The Specifically Defined Trade Secret: An Approach to Protection

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THE SPECIFICALLY DEFINED TRADE SECRET: AN APPROACH TO PROTECTION

I. INTRODUCTION

The commercial value of any secret information is derived from both the substantive content and the restricted availability of the information. Quite often, the combination of these two factors constitutes an extremely valuable trade secret. The variety of formulas, processes, methods, devices, and compilations which may qualify as trade secrets is limited only by imagination and ingenuity. The character of the information, if unique or unusual and competitively advantageous to the business in which it is used, is not material.¹

In the United States' system of free enterprise and competition, trade secrets have become a key to industrial power,² representing intangible assets which in many cases are a practical requirement for competitive businesses.³ In contrast to patent rights, which are often

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³ Significantly, the increasingly rigid scrutiny applied by courts in examining patents in infringement cases, along with the tremendous expense and amount of time spent in obtaining patents (the average waiting time is 19 months) has inspired owners of patentable ideas that provide a competitive advantage to seek alternative protection for their ideas. Sutton, Developments and Trends in Trade Secrets Law, Attorney's Guide to Trade Secrets § 1.3 (1971) [hereinafter Sutton]. See also J. Pooley, Trade Secrets: How to Protect Your Ideas and Assets 26-27 (1982) [hereinafter Pooley TRADE SECRETS]. Moreover, while the courts appear to be holding patents invalid with greater frequency, the number of decisions
fraught with bureaucratic delays and lengthy waiting periods for
government grants, trade secret rights can be established relatively
easily by the conduct or agreement of the parties. However, every
business whose profits depend upon the actual or potential use of
trade secrets risks sustaining considerable losses in the event that
such confidential information is used without authorization or is dis-
closed through inadvertence. In order to prevent such unauthorized
use or inadvertent disclosure, protective measures must be exercised
carefully and continuously.

The preservation of secrecy is no easy task in this age of rapid
granting protection for trade secrets is on the increase. Sutton, supra, at § 1.3. The Commis-
missioners’ Prefatory Note to the Uniform Trade Secrets Act (UTSA) points out, “In view of the
substantial number of patents that are invalidated by the courts, many businesses now elect to
protect commercially valuable information through reliance upon the state law of trade secret
protection.” UNIF. TRADE SECRETS ACT, 14 U.L.A. §§ 1-12, 537 (Commissioner’s Prefatory
Note) (1980) [hereinafter UTSA].

In addition, trade secrets have gained importance in the commercial arena as a result of
rapidly changing technology which, in so many fields, is outstripping the existing laws
intending to encourage and protect inventions and innovations. M. JAGER, TRADE SECRETS
LAW § 1.01 (1985).

4. M. JAGER, supra note 3, at § 1.01. A trade secret right is established upon the
creation of the idea in concrete form and continues so long as secrecy is maintained. Id.

5. Although it is likely that the owner of a trade secret will employ that secret in his or
her business operations, use by its developer in his or her business is not a prerequisite for
Rptr. 654, 658 (1974). Moreover, neither California law nor the UTSA (from which the
California law was derived) require an actual opportunity or the acquired means to put a
trade secret to use in order for information to qualify as a protectible trade secret. Information
may qualify as a trade secret even though it is not continuously used in one’s business. In fact,
information whose commercial value is the result of lengthy and expensive research which
proves that certain processes will not work may be protected as a trade secret. CAL. CIV. CODE
§ 3426.1, (Senate Legislative Committee Comment) (West Supp. 1987) [hereinafter Senate
Comment]; UTSA, supra note 3, at 537 (Commissioner’s Prefatory Note).

6. Hutter, supra note 2, at 2. “In fact, not knowing what constitutes proprietary infor-
mation is one way many entrepreneurs may have lost their valuable technology in the past.”
Pooley TRADE SECRETS, supra note 3, at 5.


However, unreasonable precautions to prevent another from doing that which he or she
should not do in the first place are not necessary for trade secret protection. For example, in
E.I. duPont deNemours & Co. v. Christopher, the defendants took aerial photographs of the
new construction of plaintiff’s methanol plant. Because the plant was still under construction,
parts of plaintiff’s secret process for producing methanol were exposed to view from directly
above the construction area (after construction, the finished plant would have protected much
of the process from view). The court held that to require duPont to put a roof over the unfin-
ished plant to guard its secret process would have imposed “an enormous expense to prevent
nothing more than a schoolboy’s trick.” Although reasonable precautions against predators
may be required, “an impenetrable fortress” is an unreasonable requirement which industrial
inventors should not be burdened with in order to protect “the fruits of their efforts.” 431 F.2d
1012, 1016-17 (5th Cir.), cert. denied, 400 U.S. 1024 (1970). See also Senate Comment, supra
note 5; UTSA, supra note 3, at 537 (Commissioner’s Prefatory Note).
electronic, chemical, genetic, and atomic development. Countless skilled and expert employees are engaged in the ongoing process of developing potential trade secrets. The keen competition for employees of this caliber frequently results in widespread employee mobility and an increased potential for unauthorized use and disclosure of trade secrets. It is thus the role of the courts to protect an employer’s trade secret ownership rights while preventing any undue restraints upon an individual in the pursuit of his or her livelihood or upon public access to scientific and economic advances.  

This comment will address the issue of trade secret protection in the context of the employer-employee relationship. More specifically, this comment will explore the basic theories of trade secret protection and the competing policies which underlie this protection. Next, the inter-relationship of these theories and policies will be examined in view of the need for specifically defined trade secrets in the employer-employee relationship. In addition, the consequences of an employer’s failure to specifically define trade secrets will be addressed along with the advisability of an employer’s controlled disclosure of specifically defined secrets to employees whose assistance is vital to the valuable use of that information. Finally, several procedures will be proposed to demonstrate how an employer can utilize a specific definition to better insure trade secret protection.

II. BACKGROUND

A. The Basis of Trade Secret Protection

1. The Supporting Theories

In recent years, the rise of industrial espionage and employee


9. “Industrial espionage” has been defined as “the practice of engaging in surreptitious surveillance for the purpose of discovering a businessman's secrets.” Comment, Industrial Espionage: Piracy of Secret Scientific and Technical Information, 14 UCLA L. REV. 911, 911 (1967). The prevalence of industrial espionage and the corresponding need for protection against such conduct was acknowledged in E.I. duPont de Nemours Co.: [I]ndustrial espionage . . . has become a popular sport in some segments of our industrial community. However, our devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations . . . commercial privacy must be protected from espionage which could not have been reasonably anticipated or prevented.
mobility has dramatically increased the likelihood of losses that occur when trade secrets are used without authorization. The goal of trade secret law is to protect commercially valuable ideas against such losses by providing the owner of a trade secret with the fundamental right to relief from harm, actual or potential, caused when his trade secret is misappropriated.

Trade secret protection is warranted only where there is some "legal relationship", such as a contractual agreement or confidential relationship giving rise to a duty not to disclose. Thus, the combination of a confidential relationship and information subject to protection as a trade secret gives rise to a cause of action for trade secret misappropriation. In the context of an employer-employee relationship, once the existence of a trade secret has been established, legal relief is predicated on the trust and confidence which is established when the employer discloses a pre-existing trade secret to his or her employee. A pledge of secrecy is thus implicitly extracted from the employee and remains enforceable even after the employment relationship comes to an end.

431 F.2d at 1016. According to one estimate, approximately $4 billion worth of trade secrets are misappropriated annually in the United States. See Hutter, supra note 2, at 3. See also M. Jager, supra note 3, at § 1.04.

10. When key executives and technicians change jobs, they often take with them information acquired during the course of their previous employment. Frequently these employees do not hesitate to forward their former employers' confidential information because their loyalties shift to their new employers. Hutter, supra note 2, at 3.

11. Id. at 2-3.

12. Under California law, an injunction may issue to prevent actual or potential misappropriation of a trade secret. Cal. Civ. Code § 3426.2(a) (West Supp. 1987). Damages, however, are available only for the actual loss or unjust enrichment caused by misappropriation. Id. at § 3426.3(a).

13. Klitzke, The Uniform Trade Secrets Act, 64 Marq. L. Rev. 277, 277 (1980). A trade secret is misappropriated when knowledge of the information is acquired through improper means such as "fraud, use of surreptitious means or participation in a wrongful conspiracy." Id. In addition, a trade secret is misappropriated if it is used with knowledge that it was tortiously obtained by another or if its use is in breach of a confidential relationship. Id. at 279-80.


16. Futurecraft, 205 Cal. App. 2d at 285-86, 23 Cal. Rptr. at 209. Therefore, in every employment relationship wherein trade secrets are disclosed there exists an implied covenant which prevents employees from utilizing, for their benefit or for the benefit of others, any trade secrets acquired during the course of their employment. By-Buk Co. v. Printed Cellophane Tape Co., 163 Cal. App. 2d 157, 164, 329 P.2d 147, 151 (1958).

It is important to note, however, that not every employment relationship is accompanied by a confidential relationship. In Shatterproof Glass Corp. v. Guardian Glass Co., the alleged
Trade secret protection is not intended to reward or promote the secrecy of the development and maintenance of processes or information, though this may be the result. The aims of trade secret protection are rather: (1) to maintain standards of commercial ethics through protection against breaches of confidentiality and the use of improper methods to obtain information; and (2) to encourage research, innovation, development and use of new ideas.

trade secret thieves were mold makers who earned an hourly wage of $2.75. Neither man was informed that his work involved proprietary or confidential information, nor did either so understand. The court thus found that no confidential relationship existed. 322 F. Supp. 854, 864-65 (E.D. Mich. 1970).

17. Jostens Inc. v. National Computer Sys., 318 N.W.2d 691, 701 (Minn. 1982) (citing 1 R. Milgrim, Milgrim on Trade Secrets § 12.01 (1987) (Rel. 20-6/85)). Trade secrets law in general and the UTSA in particular were never intended to function as a "blanket post facto restraint on trade" (which by definition would prevent dissemination of the information protected). Thus, the "right to impose contractual restraints upon the disclosure of information which can be protected as a trade secret does not automatically transform that information into a "trade secret" in the absence of such restraints. See Fleming Sales Co. v. Bailey, 611 F. Supp. 507, 511 (N.D. Ill. 1985), ("Knowledge derived from experience does not automatically carry with it the ability to foretell others who have shared that experience and thus that knowledge.") Id.

18. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974); Senate Comment, supra note 5; UTSA, supra note 3, at 542, § 1 (Commissioner's Comment). The desire to uphold business morality has been an ongoing theme as the common law of trade secrets developed in the United States over the past century, and the encouragement of rising standards of fairness and commercial morality continues to be the keystone of trade secret law in the courts. M. Jager, supra note 3, at 1-7.

19. "Improper" will always be a word of many nuances, determined by time, place, and circumstances. Clearly, however, one of its commandments does say thou shall not appropriate a trade secret through deviousness under circumstances in which countervailing defenses are not reasonably available. "E.I. duPont deNemours & Co., 431 F.2d at 1017. Thus, "[i]mproper means could include otherwise lawful conduct which is improper under the circumstances; e.g., an airplane overflight used as aerial reconnaissance to determine the competitor's plant layout during construction of the plant." Senate Comment, supra note 5 (citing E.I. duPont deNemours, 431 F.2d 1012); UTSA, supra note 3, at 542 (Commissioner's Comment) (citing E.I. duPont deNemours, 431 F.2d 1012).

20. Jostens, 318 N.W.2d at 701.

21. M. Jager, supra note 3, at § 1.04. (quoting Kewanee, 416 U.S. at 484, and Brunswick Corp. v. Outboard Marine Corp., 16 Ill. 2d 475, 404 N.E.2d 205, 207 (1980)).

Jager notes that this policy area has proved to be:

[R]ather troublesome for the courts, because of the continuing conflict between trade secret law and the related laws governing patents and restraints of trade. On the one hand, the policy against restraints of trade is designed to promote free competition by allowing unfettered use of ideas in the public domain. On the other hand, the policy underlying patent and trade secret laws is to encourage the development and use of new ideas by rewarding inventors and innovators with some measure of exclusive property rights in the idea.

M. Jager, supra note 3, at § 1.04.

Research and innovation are encouraged by virtue of the legal mechanism for dissemination and productive use of proprietary information provided by trade secret law. In the absence of trade secret protection, experienced and informed inventors would be unlikely to disclose
Ownership of a trade secret represents only a proprietary right which is protected against usurpation by unfair means. Such ownership does not confer a corresponding monopoly in the use of that information, as in the case of patent and copyright ownership.

The protection of trade secret rights has been based on a number of different theories. Prior to the formulation and limited adoption of the Uniform Trade Secrets Act (UTSA), courts were free to draw upon a variety of legal concepts in deciding trade secrets cases. The traditional theory of protection is based upon the notion that a trade secret is property. Courts have also frequently relied

their ideas to others for consideration. The potential nonproductive hoarding of ideas is, however, tempered by the acceptance and enforcement of private trade secret agreements. Thousands of such existing trade secret agreements have fostered billions of dollars of economic activity within the United States and abroad. M. Jager, supra note 3, at § 1.04.


23. Protection of a patent owner's exclusive right to use the patented process lasts for 17 years, after which time the patented process is fully disclosed and dedicated to the public. 35 U.S.C. § 154 (1982). See also Kewanee, 416 U.S. at 480.


26. Sutton, supra note 3, at 4-5. As a result, "a full understanding of confidential information law commands an appreciation that is only partly tort law, only slightly property law, is largely contract law, and still more largely equity law in the sense of its being the emotional reaction of the conscience of the judge without confinement by the forms of property, tort, or contract law." Id. (quoting Arnold, Problems in Trade Secret Law, Summary of Proceedings, 1961 ABA Sec. of Pat., Trademark and Copyright L. Rep. 248, 251 (1961)).

Note that in states which have not adopted the UTSA, courts continue to be free to draw upon these various theories. In California, however, to the extent that such principles embodied in case law are in conflict with the dictates of the UTSA, they are no longer controlling. American Paper, 183 Cal. App. 3d at 1324, 228 Cal. Rptr. at 716-17.

27. Sloan, Trade Secrets: Real Toads in a Conceptual Garden, 1 W. St. U.L. Rev. 113, 113 (1973) [hereinafter Sloan].

Although some commentators are reluctant to characterize trade secrets as property, the courts have overwhelmingly supported the property view. That view characterizes as property the bundle of rights of the owner of a trade secret. The right to prevent unauthorized use or disclosure by one standing in a contractual or confidential relationship to the owner is the fundamental property right.
upon contract theory, either express or implied, to afford trade secret protection.\textsuperscript{28} The modern approach to trade secret protection is predicated upon the tortious breach of a confidential relationship.\textsuperscript{29} Finally, courts have also relied upon the theory of unjust enrichment as an alternative ground for trade secret protection.\textsuperscript{30}

As one commentator has noted, the distinctions between the

\textsuperscript{28} M. JAGER, supra note 3, at § 4.01[1]. Contract theory is most often invoked when an express contract exists. Another common application of contract theory occurs where a contract controlling the use of trade secrets is implied from the facts. Finally, quasi-contract, or implied-in-law contract theory has been employed as a legal fiction to explain the "socially desirable result of affording protection for trade secrets" where a confidential relationship exists. An implied-in-law contract can be defeated, however, if disclosure of the trade secret occurs in the absence of limitations on disclosure or use, or if a contractual relationship is expressly disclaimed. \textit{Id.}

\textsuperscript{29} See \textit{RESTATEMENT (FIRST) OF TORTS} § 757 (1939); M. JAGER, supra note 3, at § 4.01[2]; Davies v. Kraska, 245 Cal. App. 2d 535, 547, 54 Cal. Rptr. 37, 45 (1966) ("Use by one to whom an idea has been disclosed in confidence is the usual basis of liability in the trade secrets cases." \textit{Id.}). The significance of the tort theory of trade secret protection is that the nature of the property or information sought to be protected is de-emphasized, while the personal relationship of the parties at the time of disclosure represents the focal point of the analysis. As the court in \textit{Futurecraft} noted, "[a] basis for protection of trade secrets is that the recipient obtains through a confidential relationship something he did not previously know." \textit{Futurecraft}, 205 Cal. App. 2d at 288, 23 Cal. Rptr. at 210.

A confidential relationship has been said to arise where "one party places its trust in a second party, the second party knows of the trust reposed in him, and under the circumstances of the case breach of that trust is wrongful." \textit{Surgidev}, 648 F. Supp. at 695.

\textsuperscript{30} Sloan, supra note 27, at 113.

The UTSA appears to embrace all four theories of protection. See Pooley, supra note 1, at 52. "Misappropriation occurs chiefly through acquisition by 'improper means,' which includes everything from outright theft to breach of a duty to maintain secrecy." \textit{Id.}; \textit{American Paper}, 183 Cal. App. 3d at 1324, 228 Cal. Rptr. at 716 (In discussing customer lists as information subject to trade secret protection, the court stated, "[p]rior to the adoption of the UTSA, decisions . . . were founded on equitable principles of common law. To a large extent, these principles have been engrossed by the UTSA." \textit{Id.}). Liability for misappropriation of a trade secret results from either the disclosure or use of another's trade secret absent express or implied consent by one who "[u]sed improper means to acquire knowledge of the trade secret" (property right) or "[a]l the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was: (i) [d]erived from or through a person who had utilized improper means to acquire it;" (property right) "(ii) [a]cquired under circumstances giving rise to a duty to maintain its secrecy or limit its use;" (breach of confidential relationship) "or (iii) [d]erived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use. . . ." (breach of confidential relationship/contract). \textit{CAL. CIV. CODE} § 3426.1(b)(2)(A),(B) (West Supp. 1987). In addition, damages are available for the unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss. \textit{Id.} at § 3426.3(a).
theoretical bases for trade secret protection are often academic and without practical importance. Due to the recurring difficulty of placing trade secrets cases into precise theoretical categories, courts frequently gloss over these differences, at times discussing property, contract and tort theories simultaneously in affording relief.  

The property concept is significant because a trade secret must have independent value to be protected. Therefore, if a trade secret is obtained honestly, no cause of action for misappropriation exists.

2. Misappropriation and the Policies Behind Protection

In the typical case of alleged trade secret misappropriation, a highly skilled employee has, during the course of employment, acquired knowledge of the employer's allegedly confidential business information or designed either a product for the employer or improvements to the employer's product. Whenever such an employee changes employment and goes to work for either a competitor of the former employer or for himself or herself, the potential exists that some of the employee's previously acquired knowledge, designs, inventions or methods of improvement will be made available to the new employer or put to the employee's own use.

Whether or not such information can be protected as a trade secret depends on the nature of the information. In general, information will be subject to protection if it affords the ex-employer a competitive or economic advantage over those unaware of it. Con-
versely, to the extent that the information represents intellectual tools of trade (and is, therefore, presumably known by competitors),40 or is readily ascertainable through proper means, it cannot be protected as a trade secret.41 Any other rule would frustrate the free market objective of maximizing available resources to foster competition.42

California has a strong public policy in favor of the right of an individual to pursue any calling, business or profession,43 including

Civ. Code § 3426.1(d)(1) (West Supp. 1987). In addition, the expenditure of time and money in the development of a process or design does not alone support a finding of competitive advantage. Rather, under the present state of the art, a prospective competitor must be unable to develop a process or design with a similar expenditure of time and money. Electro-Craft Corp. v. Controlled Motion Inc., 332 N.W.2d 890, 901. (Minn. 1983).

39. Of course, the information must still be the subject of reasonable measures undertaken to preserve its secrecy. See, e.g., CAL. CIV. CODE § 3426.1(d)(2) (West Supp. 1987); UTSA, supra note 3, § 1(4)(ii) at 542.


41. See Von Kalinowski, supra note 37, at 583; Pavitt & Sokolski, Avoiding Misappropriation Claims, ATTORNEY'S GUIDE TO TRADE SECRETS § 5.18 (1971) (and cases cited therein). See also Moss, Adams & Co. v. Shilling, 179 Cal. App. 3d 124, 129, 224 Cal. Rptr. 456, 459 (1986) (information that is easily obtainable through normal resources held not protectible as trade secret); American Paper, 183 Cal. App. 3d at 1326, 228 Cal. Rptr. at 718 (information generally known in trade and already used by good faith competitors is not a trade secret); Fleming Sales Co., 611 F. Supp. at 514 (knowledge that any successful salesman would necessarily acquire through experience amounts to general skills and knowledge acquired in the course of employment, and as such is information an employee is free to take and use in later pursuits). In Levine v. E.A. Johnson & Co., the court held that the defendant-employee was free to use the knowledge and skill claimed by his employer to be a trade secret. The court so held because of its determination that the ex-employee's knowledge and skill did not originate with his former employer. Rather, the defendant had a "wealth of general experience which was the primary asset of the new concern and not the fruits of piracy of secret information belonging to [his former employer]." 107 Cal. App. 2d 322, 327, 237 P.2d 309, 312 (1951).

As the court in Fleming Sales Co. stated, any rule other than one which allows an employee to take and use information comprised of general skills and knowledge acquired in the course of employment "would force a departing employee to perform a prefrontal lobotomy on himself or herself." 611 F. Supp. at 514.

42. Fleming Sales Co., 611 F. Supp. at 514.

43. Continental Car-Na-Var Corp. v. Moseley, 24 Cal. 2d 104, 110, 148 P.2d 9, 13 (1944); Cal Francisco Inv. Corp. v. Vrionis, 14 Cal. App. 3d 315, 323, 92 Cal. Rptr. 201, 205 (1971); Hollingsworth Solderless Terminal Co. v. Turley, 622 F.2d 1324, 1329 (9th Cir. 1980). Statutory support for this policy is found in California Business and Professions Code section 16600, which states, "[e]xcept as provided in this chapter, every contract by which anyone is restrained in a lawful profession is to that extent void." CAL. BUS. & PROF. CODE § 16600 (West 1987). The statute invalidates agreements that penalize former employees for obtaining employment with competitors but does not necessarily affect agreements which delineate how the ex-employer can compete. Loral Corp., 174 Cal. App. 3d at 276, 219 Cal. Rptr. at 841. Before invalidating a noninterference agreement, the potential impact on trade must be considered. Id. at 278, 219 Cal. Rptr. at 843.
the right to engage in a competitive business or to enter into competition with a former employer, provided that such competition is fairly and legally conducted. This policy choice is, at least in part, pragmatic. Courts cannot compel one who changes employers to "wipe clean the slate of his memory." To do so would restrain that individual from the pursuit of his profession, depriving him or her of the use of knowledge and skills that did not originate with the former employer. Consequently, California courts will enjoin this competition, or uphold contracts restraining such competition, only when a former employee has unfairly used business secrets acquired from a

Judicial interpretation of this section has resulted in recognition of contracts which attempt to restrain competition (and thereby inhibit the pursuit of a given calling, business or profession) only where the ends are not unreasonable or arbitrary and unjustifiable, or where the contract prohibits use of the employer's trade secrets. Sloan, supra note 27, at 130-31. See also Moss, Adams & Co., 179 Cal. App. 3d at 130, 224 Cal. Rptr. at 715; Loral Corp., 174 Cal. App. 3d at 276, 219 Cal. Rptr. at 841; Gordon Termite Control v. Terrones, 84 Cal. App. 3d 176, 178, 148 Cal. Rptr. 310, 311 (1978); Gordon, 49 Cal. 2d at 694, 321 P.2d at 459 (1958). Section 16600 represents such a strong public policy in California that when California courts are confronted with a choice-of-law question concerning section 16600, no agreement may be enforced that provides for application of the law of another state which is contrary to that policy. Frame v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 20 Cal. App. 3d 668, 673, 97 Cal. Rptr. 811, 814 (1971).

44. Rigging Int'l Maintenance Co., 128 Cal. App. 3d at 606, 180 Cal. Rptr. at 457; Continental Car-Na-Var Corp., 24 Cal. 2d at 110, 148 P.2d at 13; Cal Francisco Inv. Corp., 14 Cal. App. 3d at 323, 92 Cal. Rptr. at 206; Aetna, 39 Cal. 2d at 203, 246 P.2d at 14; Southern Cal. Disinfecting Co. v. Lomkin, 183 Cal. App. 2d 431, 446, 7 Cal. Rptr. 43, 53 (1960). See also Moss, Adams & Co., 179 Cal. App. 3d at 130, 224 Cal. Rptr. at 459. As the court in Rigging Int'l Maintenance Co. stated, "[i]f no confidential information is used, a former employee is free to compete with his old employer, to advise customers of the old employer of his new activities, and to solicit their business." 3d 128 Cal. App. at 612, 180 Cal. Rptr. at 462 (quoting 7 WITKIN, SUMMARY OF CAL. LAW, EQUITY § 87 (8th ed. 1974). It is important to note, however, that although standards change along with public policy with regard to business competition modified by social and economic conditions, deception has always been, and is now, recognized as unethical conduct. Southern Cal. Disinfecting Co., 183 Cal. App. 2d at 446, 7 Cal. Rptr. at 53.


Restrictions upon the use and disclosure of such information limit the employee's employment opportunities, tie him to a particular employer, and weaken his bargaining power with that employer. Such restrictions interfere with the employee's movement to the job in which he may most effectively use his skills. ... [T]hey diminish potential competition ... [and] impede the dissemination of ideas and skills throughout the industry.

350 F.2d 134, 137-38 (9th Cir. 1965).
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confidential employment relationship with a former employer.

In determining whether information represents general knowledge and skill of the trade or whether it can be protected as a trade secret, courts will consider the length of an individual's employment with a particular employer, as well as the number and nature of jobs held by that individual prior to employment with that particular employer. The characterization of information is perhaps most difficult to determine when an employee has acquired a special skill in relation to a particular art, during involvement in a project utilizing trade secrets to advance the state of the art. In such a case, the likely determination is that the special skills and knowledge so acquired by the employee will not be available for use by a subsequent employer, especially where it is apparent that the primary reason for which the subsequent employer hired the former em-

47. For a discussion of the confidential relationship under the UTSA, see generally infra notes 160-63 and accompanying text.


Thus, despite California Business and Professional Code § 16600, non-competition clauses which protect an employer's trade secrets or confidential information will be enforced if reasonable in scope. M. JAGER, supra note 3, § 13.01(2). See also American Paper, 183 Cal. App. 3d at 1322, 228 Cal. Rptr. at 715; Moss, Adams & Co., 179 Cal. App. 3d at 130, 224 Cal. Rptr. at 459; Loral, 174 Cal. App. 3d at 277, 219 Cal. Rptr. at 841; Muggill v. Reuben H. Donnelly Corp., 62 Cal. 2d 239, 242, 398 P.2d 147, 149, 42 Cal. Rptr. 107, 109 (1965); Gordon, 49 Cal. 2d at 694, 321 P.2d at 459.

49. Although the case did not turn on this distinction, the court in Futurecraft emphasized the importance of these factors. The defendant-employee, hired by Futurecraft for the purpose of inventing, designing and developing valves and valve components for guided missiles and rockets, had previously been employed by the California Institute of Technology at its Jet Propulsion Laboratory on two separate occasions for a total of nearly four and one-half years. When he began his employment at Futurecraft he brought with him knowledge concerning the art, science and mechanics of valve design and manufacture, and skill in the application of that knowledge. The trial court stated that "much, probably most, of that knowledge had been acquired at the . . . California Institute of Technology. . . ." 205 Cal. App. 2d at 282-83, 23 Cal. Rptr. at 206-07. The court held in favor of the defendant-employee so as not to restrain him in the pursuit of his profession or deprive him of the use of his knowledge and skill that did not originate with Futurecraft. Id. at 288, 23 Cal. Rptr. at 210.

Conversely, in Rohm & Haas Co. v. Adco Chemical Co., the employment and educational history of plaintiff's ex-employee, Harvey, was a significant factor in the court's finding of trade secrets instead of knowledge and skills of the trade. The case involved a process used in producing a latex paint vehicle (the liquid portion of paint). Harvey began his employment with Rohm & Haas as a laboratory technician, and from the outset worked under Rohm & Haas scientists in the development of latex paints, including those that incorporated the claimed secret process. He was not a college graduate and had been unemployed for long periods of time. Moreover, Rohm & Haas was the only company which had employed Harvey to perform work relating to acrylic latexes. Thus, Harvey's knowledge was not attributable to any other educational or work experience, and therefore was protectible as a trade secret. 689 F.2d 424, 427, 428 n.3 (3d Cir. 1982).

50. Pavitt and Sokolski, supra note 41, at § 5.21.
ployee was to obtain a shortcut to the results attained by the former employer.\(^5\)

The line drawn by the courts in distinguishing information subject to protection as a trade secret from that which represents intellectual tools of trade, which can be freely used by the employee, reflects judicial balancing of several competing policy interests. Specifically, courts weigh the proprietary right of the employer to use trade secrets in his or her business without fear of disclosure\(^5\) against the right of the former employee to pursue his or her chosen lawful profession, trade or business.\(^5\) More generally, the courts consider the right of the general public to have access to scientific and academic innovativeness,\(^4\) freedom of contract\(^5\) and the maintenance of ethical business practices.\(^5\)

In *Moss, Adams & Co. v. Shilling*,\(^5\) two professional employees of an accounting firm used a company card file to obtain addresses of the firm's clients to whom they mailed announcements of their newly formed accounting partnership. Both employees had signed employment agreements\(^6\) stating that the names and addresses of Moss and Adams' clients were trade secrets and would not be used to solicit those clients during their employment at the firm or within one year thereafter. However, it was undisputed that the

\(^{51}\) Id.

\(^{52}\) Sloan, *supra* note 27, at 126. See, e.g., *American Paper*, 183 Cal. App. 3d at 1322, 228 Cal. Rptr. at 715. In general, the law of unfair competition prohibits former employees from disclosing or misusing an employer's trade secrets and confidential information, even absent contractual restrictions. *Loral*, 174 Cal. App. 3d at 275, 219 Cal. Rptr. at 840 (citing *Empire Steam Laundry v. Lozier*, 165 Cal. 95, 99, 130 P. 1180, 1182 (1913)). Confidentiality agreements have thus been held not to constitute a restraint on trade. In addition, in states where restrictive covenants are prohibited by law (see, e.g., *Cal. Bus. & Prof. Code § 16600* (West 1987)), a covenant that restricts only the use of confidential information is enforceable. M. JAGER, *supra* note 3, at § 13.01[1].


\(^{54}\) Sloan, *supra* note 27, at 120. See also *Fleming Sales Co.*, 611 F. Supp. at 514.

\(^{55}\) Von Kalinowski, *supra* note 37, at 583. But see *Cal. Bus. & Prof. Code § 16600* (West 1987) (To the extent that a contract restrains an individual's pursuit of a lawful profession, trade or business, it is void.) See also *supra* note 43. See also *Cal. Lab. Code §§ 2870-2872* (West Supp. 1987) (Any employment agreement which purports to assign to an employer an employee's invention which does not relate to the business of the employer and which does not result from any work performed by the employee for the employer is unenforceable.); *Cubic Corp.*, 185 Cal. App. 3d 438, 229 Cal. Rptr. 828.

\(^{56}\) Von Kalinowski, *supra* note 37, at 583.


\(^{58}\) See id. at 127 n.1, 224 Cal. Rptr. at 457 n.1 for pertinent provisions of the employment agreement.
employees used the card file only to obtain addresses of clients whose names they already knew from having provided personal accounting services to them during the preceding year.\textsuperscript{59}

The California Court of Appeal held that the names and addresses of the Moss, Adams clients serviced by the two employees during the year preceding their resignations were not trade secrets. The court reasoned that because clients became known to the employees through personal contact and the providing of accounting services, their names were not trade secrets.\textsuperscript{60} Furthermore, the addresses were not trade secrets because all of the clients were local, and their addresses could have easily been obtained without use of the card file, through normal resources such as telephone directories.\textsuperscript{61}

The Moss, Adams court held that employees cannot use trade secrets to announce employment changes to their customers. However, since the names and addresses of the clients contacted in this case were not trade secrets, the employees' use of the card file to obtain the client addresses did not, as a matter of law, constitute unfair competition.\textsuperscript{62} Moreover, because anti-solicitation covenants are void as unlawful business restraints unless necessary for the protection of trade secrets, use of the card file was not actionable under the employment agreements because the names and addresses obtained from the file were not trade secrets.\textsuperscript{63} The court stated, "[t]he applicable law in California is that the employer will be able to restrain by contract only that conduct of the former employee that would have been subject to judicial restraint under the law of unfair competition, absent the contract."\textsuperscript{64}

An action for trade secret misappropriation will thus lie only where the facts demonstrate that the public policy in favor of protecting the employer's interest in maintaining the secret outweighs the employee's interest in using his or her knowledge to support

\textsuperscript{59} Id. at 128, 224 Cal. Rptr. at 458.

\textsuperscript{60} Id. at 129, 224 Cal. Rptr. at 459. The court noted that the names of other Moss, Adams clients may have remained trade secrets, but those names and addresses were not recorded by the employees, nor were announcements mailed to them. Id.

\textsuperscript{61} Id. at 129-30, 224 Cal. Rptr. at 459. The court observed that at most, use of the card file saved the employees from the "minor inconvenience" of obtaining the desired addresses through generally available resources. Id. at 130, 224 Cal. Rptr. at 459.

\textsuperscript{62} Id. at 130, 224 Cal. Rptr. at 459.

\textsuperscript{63} Id. see CAL. BUS. & PROF. CODE § 16600. See also supra note 43 for a discussion of section 16600.

\textsuperscript{64} Moss, Adams & Co., 179 Cal. App. 3d at 130, 224 Cal. Rptr. at 459 (quoting Hays, The California Law of Unfair Competition Takes a Turn — Against the Employer, 41 CALIF. L. REV. 38, 69 (1953)).
himself or herself in other employment. The aim in providing protection in such cases is to encourage innovation. Otherwise, no employer would be willing to invest large sums of money in the research and development of new ideas, processes or methods if others were free to take and use the same with impunity. Consequently, when information is developed as the result of an employer's initiative and investment, and is entrusted to an employee in confidence, restrictions upon an employee's disclosure of the information are necessary to maintain both the vitality of employer-employee relationships and the necessary level of communication among employees, which might otherwise be restricted.

B. Establishing the Existence of a Trade Secret

In the context of trade secret litigation, proof of the existence of a trade secret has been characterized as the "sin qua non" of a misappropriation claim. Whether or not a trade secret exists is generally regarded as a question of fact which must be proven by the alleged owner. This burden can present particular problems for an employer who has not adequately defined his or her trade secrets in an employment or nondisclosure agreement, for there exists no single, uniform definition upon which a trade secret owner can rely to prove the existence of a particular trade secret. Moreover, although an employer can base a misappropriation claim upon an implied covenant of nondisclosure, such a covenant operates only to proscribe the unauthorized use of trade secret information by a former employee. It does not specifically describe the information considered by the employer to be a trade secret.

66. Von Kalinowski, supra note 37, at 589.
68. M. JAGER, supra note 3, at § 5.02.
69. Id. at § 5.01; Moss, Adams & Co., 179 Cal. App. 3d at 128, 224 Cal. Rptr. at 458.
70. M. JAGER, supra note 3, at § 5.02.
71. It is unlikely that an employee ignorant of the trade secret nature of the information will be held liable for the wrongful post-employment use of such information. Thus, in the absence of an express covenant which specifies the trade secret nature of the information in question, to establish a case for trade secret misappropriation based upon an implied covenant of non-disclosure, an employer will have to rely upon: (1) the context of the disclosure to the employee; (2) the protective measures undertaken by the employer to insure the secret status of the information; or (3) the employee's reasonably expected possession of knowledge that his or her employer's commercial advantage over competitors is the result of the trade secret in question. Gilburne and Johnston, Trade Secret Protection for Software Generally and in the Mass Market, 3 COMPUTER L.J. 211, 240 (1982). See also R. MILGRIM, MILGRIM ON TRADE SECRETS § 5.02(2) (1987) (Rel. 22-8/86).
1. The Absence of a Uniform Definition

The term "trade secret" has been described as "one of the most elusive and difficult concepts in law to define." This difficulty is not surprising considering that the same information that qualifies as a trade secret under one set of facts may not be afforded protection under a different set of facts. Factors that have been considered significant in determining whether information is a trade secret are the extent to which the information is known outside of the business, the extent of measures undertaken to guard the secrecy of the information, the value of the information to its owner and to his or her competitors, the amount of effort or money expended by the owner in developing the information, and the ease or difficulty with which the information could be properly acquired or duplicated by others. Despite the availability of such objective criteria, there exists no universally recognized definition of "trade secret." However, steps have been taken in that direction with the approval and limited adoption of the UTSA.

2. The Uniform Trade Secrets Act

The UTSA was promulgated in 1979 in response to the unsatisfactory development of state trade secret law. The development of trade secret law had been uneven, due at least in part to the differ-

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72. See M. JAGER, supra note 3, at § 5.01 (quoting Lear Siegler, Inc. v. Ark-El Springs, Inc., 569 F.2d 286, 288 (5th Cir. 1978)); RESTATEMENT (FIRST) OF TORTS § 757, comment b (1939). See also Futurecraft, 205 Cal. App. 2d at 289, 23 Cal. Rptr. at 211.

73. Customer lists are a good example. A set of names, not readily ascertainable by others in the industry, compiled by an employer through a sophisticated, difficult and time-consuming process, in an industry characterized by customer loyalty, and given by that employer to his employees, will very likely qualify as a trade secret. Conversely, that same set of names, if readily ascertainable by competitors, derived from a relatively brief, non-sophisticated compilation process, and resulting from the employee's effort, in an industry in which success depends on the price and quality of the product or service rather than customer loyalty, will probably not qualify for trade secret protection. See American Paper, 183 Cal. App. 3d 318, 228 Cal. Rptr. 713 (1986).

74. Matters completely disclosed by the goods which one markets cannot be trade secrets. RESTATEMENT (FIRST) OF TORTS § 757, comment b (1939). See also Futurecraft, 205 Cal. App. 2d at 289, 23 Cal. Rptr. at 211.

75. RESTATEMENT (FIRST) OF TORTS § 757 comment b; see also Futurecraft, 205 Cal. App. 2d at 289, 23 Cal. Rptr. at 211.

76. M. JAGER, supra note 3, at § 5.05.

77. UTSA, supra note 3, at 537. See supra note 25 for a list of states that have adopted the UTSA. Although broad in scope, the UTSA is not intended to be an exclusive remedy. CAL. CIV. CODE § 3426.7 (West Supp. 1987). See also Better Protection, supra note 1, at 53.

78. UTSA, supra note 3.

79. UTSA, supra note 3, at 537.
ence in the number of reported decisions in states that are commercial centers and those that are more agricultural. In addition, considerable uncertainty existed regarding the boundaries of trade secret protection and the appropriate remedies for trade secret misappropriation. Thus, the UTSA was proposed to help remedy this confusion as well as to establish some common rules for trade secret disputes in an effort to provide some uniformity among jurisdictions.

The UTSA became effective in California with slight modifications on January 1, 1985. It codifies the basic principles of common law trade secret protection and, like traditional trade secret law, contains general concepts. One of the most significant contributions of the UTSA, however, is its substitution of a unitary definition of “trade secret” for the oft-cited Restatement (First) of Torts definition of “trade secret.” The UTSA defines “trade secret” as follows:

“Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or
process, that: (1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use;91 and (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.92

In comparison to the Restatement definition, which requires that a trade secret be "continuously used in one's business," the broader definition in the UTSA extends protection to a plaintiff who has yet to acquire the opportunity or means with which to put a trade secret to use.93 Implied protection is extended to "know-how," the collection of data collateral to the primary trade secret.94 Furthermore, negative information, whose commercial value stems from lengthy and excessive research which proves that a certain process will not work, is also protected.95

The language "not being generally known to the public or to other persons" does not require that the information be generally known to the public in order for trade secret rights to be lost.96


91. The language in this section of California's UTSA represents a modification of that proposed by section 1(4)(i) of the UTSA, which requires the value of information be derived "from not being generally known to, and not being readily ascertainable by proper means by, another person who can obtain economic value from its disclosure or use." Cal. Civ. Code § 3426.1(d)(1) (West Supp. 1987) In comparison, California's version of the Act reads "from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use." Id. (emphasis added).

Omitted from the statute is the requirement that the plaintiff prove that the information is not "readily ascertainable." See UTSA, supra note 3, at § 1(4)(i). However, new language was inserted into the official comments to clarify the Legislature's position that the "readily ascertainable" standard is still available as an affirmative defense. Senate Comment, supra note 5. The issue is merely one of burden of proof; the defendant must carry that burden under California's version of the UTSA. Pooley, The Uniform Trade Secrets Act: Cal. Civ. Code § 3426 [hereinafter Pooley UTSA]; Santa Clara Comp. & High Tech. L.J. 193 (1985).


93. It does not appear that the recognized distinction applied to concepts or abstractions which have been held not to be trade secrets was intended to be abandoned. Under prior California law, "ideas" of speculative potential value could serve as the basis for a claim only when accompanied by an express or implied obligation to hold the idea in confidence. However, the statutory recognition of "potentially useful" inventions as trade secrets apparently negates the argument that the inventions of an employee, produced on the employer's behalf, are less deserving of protection than the existing trade secrets of an employer disclosed to an employee. Pooley UTSA, supra note 91, at 195-200.

94. Better Protection, supra note 1, at 51; Senate Comment, supra note 5.
95. Senate Comment, supra note 5.
96. UTSA, supra note 3, at 542 (Commissioner's Comment); Senate Comment, supra note 5. See also American Paper, 183 Cal. App. 3d at 1326-27, 228 Cal. Rptr. at 717.
There is no trade secret if someone who can obtain economic benefit from the information can procure the information lawfully. Likewise, if an individual reveals a trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise makes a public disclosure of the secret, that person’s property right in the trade secret vanishes.

To insure that information purported to be “not generally known” does not become generally known and thereby fail to be subject to protection as a trade secret, the UTSA definition of “trade secret” requires that the information be the subject of “efforts that are reasonable under the circumstances to maintain its secrecy.” Absolute secrecy is not required. Instead, the degree of confidentiality required is that which would enable a court acting in equity to enforce a plaintiff’s rights. Thus, “the employer must come into court with clean hands . . . [and] cannot complain of the employee’s use of the information if the employer has never treated the information as secret.”

Reasonable use of a trade secret, such as controlled disclosure to employees and licensees, is consistent with the requirement of

97. UTSA, supra note 3, at 542 (Commissioner’s Comment); Senate Comment, supra note 5. See also American Paper, 183 Cal. App. 3d at 1326-27, 228 Cal. Rptr. at 718. The California act specifically excepts “reverse engineering” from the definition of acquisition by “improper means.” CAL. CIV. CODE § 3426.1(a) (West Supp. 1987). A trade secret is reverse engineered by “taking apart and examining the publicly available product in order to understand the secret.” Also not considered “improper” acquisition is the acquisition of information “readily available” to the public or other competitors through public literature, visual inspection, or relatively uncomplicated reverse engineering methods. Pooley, supra note 1, at 52. Assertion of discovery through such proper means is available as a defense to a claim of misappropriation. Senate Comment, supra note 5. See also Pooley Trade Secrets, supra note 3.

98. Jostens, 318 N.W.2d at 700.

99. Electro-Craft, 332 N.W.2d at 901; Surgidev Corp., 648 F. Supp. at 693. As a general rule, the amount of protective efforts required for trade secret status to apply increases with the importance and sensitivity of the information. Pooley Trade Secrets, supra note 3, at 20.

100. CAL. CIV. CODE § 3426.1(d)(2) (West Supp. 1987). The courts do not require unduly expensive procedures to protect the secrecy of such information. Among efforts which have been held to be reasonable are advising employees of the existence of a trade secret, limiting access to trade secrets on a “need to know” basis, and controlling plant access. Conversely, protection can be precluded by public disclosure of information through display, trade journal publications, advertising, or other carelessness. UTSA, supra note 3, at 542 (Commissioner’s Comment); Senate Comment, supra note 5.

101. Electro-Craft Corp., 332 N.W.2d at 901.

102. Id. This requirement of secrecy is the aspect of trade secret law which truly distinguishes it from other means of protecting information, such as patents and employment contracts containing a non-competition clause. The latter two forms of protection depend on a single act by the employer. Conversely, trade secret protection depends upon an employer’s continuing course of conduct that creates a confidential relationship. Id.
relative secrecy. However, the UTSA implies that a mere showing that the information is so inherently valuable that the defendant should have known it was to be protected will not satisfy the requirement of relative secrecy. The owner should at least be expected to demonstrate that sensitive data has been identified and guidance offered regarding its use to employees, vendors and others who may have access to the confidential information. The information must, however, be secret from the outset. No degree of effort to preserve the confidentiality of information will suffice if the information is "readily ascertainable by proper means.

Because trade secrets lie somewhere on a continuum from data generally known in an industry to data with some degree of uniqueness, identification of information as a trade secret is necessary to alleviate the confusion that frequently surrounds the status of such information. In order for information to qualify as a trade secret, a certain amount of innovation is required. Mere variations which embody no superior advances in general processes known in an industry or trade are not protected. However, modifications or improvements in such a process which render it unique in the industry, as well as unique combinations of generally known elements, may

103. UTSA, supra note 3, at 542 (Commissioner's Comment); Senate Comment, supra note 5.
104. Better Protection, supra note 1, at 51.
105. Id. However, the absence of specific confidentiality procedures may not by itself negate the existence of "reasonable" efforts to maintain secrecy. The nature of the organization or business wherein trade secrets are used should be considered. In Fleming Sales Co., Inc. v. Bailey, account lists were provided to Fleming's principals, and there existed no written policy or clearly articulated procedures to ensure the confidentiality of the customer lists. The court pointed out, however, that the customer lists were being used in a sales organization where constant communication with customers was the essence of the business. Consequently, Fleming's principals and the employees who maintained that contact needed ready access to customer information. The court held that so long as distribution of customer list information was strictly limited to employees and outsiders whose access was necessary to the business, the "reasonable efforts" requirement would be satisfied, particularly if those given access to the information were advised to preserve its confidentiality. 611 F. Supp. 507, 512 (D.C. Ill. 1985) (applying the UTSA as adopted in Indiana).
107. Kewanee, 416 U.S. at 476. See also Jostens, 318 N.W.2d at 698; Surgidev Corp., 648 F. Supp. at 688.
109. Jostens, 318 N.W.2d at 698; American Chain and Cable Co. v. Avery, 143 U.S. Pat. Q. 126, 130. See also Electro-Craft, 332 N.W.2d at 899; Aetna, 39 Cal. 2d at 205-06, 246 P.2d at 16.
110. See Electro-Craft, 332 N.W.2d at 899.
In Plant Industries v. Coleman, plaintiff's claimed trade secrets involved formulas for processing citrus peel, which included proportions of the materials used and time for cooking.
The language of the UTSA defining "trade secret" is not exclusive. The failure of the drafters to include a particular form of information in the definition does not represent an intent to exclude the same. The UTSA merely provides a uniform definition of the type of information that can be protected as a trade secret. It does not specifically identify information that is a "trade secret." Identification of individual trade secrets requires specific definition of those trade secrets. Employer-owners of trade secrets must, therefore, sufficiently define their trade secrets to insure adequate protection under the Act.

III. THE IMPORTANCE OF A SUFFICIENTLY PARTICULAR DEFINITION

Whether the definition of a particular trade secret is specific enough to identify the information which constitutes the trade secret, and thereby place others on notice of its status, depends upon the facts and circumstances present in each case. When an employer fails to adequately define or identify his or her trade secret, a number of problems may arise. First, without a sufficiently particular definition, the existence and scope of the claimed trade secret, actual or potential, may be unknown. Consequently, an employee might use or disclose information which, unknown to him or her, is in fact confidential. Moreover, in the absence of a definition that clearly identifies the alleged trade secret, a court may be unable to devise a fair and meaningful injunction preventing its dissemination.

A second problem presented by an employer’s inadequate definition is that a lack of specificity may be judicially interpreted as a failure to take reasonable steps required by the UTSA to insure the secrecy of the information. Thus, an employer’s lack of specificity

Although plaintiff’s approach to processing involved general concepts which were not trade secrets, the particular manner and means for employing those concepts in certain phases of the process were found by the court to constitute trade secrets. 287 F. Supp. 636, 642 (S.D. Cal. 1968).

111. *Jostens*, 318 N.W.2d at 698-99. For example, in *Sinclair*, a portable device used to convert brain waves into audible form was found to be a mechanical improvement over the previous stationary equipment, and was therefore found to be a trade secret. 42 Cal. App. at 221, 116 Cal. Rptr. at 658.

112. *American Paper*, 138 Cal. App. 3d at 1323-24, 228 Cal. Rptr. at 716 (citing the following language of the act: "[i]nformation including a formula. . . ." (emphasis added)).

113. See *id.* at 1324, 228 Cal. Rptr. at 716.

114. See supra notes 72-75 and accompanying text.

115. See generally supra note 6.

116. See *Electro-Craft*, 332 N.W.2d at 898.

117. See generally infra notes 145-57.
may be viewed as evidence of his or her failure to convey to employees the confidential nature of the information or to identify information considered confidential.

Employee mobility can likewise present problems when trade secrets are not adequately defined. Because trade secrets need not be exclusive so long as they are not generally known, independent developers can acquire rights in the same trade secret.\textsuperscript{118} Thus, if two employers have rights in the same trade secret, and an employee of Employer A goes to work for Employer B, in order for B to avoid a misappropriation claim by A, B should define and record a specific definition of the trade secret. This will help B prove that she did not wrongfully acquire information concerning that trade secret from A's former employee.

The failure to clearly define a trade secret could be fatal to a claim for misappropriation.\textsuperscript{119} Without a proven trade secret, there can be no claim for misappropriation,\textsuperscript{120} even if an employee's actions were wrongful.\textsuperscript{121} Were this not the case, courts would "come dangerously close to expanding the trade secrets act into a catchall for industrial torts."\textsuperscript{122} It is important to note, however, that an agreement defining a trade secret may not be decisive in determining whether a court will regard it as such.\textsuperscript{123}

\section{IV. Judicial Interpretation}\textsuperscript{124}

\subsection{A. The Existence of a Trade Secret}

\subsubsection{1. Specific Definition}

A successful claim under the UTSA for misappropriation by wrongful use or disclosure of information requires that the plaintiff-employer demonstrate that the defendant-employee knew or had

\begin{thebibliography}{1}
\item \textsuperscript{118} Senate Comment, supra note 5. \textit{See}, e.g., \textit{Surgidev}, 648 F. Supp. at 688-89. \textit{Accord Electro-Craft}, 332 N.W.2d at 900. If a valuable share of the market would be obtained by an outsider given access to certain information, then that information may be a trade secret if it is not known or readily ascertainable. \textit{Id}.
\item \textsuperscript{119} \textit{See infra} notes 134-42 and accompanying text.
\item \textsuperscript{120} \textit{See Fleming Sales Co.}, 611 F. Supp. at 511 (In the absence of a restrictive covenant, information that does not qualify as a trade secret under the UTSA cannot be the subject of an action for misappropriation.).
\item \textsuperscript{121} \textit{Electro-Craft}, 332 N.W.2d at 897 n.5; \textit{Jostens}, 318 N.W.2d at 701.
\item \textsuperscript{122} \textit{Electro-Craft}, 332 N.W.2d at 897 (disagreeing with the holding in \textit{Goldberg v. Medtronic, Inc.}, 686 F.2d 1219 (7th Cir. 1982)).
\item \textsuperscript{123} \textit{American Paper}, 183 Cal. App. 3d at 1325, 228 Cal. Rptr. at 717.
\item \textsuperscript{124} In light of the relatively short period of time that has elapsed since California's adoption of the UTSA, this analysis will focus primarily on the leading cases from Minnesota, whose adoption of the act predates that of California.
\end{thebibliography}
reason to know, at the time of use or disclosure, that his or her knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain secrecy or to limit its use. The employer must, therefore, adequately identify the information that is to be kept secret so that the employee will have some reason to know exactly what information he or she is not to disclose.

As an illustration, the Minnesota Supreme Court, interpreting the UTSA in *Jostens, Inc. v. National Computer Systems*, found that the elasticity of the plaintiff-employer’s claim of a trade secret rendered it insufficient to establish a trade secret. Jostens brought suit against several of its former employees, as well as the computer firm which subsequently employed them, for misappropriation of trade secrets and proprietary data in Jostens’ computer system. Although the components of the system were purchased from outside vendors, Jostens claimed that its “customization” of those components was necessary to form a productive system, and therefore constituted a trade secret. The court rejected the claim, which at times appeared to include the entire computer system, and at other times, something less, stating that “simply to assert [that] a trade secret resides in some combination of otherwise known data is not sufficient, as the combination itself must be delineated with some particularity in establishing its trade secret status.”

Similarly, in *Motorola, Inc. v. Fairchild Camera & Instrument Corp.*, the employee-defendant had entered into an agreement with Motorola regarding disclosure of trade secrets. The employees were not advised upon execution of the agreement, or

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126. It is important to note, however, that as a matter of law, private parties are unable to claim or stipulate by contract that something is a trade secret when in fact it is not. Better Protection, *supra* note 1, at 53. See also *supra* note 120 and accompanying text.
127. 318 N.W.2d 691 (Minn. 1982).
128. *Id.* at 699.
129. *Id.* at 697.
130. *Id.* at 699.
131. *Id.*
133. The agreement provided in pertinent part as follows:

2. That I will maintain strictly confidential during any employment all data and information of the company which I may originate or of which I learn during my employment . . . which is of confidential or secret nature such as product, machine, and process developments . . . manufacturing “know-how” and specifications . . . and upon termination of my employment . . . I will not take with me or remove documentary material of the company on such date and information, or any record or copy thereof.

*Id.* at 1183.
at any time thereafter, about what information, if any, Motorola considered proprietary. Furthermore, Motorola's records, as well as those of their "learned patent counsel" who was privy to the alleged trade secret information, were devoid of a list or index of any kind that documented information considered by Motorola to be trade secrets. Based on these facts, the vague agreement was held to be unenforceable under California law. The court emphasized that trade secret production "is not a sword to be used by employers to retain employees by the threat of rendering them substantially unemployable in the field of their experience should they desire to resign."

Lack of clarity was likewise fatal to the plaintiff-employer's trade secret claim in Electro-Craft Corp. v. Controlled Motion, Inc., which is another Minnesota Supreme Court case interpreting the UTSA. Electro-Craft Corporation (ECC) claimed that Controlled Motion, Inc. (CMI) and CMI's president, a former employee of ECC, improperly copied the design of several ECC's electric motors. ECC's failure to introduce into evidence the dimensions, tolerances, and other related features of the brushless motor precluded a showing that certain features of the brushless motor could be protected as trade secrets. ECC's lack of specificity also made impossible the formulation of a meaningful injunction which would not unduly restrict competition.

In comparison, the court found ECC's description of the specific combination of dimensions, tolerances, adhesives and manufacturing processes for the moving coil motors to be sufficiently detailed to establish trade secrets and thus support a claim for misappropriation. However, because ECC neglected to undertake reasonable

134. Id. at 1185. Motorola failed to identify any secret information upon the employees' termination despite the fact that Motorola knew at the time that the employees planned to work for a competitor. Id.
135. Id. The court noted the demonstrated fact that in other similar companies in the same industry, such restrictive agreements were implemented at the time of employment by furnishing employees with a list of secrets claimed by the employer. Id.
136. Id.
137. Id. at 1183.
138. Id. at 1186 (quoting E.W. Bliss Co. v. Struthers-Dunn, Inc., 408 F.2d 1108, 1112-13 (8th Cir. 1969)).
139. 332 N.W.2d 890 (Minn. 1983).
140. ECC claimed misappropriation of trade secrets with respect to one moving coil motor and one brushless motor. Id. at 893.
141. Id. at 898.
142. Id.
143. Id. at 899.
efforts to maintain the secrecy of that information, its claim for misappropriation of those trade secrets failed.\textsuperscript{144}

2. Reasonable Efforts to Maintain Secrecy

Although maintenance of absolute secrecy is not required, an employer must be able to establish that his or her treatment of the information in question has been adequate to place employees on notice of their duty of confidentiality with regard to that information.\textsuperscript{146} Simply prohibiting employees from using or disclosing "secrets" does not create such a duty.\textsuperscript{146} Thus, in \textit{Electro-Craft}, ECC's failure to establish measures which would have given rise to such a duty in its employees rendered its "confidentiality"\textsuperscript{147} procedures "fatally lax," especially in light of the demonstrated frequency with which employees in that industry changed employers.\textsuperscript{149}

ECC's procedures were found to be particularly inadequate due to the nonintuitive nature of its claimed trade secrets.\textsuperscript{150} ECC should have informed its employees, in no uncertain terms, that the features were secret. Instead, ECC treated the information as non-secret.\textsuperscript{151} Technical documents were not marked "Confidential"; drawings, dimensions and parts were sent to customers and vendors without special marking; employee access to documents was unrestricted. ECC never issued a policy statement outlining what it considered to be secret.\textsuperscript{152} Moreover, ECC's claimed "intention" to keep its data

\begin{footnotesize}
\begin{enumerate}
\item[144.] \textit{Id.} at 901.
\item[145.] \textit{See supra} notes 99-106 and accompanying text.
\item[146.] \textit{Electro-Craft}, 332 N.W.2d at 901-03.
\item[147.] The court referred to "confidentiality" as the procedure by which the employer signals to its employees and to others that certain information is secret and therefore should not be disclosed. \textit{Id.} at 902.
\item[148.] The insufficient, minimal precautions taken by ECC consisted of screening its handbook and publications for confidential information and requiring \textit{some} employees to sign a confidentiality agreement. \textit{See infra} note 154; \textit{id.} at 901-02.
\item[149.] The court found that the frequency with which employees in the servomotor business left their employers in order to produce similar or identical devices was not unknown. In fact, ECC had itself hired many employees from other corporations manufacturing similar products. Consequently, ECC had an obligation to inform its employees that certain information was secret so as to prevent them from making similar moves. \textit{Id.} at 902.
\item[150.] The court observed that the dimensions, tolerances, and other related features of ECC's motors were not trade secrets in an obvious way as a "secret formula" might be. \textit{Id.} at 902. For example, where a specialty cookie shop is successful because of its "secret recipe," the employees will likely be aware of the confidential nature of that recipe. \textit{Id.}
\item[151.] \textit{Id.} at 902-03.
\item[152.] In addition, vendors and customers were permitted to informally tour the plants without warnings regarding confidential information. In fact, an "open house" was conducted
\end{enumerate}
\end{footnotesize}
and processes secret was found by the court to be irrelevant with regard to the statutory requirement that ECC use "efforts that are reasonable under the circumstances to maintain . . . secrecy."\textsuperscript{153}

Although the employees signed confidentiality agreements, the court found the agreements to be too vague to apprise the employees of specific secrets.\textsuperscript{154} Similarly, the exit interviews, which were little more than attempts to intimidate employees to prevent them from leaving ECC and engaging in legitimate competition, were not found to constitute reasonable efforts to maintain secrecy.\textsuperscript{155} Thus, because the evidence introduced by ECC did not demonstrate consistent efforts to maintain secrecy, ECC failed to establish the existence of any trade secrets\textsuperscript{156} and was thereby precluded from making a claim for misappropriation.\textsuperscript{157}

It is important to keep in mind, however, that since the concepts of trade secret status and misappropriation are so interrelated, they should not be artificially separated in analyzing misappropriation claims. Thus, the alleged confidential relationships which give rise to the duty not to misappropriate must be likewise examined.\textsuperscript{158}

B. The Confidential Relationship

Although a common law duty of confidentiality arises out of the employer-employee relationship, employees must treat as secret only information which employers have treated as secret.\textsuperscript{159} In order for employers to impose such a duty on employees with regard to specific information, employers must define that information with particularity sufficient to indicate to employees that the information is confidential. Employees are entitled to fair notice of both the confidential relationship and the identity of the material to be kept confidential.\textsuperscript{160} Thus, in Electro-Craft, because the information referred to in the employee agreements was only vaguely described as “se-
"secret," the employees were never placed on notice of any duty of confidentiality. As a result of this failure by ECC to adequately convey to its employees the scope of the information, no duty of confidentiality was created, and therefore no misappropriation could have occurred.181

V. PROPOSAL

A. A Specifically Defined Trade Secret

The potential problems inherent in an insufficiently defined trade secret are thus numerous and often irreversible. To insure protection it is therefore essential that an employer follow the two-step procedure of: (1) defining his or her proprietary information; and (2) confidentially imparting a specific definition of that information to employees whose assistance is vital to its valuable use.182 Execution of this two-step procedure should achieve two goals: (1) employees will be on notice of the existence and scope of the trade secret; and (2) a duty of confidentiality in the employees will be created by virtue of the employer's effort to convey the confidentiality of the information in question.183 In addition, the UTSA requirement of "reasonable efforts" to maintain the secrecy of the information should be satisfied.184

By specifically defining trade secrets at the outset of an individual's employment, an employer will immediately remove any doubt from the mind of the employee as to what information is to be kept secret. The employer may be able to avoid costly litigation that may later develop should that employee leave, unaware of the scope of information that is not to be used or disclosed.

161. See Electro-Craft, 332 N.W.2d at 897.
162. See generally supra notes 126-38 and accompanying text. Disclosure of such a specific definition should not be made to employees who have no contact with the information or whose limited contact with that information is such that disclosure of a specific definition would impart knowledge not previously known. Disclosure to such employees could ironically be interpreted as a failure to maintain secrecy. This is not to say that such employees should not be informed of their duty not to use or disclose their employer's trade secrets. The point is, rather, that the lack of, or limited nature of, their contact with the trade secret neither necessitates nor warrants disclosure of such a specific definition.

163. Electro-Craft, 332 N.W.2d at 903. See also Jostens, 318 N.W.2d at 702 (Due to plaintiff-Jostens' failure to take reasonable precautions to protect information that it claimed at trial to be secret, the defendant-employees could not have been expected to know what was confidential and what was not.); Motorola, 366 F. Supp. at 1186 (The court held that plaintiff's trade secret claims necessarily failed because no real effort was made by plaintiff to keep the information secret).

164. See generally supra notes 124-26 and accompanying text.
In the event that litigation does ensue, however, evidence of the employer's definition should constitute evidence of the employer's efforts to maintain secrecy and, if the information is otherwise subject to protection, should enable a court to find the existence of a trade secret. In addition, presented with evidence of the specific definition, a court should be able to more readily ascertain the scope of discovery and, if necessary, formulate an appropriate injunction.168

B. Approach

The real utility of an employer's specific definition of confidential information arises from the communication of that definition to employees whose assistance is necessary for its valuable use. This communication is especially critical when employee mobility is commonplace or where the nature of the claimed trade secret is not obvious or intuitive. Two possible methods for implementing this communication are: (1) Employee agreements containing covenants that prohibit disclosure, use, and/or competition regarding the information specifically articulated; and (2) A written definition of trade secrets presented to employees exposed to it and then safely secured in a place with restricted access.169

1. Methods of Communicating Trade Secret Definitions

a. Employee Agreements

In the absence of contractual restrictions, the law of unfair competition prohibits former employees from disclosing or misusing a former employer's trade secrets.167 However to insure protection of a trade secret, an express contract168 is preferred over any contract that may be implied in law.169 Such an agreement clearly and un-equiv...
cally puts an employee on notice of the employer’s trade secret claim, making the employee "secrecy" conscious, and theoretically encourages prudent conduct with regard to the confidential information. \textsuperscript{170} The confidential status of the information is thus clearly established by the agreement. \textsuperscript{171} Moreover, in the context of litigation, a written agreement is proof that the employer considers the secret important and has taken definite action to prevent its unauthorized use and disclosure. It is important to recognize, however, that an employer may not protect information as a trade secret simply by labeling it a trade secret in such an agreement, when in fact it may not merit such protection. \textsuperscript{172} Thus, matters generally known in a trade or readily available to those in the trade cannot be made secret by labeling them as such in an agreement. \textsuperscript{173}

Assuming that the defined trade secret is sufficiently specific, one risk in relying upon such an agreement for protection is that the language of the agreement may be too broad. In such a case, the contract may be deemed unenforceable as a restraint on employee mobility. \textsuperscript{174} Conversely, the language of the agreement may be too narrow to protect the incidental or collateral phases of the process which were not carefully articulated in the agreement. Thus, the language of such an agreement must be carefully drafted so as not to be too broad or too narrow.

Another drawback of the written agreement is the possible negative impact on employee relations. The request to sign such a contract may be construed by long-time, loyal employees as an insult to their integrity. To reduce the possibility of misunderstanding, these employees should be provided with an explanation of both the purpose of agreements and the role that individual adherence to the contracts plays in protecting the employer’s trade secret. \textsuperscript{175} There is also the danger that secrecy agreements may instill larcenous thought

\textsuperscript{170} It must be remembered, however, that the restrictions on an individual’s ability to seek gainful employment are disfavored by California law. See supra notes 43-48 and accompanying text.

\textsuperscript{171} See supra notes 133-34 and accompanying text for type of agreement which does not clarify the confidentiality of the information.

\textsuperscript{172} 1 R. Milgrim, Milgrim on Trade Secrets § 3.02(1)(d) (1987) (Rel. 24-5/87).


\textsuperscript{174} 1 R. Milgrim, Milgrim on Trade Secrets § 3.02 (1987) (Rel. 24-5/87).

\textsuperscript{175} Id.
in the minds of employees who otherwise may never have been aware of the value of such information. However, this risk seems negligible compared to the benefits derived from written agreements.

b. A Written Definition

In the absence of a written employee agreement, a written trade secret definition secured in a relatively inaccessible, safe place, is preferable to no definitional secrecy measure at all. In terms of apprising employees of the secrecy of any given information, review of a written definition of the secret information should be no less effective than the execution of a written employee agreement. Additionally, in the event of litigation, where the defined information can in fact be protected as a trade secret, such a written definition should enable the plaintiff-employer to establish the existence of a trade secret necessary to support a claim for misappropriation.

The danger of relying on a simple written definition is that unless the employee signs some type of written acknowledgment, the employer will have no written proof that the defendant-employee was ever informed of the confidential nature of the information. The employer may then be unable to prove that the information was the subject of reasonable efforts to maintain its secrecy and, therefore, unable to prove the existence of the trade secret. Even if the employer is able to prove that such secrecy precautions were undertaken, the employer will be entitled to relief only if it can be established that: (1) the employee's disclosure was in breach of an implied contract which, by operation of law, is conferred upon the relationship between the parties; or (2) the wrongful use and disclosure is found to be in breach of duties arising out of a confidential relationship.

2. Choice of Procedure

Regardless of the definitional approach to trade secret protection selected, that procedure should be implemented at the outset of an individual's employment, if possible. The dictates of each particular business or organization will likely determine what method is chosen. On balance, it would appear that trade secret protection will more likely be secured with, rather than without, the existence of a

176. Id.
written agreement which prevents the use and disclosure of secret information so labeled in an agreement.179

VI. CONCLUSION

No information can be guaranteed trade secret protection by virtue of its substance or content. Information will receive such protection only if affirmative steps are taken to establish its trade secret status and to preserve its secrecy. An employer can obtain such protection by specifically defining his or her trade secrets to employees who have access to that information. Thus, employees will be aware of the information considered confidential and not to be used or disclosed outside of the business. Moreover, the specific definition should establish the existence of a trade secret by identifying the information claimed to be secret and by representing evidence of "reasonable efforts to maintain secrecy." Consequently, a specific definition of information subject to trade secret protection, conveyed to employees exposed to that information, will greatly enhance the likelihood of future judicial protection.

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179. If such an agreement is executed after the commencement of employment, restrictive covenants may be unenforceable unless "new" consideration is furnished. However, if supported by actual facts, an employer should provide in such an agreement that the agreement simply confirms already existing policies made known to employees at the outset of employment. Gilburne and Johnston, Trade Secret Protection for Software Generally and in the Mass Market, 3 COMPUTER L.J. 211, 222-23 (1982).