graphs, tables and the like for its day-to-day use, and carefully guarded by plaintiff as confidential information." Notwithstanding the difficulty of distinguishing between normally acquired skills and trade secret information, where there is circumstantial evidence from which a jury reasonably could infer trade secret use, the question is for a jury to decide.¹⁸¹

2. Reverse Engineering

Trade secret defendants may choose to assert that the plaintiff's

177. *Id.*

178. *Id.* (quoting *Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp.*, 401 F. Supp. 1102, 1111 (E.D. Mich. 1975)); see also *Cudahy*, 313 F. Supp. at 1345 (finding that if the employee's experience in his trade substantially contributes to the development of the putative trade secret, then no trade secret protection attaches because the employee's independent knowledge and experience is properly the subject matter of a covenant not to compete).

179. *Amoco*, 609 P.2d at 745 ("[H]ow closely tied is the [alleged trade secret] to intrinsic knowledge of the innovator[?]. In other words, is it possible to sort [the claimed trade secret] from the inner workings of a man's knowledge . . . ?"). See also Klitzke, *Trade Secrets*, *supra* note 15, at 568 ("If there is doubt whether the disputed information is a protectible trade secret or merely general skill and knowledge, the doubt is usually resolved in favor of the employee, because courts usually feel that a person is entitled to follow his or her chosen occupation." (footnote omitted)).

180. *Amoco*, 609 P.2d at 745.

181. *Black, Sivals & Bryson, Inc. v. Keystone Steel Fabrication, Inc.*, 584 F.2d 946, 952 (10th Cir. 1978) (quoting *Mixing Equip. Co. v. Philadelphia Gear, Inc.*, 312 F. Supp. 1269, 1274 (E.D. Pa. 1970), *modified*, 436 F.2d 1308 (3d Cir. 1971)).

trade secrets were actually discovered through reverse engineering. "Reverse engineering is the process by which a finished product is broken down into its component parts or otherwise analyzed to determine the manner in which the product was created."¹⁸² Actual reverse engineering or independent development are complete defenses to a trade secret claim.¹⁸³

Fruitful assertion of the reverse engineering defense is possible, although success is not probable, since courts generally respond to such contentions with heightened scrutiny.¹⁸⁴ Courts are well aware of the fact that it is "too easy to merely announce the simplicity of reverse engineering without a solid basis," and accordingly the courts demand that the defendant produce corroborative evidence to substantiate the defense.¹⁸⁵ Based on these standards, a defendant's ability to demonstrate that a plaintiff's trade secrets were actually discerned through analysis of the plaintiff's products is difficult and contingent upon the nature of the plaintiff's products. Naturally, some alleged trade secrets are more amenable to reverse engineering principles than others.

However, a seemingly unclear ramification of this defense is the extent to which an assertion of the mere availability of improper means to obtain information diminishes or negates trade secret status and protection.¹⁸⁶ Therefore, if trade secret defendants invoke the reverse engineering defense at all, they will most likely claim that the plaintiff's trade secrets *could have been* properly and easily discovered by reverse engineering. This hypothetical aspect of the reverse engineering defense is designed to refute the plaintiff's evidence that the trade secret was in fact secret.¹⁸⁷ The hypothetical reverse engineering defense has generally met

182. *Technicon Data Sys. Corp. v. Curtis 1000, Inc.*, No. 7644, 1984 WL 8268, at *7 (Del. Ch. Aug. 21, 1984) (citing *Kewanee Oil v. Bicron Corp.*, 416 U.S. 470, 476 (1974)).

183. 1 JAGER, *supra* note 113, § 5.04[3][a][i], at 5-29; see *Roboserve, Ltd. v. Tom's Foods, Inc.*, 940 F.2d 1441, 1455 (11th Cir. 1991); *Central Plastics Co. v. Goodson*, 537 P.2d 330, 334 (Okla. 1975).

184. See *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 675 (Wash. 1987) (excluding reverse engineering evidence and rejecting the defense) (post-UTSA).

185. See *id.*

186. 1 JAGER, *supra* note 113, § 5.04[3][a][i], at 5-29; see *ABC Coating Co. v. J. Harris & Son's, Ltd.*, 747 P.2d 266, 269 (Okla. 1986).

187. Recall that one of the six factors enumerated in the Restatement concerning the determination of trade secret status is "the ease or difficulty with which the information *could be properly acquired or duplicated* by others." RESTATEMENT OF TORTS § 757 cmt. b, at 6 (1939) (emphasis added). The Restatement also declares on this point that "a substantial element of secrecy must exist, so that, except by the use of *improper means*, there would be *difficulty in acquiring* the information." *Id.* (emphasis added). The Restatement's secrecy requirements are substantially incorporated into Oklahoma's Trade Secrets Act which mandates that in order to receive trade secret protection, information must not be publicly known or "readily ascertainable by proper means" and must be

with judicial antagonism because courts perceive the assertion of this defense as a surreptitious attempt to deflect attention away from defendants' misconduct.¹⁸⁸

At first glance, cases in this area seem to be in a state of disarray. However, one common denominator implicitly permeates pre-UTSA and post-UTSA analyses of the reverse engineering defense. This common denominator originated in Justice Holmes' opinion in *E. I. Du Pont De Nemours Powder Co. v. Masland*¹⁸⁹ and was later incorporated into Restatement section 757. According to the Restatement, the difference between trade secrets and processes or devices which are not secret is that knowledge of the latter is available to the copier without the use of *improper means* to procure it; knowledge of the former is available only by the use of such means.¹⁹⁰ The employment of improper means to procure the trade secret, not the mere copying or use, is the basis of liability.¹⁹¹ In the absence of breach of contract, abuse of confidence, or the use of improper means to acquire the information, trade secrets can be copied as freely as products which are not secret.¹⁹² As the court in *Telerate Systems, Inc. v. Caro*,¹⁹³ held (with seemingly equal application to both pre- and post-UTSA cases):

The *possibility* of discovery by "fair and honest methods" does not preclude the finding of a trade secret. At best, such possibility is one factor to consider in determining the novelty of the alleged trade secret. Further, the proper focus of inquiry is not whether an alleged trade

"the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Oklahoma's Trade Secrets Act § 86(4)(a), (b).

188. See *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1243-44 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 853 (1989); *Black, Sivalls & Bryson, Inc. v. Keystone Steel Fabrications, Inc.*, 584 F.2d 946, 952 (10th Cir. 1978); *Telex Corp. v. IBM*, 510 F.2d 894, 929 (10th Cir.) (finding that the defendants' conduct in procuring trade secret information was not justified, despite the fact that the information could have been obtained by independent means given enough time and money), *cert. dismissed*, 423 U.S. 802 (1975); see also *Imperial Chem. Indus. Ltd. v. National Distillers & Chem. Corp.*, 342 F.2d 737, 743 (2nd Cir. 1965) (citing *Herold v. Herold China & Pottery Co.*, 257 F. 911 (6th Cir. 1919)); *Technicon Data Sys. Corp. v. Curtis 1000, Inc.*, No. 7644, 1984 WL 8268, at *8 (Del. Ch. Aug. 21, 1984) (post-UTSA); *Televation Telecommunication Sys. v. Saindon*, 522 N.E.2d 1359, 1365 (Ill. 1988); *Weed Eater, Inc. v. Dowling*, 562 S.W.2d 898, 901 (Tex. Ct. App. 1978); *Minuteman, Inc. v. Alexander*, 434 N.W.2d 773, 778-79 (Wis. 1989). *But see Acuson Corp. v. Aloka Co.*, 257 Cal. Rptr. 368, 381 (Cal. Ct. App. 1989) (holding that although UTSA comment states that "lawful reverse engineering is predicated upon acquisition of a product by 'fair and honest means,'" obtaining "a product by ethically questionable means will not create secrets where there were none in the first place").

189. *E.I. Du Pont De Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917).

190. RESTATEMENT OF TORTS § 757 cmt. a, at 3-4 (1939).

191. *Id.*

192. *Id.*

193. 689 F. Supp. 221 (S.D.N.Y. 1988).

secret can be deduced by reverse engineering but rather, whether *improper means* are required to access it. . . . Accordingly, the term “reverse engineering” is not a talisman that may immunize the theft of trade secrets. The relevant inquiry remains whether the *means* used to obtain the alleged trade secret, including reverse engineering, were *proper*.¹⁹⁴

It is thus clear that actual reverse engineering subsequent to acquisition of the relevant product by proper means is a complete defense to a trade secret misappropriation cause of action. This defense may be difficult to prove based upon the nature of the product. However, the hypothetical reverse engineering defense is generally disfavored by the courts.

B. Damages

1. Compensatory Damages

The common law regarding the proper measure of damages in a trade secrets case is far from uniform.¹⁹⁵ However, the common thread in trade secret cases is that the plaintiff should be made whole and that there should be no double recovery.¹⁹⁶ Courts have fashioned four approaches to the determination of the proper measure of compensatory damages in trade secret cases, each of which could properly serve as the subject of its own article. In the interests of brevity, each measure of damages is succinctly discussed below.

The first and most commonly utilized measure of damages is best described as equitable disgorgement of unjust enrichment. This approach envisions damages comprised of “‘not what the plaintiff lost, but rather the benefits, profits, or advantage gained by [the] defendant in use of the trade secret.’”¹⁹⁷ In assessing the defendant’s “benefits” gained through trade secret misappropriation, courts utilize the “standard of comparison” test.¹⁹⁸ This test requires a “comparison of the costs incurred by the defendant using the stolen trade secret, and the costs that

194. *Id.* at 232-33 (emphasis added).

195. *See* *Telex Corp. v. IBM*, 510 F.2d 894, 930 (10th Cir.), *cert. dismissed*, 423 U.S. 802 (1975); Michael A. Rosenhouse, Annotation, *Proper Measure and Elements of Damages for Misappropriation of Trade Secret*, 11 A.L.R.4TH 12 (1982).

196. *Telex*, 510 F.2d at 931.

197. *Id.* at 930 (quoting *International Indus. v. Warren Petroleum Corp.*, 248 F.2d 696, 699 (3d Cir. 1957), *cert. dismissed*, 355 U.S. 943 (1958)). Three of the four approaches to trade secret damages were thoroughly reviewed by the court in *Telex*. Although the *Telex* court held that the damages issue would be governed by Oklahoma law, the *Telex* court’s damages determination was not based on Oklahoma law. The court lamented that its attention was not drawn to any existing Oklahoma authority on the subject; and thus, it was compelled to resort to the common law of trade secret damages. *See id.*

198. *Id.*

would have been incurred had he not used the trade secret. The difference between the two is the 'benefit' [or savings] accruing to the defendant, and is the measure of plaintiff's damages."¹⁹⁹ A trade secret plaintiff would seek such an equitable remedy when the defendant's gains substantially exceed the plaintiff's losses from trade secret misappropriation.²⁰⁰ A trade secret plaintiff may also wish to invoke this "savings" measure of damages when the misappropriation is discovered before the defendant reaps substantial profits but after the defendant has used the trade secret to save research and development expenses and gain lead time in its product development or market entry.²⁰¹

The second approach to trade secret damages advocates that the plaintiff's actual loss, rather than the defendant's benefit or gain from misappropriation of trade secrets, constitutes the better measure of damages.²⁰² Where, as a result of trade secret misappropriation, the plaintiff's actual economic loss²⁰³ substantially exceeds the defendant's economic gain, the plaintiff should claim that its loss should be the

199. *Id.* at 930.

200. Steven S. Young & Margaret J. Palladino, *Monetary Damages in Trade Secret Cases*, TRIAL, Mar. 1989, at 45; see *Salsbury Lab. v. Merieux Lab.*, 735 F. Supp. 1555, 1571 (M.D. Ga. 1989); *USM Corp. v. Marson Fastener, Corp.*, 467 N.E.2d 1271, 1276 (Mass. 1984); *Jet Spray Cooler, Inc. v. Crampton*, 385 N.E.2d 1349, 1356-57 (Mass. 1979).

201. See *Telex*, 510 F.2d at 932 (awarding IBM the \$10 million Telex saved in researching and developing a product that Telex never completed, since Telex unjustly enriched itself through use of IBM's trade secrets).

202. *Id.* at 931 (quoting *Sperry Rand Corp. v. A-T-0, Inc.*, 447 F.2d 1387, 1392-93 (4th Cir. 1971), *cert. denied*, 405 U.S. 1017 (1972)).

203. The viability of a theory of recovery premised upon loss of good will as a proximate result of misappropriation of trade secrets is an interesting issue. Oklahoma has not addressed the good will theory of damages in any trade secret case. However, the Oklahoma Supreme Court has defined the phrase "good will" in a manner conducive to this theory of recovery. The court defined "good will" as:

[T]he custom or patronage of any established trade or business; the benefit or advantage of having established a business and secured its patronage by the public. The 'good will' value of any business is the value that results from the probability that old customers will continue to trade with an established concern.

Freeling v. Wood, 361 P.2d 1061, 1063 (Okla. 1961) (citation omitted). Damages based upon subsequent loss of good will appear to be consistent with the foregoing rationale. Courts have long recognized that employers have a protected interest in customer good will and customer contacts. See, e.g., *Micro Plus, Inc. v. Forte Data Sys.*, 484 So. 2d 1340, 1342 n.1 (Fla. Dist. Ct. App. 1986); *All Stainless, Inc. v. Colby*, 308 N.E.2d 481, 484 (Mass. 1974); *Whitmyer Bros. v. Doyle*, 274 A.2d 577, 581 (N.J. 1971). However, despite this recognition, courts have not awarded damages (as opposed to injunctive relief), specifically based upon a business' loss of good will. See, e.g., *Klockner-Humboldt-Deutz Aktiengesellschaft, Koln v. Hewitt-Robins Div. of Litton Sys., Inc.*, 486 F. Supp. 283, 286, 288 (D.S.C. 1978); *Technicon Data Sys. Corp. v. Curtis 1000, Inc.*, No. 7644, 1984 WL 8268, at *10 (Del. Ch. Aug. 21, 1984); *Opie Brush Co. v. Bland*, 409 S.W.2d 752, 754, 759 (Mo. Ct. App. 1966).

As of this date, the good will recovery theory appears to have been embraced academically, rather than judicially. See Griffinger, *supra* note 10, at 84; Felix Prändl, *Damages for Misappropriation of Trade-Secret*, 22 TORTS INS. L.J. 447, 449 (1987); Young & Palladino, *supra* note 200, at 45-46; 2 BUS. TORTS (MB) § 17.03 [3], at 17-51 (1989). Significantly, not one of the aforementioned

proper measure of damages.²⁰⁴

The third judicial approach to trade secret damages combines the first two damage theories. Traditionally, common law held that a plaintiff could recover either the plaintiff's losses (a legal remedy), or the defendant's gains (an equitable remedy), as damages for trade secret misappropriation, but not both.²⁰⁵ The third approach rejects the conventional view and reasons that due to the unification of law and equity, the proper measure of trade secret damages is no longer an "either or proposition," but may be a combination of remedies when necessary to fully compensate the plaintiff.²⁰⁶ The "plaintiff who has suffered a loss apart from the defendant's gain may want to use [this] cumulative approach."²⁰⁷

In cases where the defendant has made no actual profits and the

commentators cited a single trade secret case which actually utilized, endorsed, or rejected the loss of good will damages theory.

Only one seminal case recognizes the existence and validity of a good will damage theory in the context of trade secret litigation. See *Carter Prod. Inc. v. Colgate-Palmolive Co.*, 214 F. Supp. 383 (D. Md. 1963). The case involved bifurcated proceedings in which the trial court found defendant Colgate liable for patent infringement and misappropriation of the plaintiff's (Carter's) trade secrets. *Id.* at 386-87. Carter contended "that the Master should have included in his recommended award, either as part of [Colgate's] profits or as a separate item, the value of the good will which Colgate built up . . . over the years by means of" Colgate's misappropriation of Carter's trade secrets. *Id.* at 389. The court ascertained that "the momentum of good will which Colgate had built up" for Colgate's offending products "carried over in large measure to the altered products." *Id.* at 407. Note that Carter claimed entitlement to the value of the *good will gained* by Colgate, and not the value of the *good will lost* by Carter, as a result of Colgate's misconduct. In most cases, a plaintiff's good will damages claim will be predicated upon the value of the good will lost by the plaintiff, and not the value of the good will gained by the defendant as a result of the defendant's misconduct, or at least a combination thereof. The court in *Colgate* appears to have recognized the good will theory of damages in the trade secret context. The court declined to award good will damages delineated as such, based upon the specific facts and circumstances of the case before it. *Id.* at 407. However, the court's thoughtful consideration of the issue enhanced rather than disparaged the inherent legitimacy of a theory of recovery for loss of good will in trade secret cases. It seems that a theory of recovery premised upon loss of a business' good will as a result of misappropriation of the business' trade secrets is a viable if somewhat obscure concept in trade secret law. Although it appears that a trade secret plaintiff may assert this theory, it should not expect to recover good will damages unless the plaintiff can: (1) convince the court to accept this theory; and (2) produce substantial and convincing proof of its actual loss of good will to support its claim. At least one district court has denied, albeit in cursory if not conclusory fashion, a defendant's motion for summary judgment which was premised on the speculative nature of the plaintiff's good will damage claim in a post-UTSA trade secret case. See *Herbster v. Global Intermediary, Inc.*, No. 89-2198-V, 1991 WL 205659, at *3 (D. Kan. Sept. 11, 1991).

204. See *Young & Palladino*, *supra* note 200; see also *Salsbury Lab. v. Merieux Lab.*, 735 F. Supp. 1555, 1571 (M.D. Ga. 1989).

205. See *Young & Palladino* *supra* note 200, at 45.

206. *Telex Corp. v. IBM*, 510 F.2d 894, 931 (10th Cir.) (citing *Clark v. Bunker*, 453 F.2d 1006, 1011 (9th Cir. 1972)), *cert. dismissed*, 423 U.S. 802 (1975).

207. *Young & Palladino*, *supra* note 200, at 46; see *Telex*, 510 F.2d at 931-32 (utilizing this comprehensive approach to award IBM damages for its lost rentals as well as Telex's profits from Telex's misappropriation of IBM's trade secrets to prevent unjust enrichment).

plaintiff is unable to prove a specific pecuniary loss, courts must look to a fourth measure of trade secret damages—the “reasonable royalty” approach.²⁰⁸ In the trade secret context, a “reasonable royalty” is not tantamount to “a simple percentage of actual profits”; instead, the trier of fact must determine “the actual value of what has been appropriated”²⁰⁹ and award this amount to the plaintiff. This “reasonable royalty” may be based upon an established royalty, if one exists, or upon the hypothetical royalty that would result from arms length negotiations between a willing licensor and a willing licensee.²¹⁰

To ascertain a reasonable royalty when no actual royalty or industry standard exists, the trier of fact must determine what the parties would have agreed to as a fair price for licensing the defendant to use the trade secret as the defendant intended at the time of the misappropriation.²¹¹ The trier of fact should consider factors such as the resulting and foreseeable changes in the parties’ competitive posture; the prices paid by prior purchasers or licensees; the total value of the secret to the plaintiff, including development cost and the secret’s importance to the plaintiff’s business; the intended nature and extent of trade secret use by the defendant; and other unique factors presented by the case that might have affected the parties’ agreement, such as the availability of an alternative process.²¹² In short, the trier of fact must construct a methodology for a subjective, yet hypothetical, negotiation between the parties that removes the animosity between the parties and “comports with industry practice.”²¹³

The Oklahoma Trade Secrets Act has expressly incorporated all four of the foregoing common law measures of trade secret damages into its damages provision.²¹⁴ Thus, cases involving common law trade secret

208. See *Jet Spray Cooler, Inc. v. Crampton*, 385 N.E.2d 1349, 1357 n.10 (Mass. 1979).

209. *Metallurgical Indus., v. Fourtek, Inc.*, 790 F.2d 1195, 1208 (5th Cir. 1986) (citing *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 537 (5th Cir. 1974) (quoting from *Vitro Corp. v. Hall Chem. Co.*, 292 F.2d 678, 683 (6th Cir. 1961))).

210. *Johns-Manville Corp. v. Guardian Indus.*, 718 F. Supp. 1310, 1313 (E.D. Mich. 1989) (citing *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983); see also UNIF. TRADE SECRETS ACT § 3 cmt., 14 U.L.A. 433, 456 (1990) (“In order to justify this alternative measure of damages, there must be competent evidence of the amount of a reasonable royalty.”).

211. *Metallurgical*, 790 F.2d at 1208.

212. *Id.*

213. *Johns-Mansville*, 718 F. Supp. at 1313, 1315.

214. Oklahoma’s Trade Secrets Act provides that:

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

damages will most likely guide Oklahoma courts in determining the proper measure of damages under the Trade Secrets Act.²¹⁵

It is often difficult to make an educated guess or projection concerning a trade secret plaintiff's ultimate recoverable compensatory damages because of the multiple approaches the courts use and the fact-driven inquiry they entail. However, regardless of which theory of damages a trade secret plaintiff elects to pursue, the courts have consistently held that "[t]he fact that such damages may be difficult to pin down should not militate in favor of the wrongdoer."²¹⁶

2. Punitive Damages

Once compensatory damages are sought and awarded in a trade secrets case, the court has the discretion, on a proper record, to award punitive damages.²¹⁷ "[A] breach of faith underlies every trade secret claim. However, establishing that breach alone is insufficient to warrant an award of punitive damages; one must also demonstrate that the defendant acted wantonly, willfully, or in reckless disregard of the plaintiff's rights."²¹⁸

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.

Oklahoma's Trade Secrets Act § 88(A). Unauthorized disclosure or use, as opposed to mere misappropriation, must be established as a prerequisite to the use of the reasonable royalty measure of damages under the UTSA. *See id.* The UTSA's damages provision "adopts the principle of the recent cases allowing recovery of both a complainant's actual losses and a misappropriator's unjust benefit that are caused by misappropriation." UNIF. TRADE SECRETS ACT § 3 cmt., 14 U.L.A. 433, 456 (1990); *see* *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985) (awarding compensatory damages comprised of: (1) plaintiff's actual loss; (2) defendants' unjust enrichment; and (3) a 33% industry standard reasonable royalty, under Minnesota's UTSA damages provision).

215. *See* *Mineral Deposits Ltd. v. Zigan*, 773 P.2d 606, 608 (Colo. Ct. App. 1988) (citing *Jet Spray Cooler, Inc. v. Crampton*, 385 N.E.2d 1349 (Mass. 1979), in its consideration of the proper measure of post-UTSA compensatory damages for trade secret misappropriation, and adopting the cumulative or comprehensive measure of such damages).

216. *Telex Corp. v. IBM*, 510 F.2d 894, 932 (10th Cir.), *cert. dismissed*, 423 U.S. 802 (1975). In this regard, it must be recalled that "the rule which proscribes the recovery of uncertain and speculative damages applies where the *fact* of damage is uncertain, not where the *amount* of damages is uncertain. Where the fact is certain, the uncertainty as to the amount will not prevent damages from being assessed." 1 JAGER, *supra* note 113, § 7.03[2][a] (citing *Matarese v. Moore-McCormack Lines, Inc.*, 158 F.2d 631, 637 (2d Cir. 1946); *Reliable Tire Distrib., Inc. v. Kelly Springfield Tire Co.*, 607 F. Supp. 361, 372 (E.D. Pa. 1985)).

217. *See, e.g., Clark v. Bunker*, 453 F.2d 1006, 1011-12 (9th Cir. 1972).

218. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1248 (Fed. Cir. 1989) (quoting *In re Innovative Constr. Sys.*, 793 F.2d 875, 889 (7th Cir. 1986)), *cert. denied*, 110 S. Ct. 154 (1989); *see* *USM Corp. v. Marson Fastener Corp.*, 467 N.E.2d 1271, 1285 (Mass. 1984).

Oklahoma's Trade Secrets Act should not materially alter traditional judicial ability to award punitive damages in trade secret cases. However, it does, to a degree, statutorily restrict the scope of such damages. The Oklahoma Trade Secrets Act provides that "[i]f willful and malicious misappropriation exists, the court may award exemplary damages in an amount *not exceeding twice* any award made pursuant" to the compensatory damage provision of the Trade Secrets Act.²¹⁹ This punitive damage standard differs somewhat from Oklahoma's general statutory punitive damage standard,²²⁰ as well as the common law's trade secret punitive damage standard.²²¹ However, Oklahoma's Trade Secrets Act should not impede the plaintiff's ability to recover statutorily limited punitive damages upon a proper demonstration of the requisite state of mind of the defendant, as other UTSA jurisdictions have already held.²²²

C. Attorneys' Fees

An award of attorneys' fees to a prevailing trade secret plaintiff is governed, of course, by state law.²²³ Prior to the promulgation of the UTSA, the majority of states, including Oklahoma, followed the American rule, which makes each party responsible for its own attorneys' fees in the absence of a contrary statute or contract.²²⁴ With the advent of the UTSA, however, attorneys' fees in trade secret cases became a matter of statutory law. Oklahoma's Trade Secrets Act allows the court to award reasonable attorneys' fees to the prevailing party if a misappropriation claim is made in bad faith, a motion to terminate an injunction is

219. Oklahoma's Trade Secrets Act § 88(B) (emphasis added); see also UNIF. TRADE SECRETS ACT § 3 cmt., 14 U.L.A. 433, 457 (1990) ("This provision follows federal patent law in leaving discretionary trebling to the judge even though there may be a jury, compare 35 U.S.C. § 284 (1976)."); *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 680 (Wash. 1987) (finding punitive damages under the UTSA discretionary with the trial court).

The Oklahoma Trade Secrets Act does not define the terms "willful" or "malicious." See Oklahoma's Trade Secrets Act § 86. Presumably, the Oklahoma judiciary would rely upon Oklahoma's generic punitive damages provision, OKLA. STAT. tit. 23, § 9 (Supp. 1990), and judicial interpretations thereof, as well as relevant decisions of other UTSA jurisdictions in adjudicating the issue of punitive damages under the Trade Secrets Act. For cases interpreting the UTSA punitive damages provision, see *infra* note 222.

220. See OKLA. STAT. tit. 23, § 9 ("wanton or reckless disregard for the rights of another, oppression, fraud or malice, actual or presumed").

221. See *Richardson*, 868 F.2d at 1248 (explaining that trial judge and jury are given wide discretion to assess punitive damages).

222. See *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985); *Boeing*, 738 P.2d at 680-81; *McCormack and Dodge Corp. v. ABC Management Sys.*, 222 U.S.P.Q. (BNA) 432, (Wash. Dec. 22, 1983). See *infra* note 226.

223. See *Cherne Indus. v. Grounds & Assoc.*, 278 N.W.2d 81, 96-97 (Minn. 1979).

224. 1 JAGER, *supra* note 113, § 7.04; see *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 261-63, (1975); *Kay v. Venezuelan Sun Oil Co.*, 806 P.2d 648, 650 (Okla. 1991).

made or defended in bad faith, or if the misappropriation is wilful and malicious.²²⁵

Under the UTSA, a plaintiff's ability to recover attorneys' fees is closely tied to the plaintiff's ability to recover punitive damages.²²⁶ Thus, to the extent a plaintiff may recover punitive damages under Oklahoma's Trade Secrets Act, the plaintiff may also recover attorneys' fees.²²⁷ Other UTSA states have not been reluctant to award attorneys' fees (and punitive damages) to plaintiffs, or for that matter, defendant's who have made satisfactory evidentiary showings.²²⁸

IV. CONCLUSION

The common law trade secret cause of action consists of three elements. The statutory action may consist of only two elements. First, under both schemes, a trade secret plaintiff must prove that the information it seeks to protect merits trade secret status and protection because it fits the legal definition of a trade secret. Secrecy is an essential element of trade secret claims. However, one cannot convert something that is not otherwise a trade secret into a trade secret by merely by keeping it secret, or by contractually designating it as a trade secret. One must first show the existence of a trade secret before the secrecy issue becomes important. Factual issues will exist concerning the extent of a plaintiff's affirmative efforts to maintain secrecy, the number and legal status of people to

225. See UNIF. TRADE SECRETS ACT § 4, 14 U.L.A. 433, 460 (1990). "[T]he court should take into consideration the extent to which a complainant will recover exemplary damages in determining whether additional attorney's fees should be awarded." UNIF. TRADE SECRETS ACT § 4 cmt., 14 U.L.A. 433, 460 (1990).

226. Oklahoma's Trade Secrets Act § 89. The Oklahoma's Trade Secrets Act does not define the phrase "bad faith." See Oklahoma's Trade Secrets Act § 86. Presumably, the Oklahoma judiciary would rely upon Oklahoma statutes which deal with the concept of bad faith and judicial interpretations thereof, as well as relevant decisions of other UTSA jurisdictions, to adjudicate the issue of "bad faith" attorneys' fees under the UTSA. See OKLA. STAT. tit. 12, § 2011 (Supp. 1990); OKLA. STAT. tit. 13, § 103 (Supp. 1990). See *infra* note 228; see also *supra* note 219 UTSA definitions of "wilful" and "malicious".

227. Compare Oklahoma's Trade Secrets Act § 89(3) with § 88(B).

228. See *Clinipad Corp. v. Applicare, Inc.*, No. 235252, 1991 WL 88156 (Conn. Super. Ct. May 21, 1991); *Optic Graphics, Inc. v. Agee*, 591 A.2d 578 (Md. Ct. Spec. App. 1991); *Aries Info. Sys. v. Pacific Management Sys.*, 366 N.W.2d 366, 369 (Minn. Ct. App. 1985); *Boeing Co. v. Serracin Corp.*, 738 P.2d 665, 680-81 (Wash. 1987); *McCormack & Dodge Corp. v. ABC Management Sys.*, 222 U.S.P.Q. (BNA) 432, 446 (Wash. Dec. 22, 1983). Compare *Andrew Corp. v. Van Doren Indus.*, No. Civ. A. 88-2414-0, 1990 WL 136779, at *5 (D. Kan. July 5, 1990); *Qad, Inc. v. ALN Assoc., Inc.*, No. 88-C-2246, 1990 WL 93362, at *2-3 (N.D. Ill. June 20, 1990) (declining to award UTSA attorneys' fees upon application of subjective standard of bad faith under UTSA, and awarding attorneys' fees based upon plaintiff's failure of objective good faith component of FED. R. Civ. P. 11). But see *Colorado Supply Co. v. Stewart*, 797 P.2d 1303, 1307-08 (Colo. Ct. App. 1990) (reversing trial court's award of attorneys' fees partially because no Colorado UTSA jurisprudence existed when case filed).

whom trade secret information was disclosed, and the extent of unauthorized use or disclosure.

Assuming that the plaintiff can satisfy the concomitant requirements of the existence of a trade secret and secrecy, then, at common law, the plaintiff must show that the defendant acquired the trade secret through, i.e., in breach of, a confidential relationship. This element is easily established in most cases. The employer-employee relationship alone establishes the required confidential relationship. The statutory corollary of common law confidential relationship is acquisition of the trade secret through improper means. Almost any commercial misconduct can fall within the purview of "improper means."

Finally, the plaintiff must show that the defendant used and/or improperly acquired the trade secret. There is an apparent divergence between the Restatement position on the issue, reaffirming the common law, and the Uniform Trade Secrets Act as adopted in Oklahoma. The Restatement position requires *both* acquisition and use. The Oklahoma Trade Secrets Act requires *either* improper acquisition or use. Thus, under the Oklahoma Trade Secrets Act, it is possible to establish a trade secret claim if someone improperly acquires a trade secret and never uses or discloses it or if someone improperly uses or discloses a trade secret after properly acquiring it. Currently, there are no Oklahoma cases which address the conflict between the UTSA and the common law.

In addition to the assertion of lack of secrecy, there are two possible defenses that come to mind immediately when considering any trade secret case. Under Oklahoma's pleading scheme, a defendant may have to raise them specifically as affirmative defenses. The first is the experience defense which is an averment by the defendant that the product at issue was discovered through the defendant's own industry experience. The defense is a question of fact and is designed to defeat a plaintiff's attempt to prove that the trade secret was not generally known or used in the trade. Secondly, the defendant may argue that the alleged trade secret was properly discovered by reverse engineering. Reverse engineering is a process by which a finished product is broken down into its component parts or otherwise analyzed to determine the manner in which it was created. Actual reverse engineering is a complete defense to a trade secret claim. Reverse engineering can be a difficult element to prove depending upon the item to be analyzed, and whether such an item lends itself to reverse engineering principles.

Damages for misappropriation of a trade secret can be both compensatory and punitive. Under the Uniform Trade Secrets Act, punitive damages are limited to twice the amount of compensatory damages. There are four approaches to determine the proper measure of compensatory damages; (1) equitable disgorgement of unjust enrichment; (2) plaintiff's actual loss; (3) a combination of the first two approaches; and (4) "reasonable royalty" approach which is used in default of the three other measures. The difficulty of establishing damages will not be a bar to a plaintiff's recovery. It is often difficult to project a trade secret plaintiff's ultimate compensatory damages because of the multiple approaches the courts use and the fact-dependent inquiry of those approaches. Attorneys' fees awarded under the UTSA will be tied to whether punitive damages can be recovered.

