

Chapter 3

Subject Matter of Trade Secrets

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§ 3:1 Introduction and Overview

The subject matter of trade secret is almost unlimited, in terms of the content of the information that is potentially subject to protection. This chapter considers the statutory and *Restatement* definitions of trade secret subject matter, and collects cases illustrating the types of subject matter that have been accorded protection or would have been accorded protection but for some other shortcoming in the plaintiff's case, usually failure to maintain secrecy. The chapter also speculates about the outer limits of trade secret subject matter.

It is the plaintiff's obligation to identify with particularity the subject matter as to which trade secret status is claimed.¹ More

1. Julie Research Labs., Inc. v. Select Photographic Eng'g, Inc., 810 F. Supp. 513, 519 (S.D.N.Y. 1992) (vacating preliminary injunction and dismissing complaint for trade secret misappropriation because plaintiff did not identify particular trade secrets in electronic photographic retouching and imaging system despite prodding by judge), *aff'd in material part*, 998 F.2d 65 (2d Cir. 1993).

In Weins v. Sporleider, 569 N.W.2d 16 (S.D. 1997), the South Dakota Supreme Court held that the trial court erred when it allowed a jury to find trade secret misappropriation on a record that never clearly identified what was claimed as a trade secret:

Throughout the proceedings, however, there was never a clear assertion as to what exactly was claimed to be the trade secret. Weins' complaint initially refers to the "feed product, and its use and application" as the trade secret. Later in the complaint, Weins states that the "selling and developing of the feed product" is the trade secret. In Weins' amended complaint, there is reference to an "idea," an "invention," a "tub feed product containing a combination of ingredients to be fed free choice," and "selling and developing the feed product" as the trade secret. The second amended complaint refers to the trade secret as a "feeding system." During the trial, Meyer testified the trade secret was the formula alone, while Weins testified the trade secret was not the formula, but the idea of combining ingredients into a tub. In addition, Weins' briefs submitted to this Court fail to assert what exactly constitutes the trade secret.

important than any subject matter limitation is the requirement for secrecy, addressed in chapter 4, and the requirement that the secret give those who know it a competitive advantage over those who do not, considered in chapter 5.

§ 3:2 Restatement Definition

The definition of trade secret under the first *Restatement* is expressed in section 757, comment b:

[A] trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business. . . . It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.²

The comment goes on to exclude information relating to a single event or to ephemeral events,³ such as the amount of a secret bid, the

Id. at 18–19. In addition, the court found that no competitive advantage could flow from knowledge of the feed mixture. The court stated:

Combining these materials cannot be considered a trade secret if the formula was “within the realm of general skills and knowledge’ in the relevant industry.”

Id. at 21 (citation omitted).

Nilssen v. Motorola, Inc., 963 F. Supp. 664 (N.D. Ill. 1997), involved a claim of trade secret misappropriation after Motorola and an engineer were unable to agree on the terms of a business relationship after Motorola used alleged confidential information transferred to it under a confidentiality agreement. The district court, finding that the plaintiff’s answers to interrogatories did not satisfy the specificity requirement of the Illinois UTSA, rejected the plaintiff’s “blunderbuss statement that ‘everything you got from us was a trade secret.’” *Id.* at 672. However, other allegations by the plaintiff did satisfy the specificity requirement. *Id.* at 673 (identifying specific claims).

In *Basic Am., Inc. v. Shatila*, 992 P.2d 175 (Idaho 1999), the Idaho Supreme Court, rejecting the defendants’ arguments that the trial court identified a trade secret with insufficient specificity, explained the rationale for the specificity requirement. The court explained that specificity is appropriate so that a defendant in a trade secret misappropriation case is not prevented from using knowledge in the public domain, so that former employees of trade secret owners are not unnecessarily prevented from using their knowledge, and so that persons subject to an injunction can know what is prohibited and what is not. 992 P.2d at 189.

2. RESTATEMENT OF TORTS § 757 cmt. b.
3. *See Burlington N. v. Omaha Pub. Power Dist.*, 888 F.2d 1228, 1231, 1232 (8th Cir. 1989) (contractual terms with customer covering price escalation entitled to trade secret status; intended for continuous use; distinguishing *Wis. Elec. Power Co. v. Pub. Serv. Comm’n*, 329 N.W.2d 178, 182 (Wis. 1983) (pricing and cost information in contract for nuclear power plant construction not a trade secret because it concerns only a single event)).

salary of employees, the security of investments, or the date fixed for announcement of a new policy or model.

The comment contemplates continuous use in the operation of a business and notes that trade secrets usually relate to the production of goods, such as a machine or formula for the production of an article, but it also notes that a trade secret might relate to the sale of goods or to other operations, such as a code for determining discounts and a price list or catalogue, a list of specialized customers, or a method of bookkeeping or office management.⁴

The *Restatement (Third) of Unfair Competition* defines trade secret as follows: "A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others."⁵ The commentary makes it clear that the requirement for continuous use in one's business from the first *Restatement* has been dropped.⁶

§ 3:3 Uniform Act Provisions

Section 1 of the Uniform Trade Secrets Act (UTSA) defines trade secret as information meeting the economic value and secrecy requirements, including "a formula, pattern, compilation, program, device, method, technique, or process."⁷ The words "compilation," "program," "device," "method," and "technique" are new with the UTSA, but the structure of the definition indicates that these terms are not meant to limit the concept. The comment to this section notes that a significant difference from the *Restatement of Torts* definition is abandonment of the requirement that the trade secret be "continuously used in one's business."⁸ Another comment says that "know-how" is included in reference to methods and techniques.⁹

State statutes modeled on the UTSA use slightly different formulations. The Colorado version reads: "Trade secret means the whole or any portion or phase of any scientific technical information, design, process, procedure, formula, improvement, confidential business or financial information, listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value."¹⁰ The Idaho law¹¹ defines trade secret as

4. RESTATEMENT OF TORTS § 757 cmt. b.

5. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1994).

6. *Id.* § 39 cmt. d.

7. UTSA § 1(4), 14 U.L.A. at 438.

8. UTSA § 1 cmt., 14 U.L.A. at 439.

9. UTSA § 1 cmt.

10. 14 U.L.A. at 440 (quoting Colorado version, COLO. REV. STAT. ANN. § 7-74-101 (West 1990 & Supp. 1992)).

11. IDAHO CODE § 48-801.

"information, including a formula, pattern, compilation, program, computer program, device, method, technique or process. . . ."¹² The Illinois version defines trade secret as "information, including but not limited to, technical or nontechnical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers or suppliers. . . ."¹³ The Montana statute inserts "or computer software" following the word "information" in the definition.¹⁴

Nebraska explicitly refers to drawings and code (presumably computer program code) in its definition.¹⁵ Connecticut¹⁶ and Oregon¹⁷ explicitly include drawings, cost data, and customer lists. Alaska, however, does not specifically mention formula, patterns, compilations, programs, devices, methods, techniques, or processes; it simply refers to "information that derives independent economic value . . . from not being generally known. . . ."¹⁸ Nebraska also uses language suggesting a stricter secrecy requirement.¹⁹

The Alabama statute suggests in its definition that the trade secret definition is limited to information used or intended to be used in a conventional trade or business, but the commentary says that the statutory terms "trade" and "business" are "not limited to business for profit, but may include a variety of other activities that take on the characteristics of a trade or business."²⁰

Lydall, Inc. v. Ruschmeyer^{20.1} involved the executive vice president and chief financial officer for the plaintiff who tried to engineer a buyout of his employer as he was being threatened with dismissal. His former employer sued him claiming he misappropriated trade secrets in the course of trying to organize the buyout. The Connecticut Supreme Court affirmed some trial court determinations that particular pieces of information constituted trade secrets and reversed others. The court reversed the trial court's determination that the defendant had misappropriated specific profit margin information by disclosing it, because it found (1) that there was no evidence in the record that the defendant had disclosed any specific profit margin

- 12. 14 U.L.A. at 440–41.
- 13. *Id.* at 441 (quoting ILL. REV. STAT. ch. 765 § 1065/2(d) (1993)).
- 14. *Id.* at 442 (characterizing MONT. CODE ANN. § 30-14-402(4) (1991)).
- 15. NEB. REV. STAT. § 87-502(4) (2004).
- 16. CONN. GEN. STAT. ANN. § 35-51(d) (2005).
- 17. OR. REV. STAT. § 646.461(4) (2005).
- 18. ALASKA STAT. § 45.50.940(3) (2005).
- 19. NEB. REV. STAT. § 87-502(4) (2005) (omitting "generally" before "known to" and "readily" before "ascertainable by").
- 20. ALA. CODE § 8-27-2 cmt. a (2005).
- 20.1. *Lydall, Inc. v. Ruschmeyer*, 282 Conn. 209, 919 A.2d 421 (2007).

information for any individual component of the business, and (2) that the information that the profit margin for Lydall's automobile business as a whole was above average was not confidential because Lydall had publicly disclosed it to potential investors.^{20.2} It also reversed the trial court's determination of trade secret status for the fact that margins varied widely among Lydall's various businesses, because there was no evidence that that information was secret or of any economic value because it was so general.^{20.3} Finally, the court reversed the determination that information that some products were extremely profitable was a trade secret. There was no evidence that the defendant actually disclosed which specific products were profitable, and the general information would have no economic value.^{20.4}

It affirmed, however, the trial court's determination that Lydall's plan to use certain products in a declining market to generate cash constituted a trade secret.^{20.5}

§ 3:4 Question of Fact or of Law?

Whether information constitutes a trade secret is usually characterized as a question of fact.²¹ By implication, this includes all of the elements of trade secret status.²² However, the Supreme Court of Wisconsin has correctly pointed out that there are two subquestions with respect to trade secret status. One question, to be decided by the fact finder, is "what are the actual facts?" The other, a question of law for the court, is "whether the facts as found by the fact finder satisfy a particular legal standard, the standard for trade secret status."²³

In *Lydall, Inc. v. Ruschmeyer*,^{23.1} discussed more fully in section 3:3, the court assumed that whether information is protected by the

20.2. *Id.*, 919 A.2d at 431–32.

20.3. *Id.* at 432.

20.4. *Id.* at 432–33.

20.5. *Id.* at 433–34.

21. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 reporter's note at 444 ("[T]he existence of trade secret is properly considered a question of fact to be decided by the judge or jury as factfinder.").

22. *Drill Parts & Serv. Co. v. Joy Mfg. Co.*, 439 So. 2d 43, 49 (Ala. 1983) (stating general rule with respect to trade secret status); see *Pate v. Nat'l Fundraising Consultants, Inc.*, 20 F.3d 341, 344 (8th Cir. 1994) (largely deflecting arguments that techniques of fundraising communicated to franchisee did not qualify as trade secrets because whether information met standards of Colorado Trade Secrets Act was question of fact for jury).

23. *Corroon & Black-Rutters & Roberts, Inc. v. Hosch*, 325 N.W.2d 883, 885 (Wis. 1982) (declining to give deference to trial court determinations that the customer lists were trade secrets).

23.1. *Lydall, Inc. v. Ruschmeyer*, 282 Conn. 209, 919 A.2d 421 (2007).

Connecticut Uniform Trade Secrets Act is a question of fact for the trial court.^{23,2}

Thus, if there were a dispute about whether a trade secret was widely known in the industry or known only by the plaintiff, the fact finder would resolve that dispute, probably based on expert testimony.²⁴ On the other hand, whether a particular slipup in enforcing confidentiality procedures vitiates the secrecy requirement more likely would be a legal question for the court. Whether the slipup actually occurred would be a fact question for the fact finder. Whether knowledge of a trade secret gives a competitive advantage, as considered in chapter 5, presents a fact question, usually resolvable through expert testimony.

§ 3:5 Comparison with the Subject Matter of Other Types of Intellectual Property

§ 3:5.1 Copyright

Copyright protects (1) original (2) works of authorship (3) fixed in any tangible medium of expression.²⁵ Copyright expressly excludes ideas, procedures, processes, systems, methods of operation, concepts, principles, or discoveries.²⁶ The core subject matter of copyright is expression fixed in an image, in computer-readable representation, or in symbols like letters and numbers.

Unlike copyright, there is no requirement for “fixation” for trade secrets. A trade secret can qualify even if it has never been written down. In *Allen v. Hub Cap Heaven, Inc.*,²⁷ the court incorrectly held that trade secrets must be written down. The appellate judge acknowledged that customer and supplier lists can be trade secrets, but in this case, there were no tangible lists, only the appellant’s personal knowledge, therefore there could be no misappropriation.²⁸ Section 3:12 analyzes the eligibility of memorized information for trade secret status.

23.2. *Id.*, 919 A.2d at 430.

24. *Julie Research Labs., Inc. v. Select Photographic Eng’g, Inc.*, 810 F. Supp. 513, 520 (S.D.N.Y. 1992) (vacating preliminary injunction and dismissing complaint for trade secret misappropriation; secrecy is a question of fact), *aff’d in material part*, 998 F.2d 65 (2d Cir. 1993).

25. 17 U.S.C. § 102(a).

26. *Id.* § 102(b).

27. *Allen v. Hub Cap Heaven, Inc.*, 484 S.E.2d 259 (Ga. Ct. App. 1997) (reversing interlocutory injunction).

28. *Id.* at 263 (holding that oral information concerning prospective business leads is less protected than customer lists under Georgia Trade Secrets Act); *see also DeGiorgio v. Megabyte Int’l, Inc.*, 468 S.E.2d 367 (Ga. 1996).

As chapter 2 explains, copyright and trade secret protection can exist in two different aspects of the same information or in the same information. Copyright subject matter is more inclusive than trade secret subject matter in one respect because there is no conceptual requirement for competitive advantage, only that the person claiming the copyright be the one who originally expressed the subject matter. In another respect, however, the scope of copyright is narrower: facts are not eligible for copyright, but they may qualify as trade secrets.

§ 3:5.2 Patent

Patent law protects inventions and discoveries of new and useful processes, machines, manufactures, or compositions of matter.²⁹ The subject matter of patent law is very similar to the subject matter of trade secret law. Indeed, patent law was developed as a way of protecting trade secrets without requiring them to be kept secret. Delinking legal protection from secrecy encourages wider use of useful information. Trade secret subject matter is, however, broader than patent subject matter in that even knowledge that does not meet patent novelty requirements can be protected by trade secret, as explained in chapter 2.^{29.1}

§ 3:6 Know-How Distinguished

Under the UTSA, “know-how” is entitled to trade secret status. The commentary to section 1 explicitly says that know-how is included within the definition of trade secret, by virtue of use of the words “method” and “technique.”³⁰ It is difficult to define know-how, and to distinguish it from trade secret. As the following discussion of cases shows, know-how may comprise a kind of holistic experience in applying data, machinery and business methods, distinguished from more specific information or knowledge that may more easily qualify as trade secret. Or know-how may be information that is too widely known to qualify as trade secret, but which may be, nevertheless, protected contractually. The best solution to this definitional problem is that taken by the UTSA: to eliminate any specific category of know-how and to evaluate all information under the elements for trade secret.

29. 35 U.S.C. § 101.

29.1. See generally Karl F. Jorda, *Patent and Trade Secret Complementariness: An Unsuspected Synergy*, 48 WASHBURN L.J. 1, 9 (2008) (quoting this book on history of trade secret protection).

30. UTSA § 1 cmt., 14 U.L.A. at 439.

There are certain kinds of know-how, however, that may not be entitled to trade secret protection. Although there are not many cases directly addressing the difference between know-how and trade secret, a few cases approve contractual limitations on exploitation or disclosure of know-how while recognizing that some types of know-how may not be entitled to trade secret protection because the knowledge is generally known.³¹

*Hooker Chemical Corp. v. Velsicol Chemical Corp.*³² involved a suit by Hooker to recover royalties under a licensing agreement. Velsicol defended on the grounds that it had not used the “know-how” of Hooker and therefore was not obligated to pay royalties under the know-how provision. To resolve the dispute, the district court had to define know-how. It adopted the following definition:

Factual knowledge not capable of precise, separate description but which, when used in an accumulated form, after being acquired as the result of trial and error, gives to the one acquiring it an ability to produce something which he otherwise would not have known how to produce with the same accuracy or precision found necessary for commercial success. . . .³³

Hooker argued that know-how included any technical information not already known to Velsicol. Velsicol claimed that know-how excluded information that was published or generally known to those practiced in the art—in effect arguing that know-how was no broader than trade secret.³⁴ The district court preferred Velsicol’s definition, believing that Sixth Circuit precedent would invalidate as contrary to

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31. See *In re Providian Credit Card Cases*, 116 Cal. Rptr. 2d 833, 846 (Cal. Ct. App. 2002) (unsealing litigation documents which contained “general business know-how” but not trade secrets); *Fleming Sales Co. v. Bailey*, 611 F. Supp. 507, 515–16 (N.D. Ill. 1985) (denying protection under UTSA to “business experience” and “know-how” used by former employee to identify prospects; information about whom to contact, existence of complementary products, terms of contracts); *Hooker Chem. Corp. v. Velsicol Chem. Corp.*, 235 F. Supp. 412, 424, 425 (W.D. Tenn. 1964) (construing obligation to pay royalties for use of information including know-how by applying definition of know-how from *Mycalex Corp. v. Pemco Corp.*, 64 F. Supp. 420, 425 (D. Md. 1946), *aff’d*, 159 F.2d 907 (4th Cir. 1947) (district court declined to accord trade secret status to know-how without proof of secrecy; trade secret misappropriation claim dismissed because information widely known in industry)).
32. *Hooker Chem. Corp.*, 235 F. Supp. 412.
33. *Id.* at 424 (quoting *Mycalex Corp.*, 64 F. Supp. at 425, dismissing complaint for injunction against manufacturing competing product).
34. *Id.* at 424.

public policy any royalty agreement for information already in the public domain.³⁵ The district court ultimately concluded “that information which was generally known to those practiced in the art or published in the literature, at least at the time the information was received by Velsicol, cannot be relied upon by Hooker.”³⁶

In *AMP Inc. v. Fleischhacker*,³⁷ the U.S. Court of Appeals for the Seventh Circuit denied an injunction against use of business experience and know-how by a former employee in the absence of a covenant not to compete. The court held that such information does not rise to the level of a trade secret, which would warrant an injunction.

*Foster-Miller, Inc. v. Babcock & Wilcox Canada*³⁸ involved efforts by two competitors to develop a new type of hose to remove scaling from nuclear reactor generator boilers. After a representative of Babcock & Wilcox attended a vendors meeting with FMI and signed a confidentiality agreement, the representative subsequently contacted a FMI supplier who was making a new type of hose and asked if he could make the same type of hose for Babcock & Wilcox.³⁹ After these conversations, the supplier provided Babcock & Wilcox with samples of hoses it was building and testing for FMI.

When FMI lost a number of competitive bids to Babcock & Wilcox, it sued for violation of the confidentiality agreement, claiming that Babcock & Wilcox won the jobs only because of its misappropriation of FMI’s confidential information, covered by the confidentiality agreement. A jury awarded \$5 million. Babcock & Wilcox appealed. Babcock & Wilcox argued, among other things, that the information could not qualify as a trade secret because its key features were publicly known, and FMI made no real attempt to protect the information from the Babcock & Wilcox representative. The court of appeals affirmed, finding that the district court had appropriately instructed the jury that the nondisclosure agreement protected “confidential” information as well as “novel” or “proprietary” information.⁴⁰

35. *Id.* at 425 (citing *Reynolds Metals Co. v. Skinner*, 166 F.2d 66 (6th Cir. 1948) and *A.O. Smith Corp. v. Petroleum Iron Works Co.*, 73 F.2d 531 (6th Cir. 1934) as holding that “a party may not license and collect royalty on technical information or a process or the like, unless it constitutes a discovery by the licensor which has been withheld from the public domain”). *A.O. Smith* was modified on rehearing. *A.O. Smith Corp. v. Petroleum Iron Works Co.*, 74 F.2d 934, 935 (6th Cir. 1935) (extending injunction beyond patented processes).

36. *Id.* at 427.

37. *AMP Inc. v. Fleischhacker*, 823 F.2d 1199, 1207–08 (7th Cir. 1987).

38. *Foster-Miller, Inc. v. Babcock & Wilcox Can.*, 210 F.3d 1 (1st Cir. 2000).

39. *Id.* at 6.

40. *Id.* at 10–11.

*Concept, Inc. v. Thermotemp Inc.*⁴¹ presents the opposing view. The court affirmed a temporary injunction against manufacturing or distributing a thermal therapy machine allegedly in breach of a confidentiality agreement covering “confidential information” and “know-how” as well as trade secrets, assuming that the scope of the agreement was broader than common law trade secrets and permitting an injunction even if the disputed information was in the public domain.⁴²

For example, a franchise might obligate the franchisor to provide know-how and restrict use of the know-how by the franchisee. The know-how might very well be generally known in the particular industry but not known to the franchisee. The information covered by the know-how obligation would be valuable to the franchisee but not entitled to trade secret protection because it is generally known to the competitors of the franchisor.

Most of the cases dealing with know-how separate from trade secret involve challenges to covenants not to compete.⁴³ Generally, know-how is of sufficient value to an enterprise to justify a covenant not to compete, but still may be too broadly known to satisfy the secrecy requirement of the trade secret definition.

Enforcement of covenants not to compete is considered in chapter 6.

§ 3:7 “Used in Plaintiff’s Business” Requirement

As explained above, the UTSA and the *Restatement (Third) of Unfair Competition*, unlike the first *Restatement*, do not require that information actually be used in business to qualify as protectable subject matter.

*Syntex Ophthalmics, Inc. v. Tsuetaki*⁴⁴ involved an argument by a defendant in a trade secret misappropriation case that the plaintiff lacked trade secret protection for certain manufacturing processes and chemical compounds because it no longer used some of the information and had never used other information.⁴⁵ Under Illinois law, the defendant argued, information not used in the plaintiff’s business was not entitled to trade secret status.⁴⁶ The court of appeals rejected the

41. *Concept, Inc. v. Thermotemp Inc.*, 553 So. 2d 1325 (Fla. Dist. Ct. App. 1989).

42. *Id.* at 1327.

43. See *A. & E. Plastik Pak Co. v. Monsanto Co.*, 396 F.2d 710, 714–15 (9th Cir. 1968) (know-how license permissible under antitrust laws despite limits on competition; not clearly distinguishing know-how from trade secret).

44. *Syntex Ophthalmics, Inc. v. Tsuetaki*, 701 F.2d 677, 682 (7th Cir. 1983).

45. *Id.*

46. *Id.* (relying on the phrase “which is used in one’s business,” in RESTATEMENT OF TORTS § 757 cmt. b (1930)).

argument, concluding that the test is value to the plaintiff's business, not actual use.⁴⁷

In *State ex rel. Plain Dealer v. Ohio Dep't of Insurance*,⁴⁸ however, the Ohio Supreme Court, applying the trade secret exemption from the Ohio Freedom of Information Act, held that documents concerning negotiations between a healthcare insurer and a healthcare provider did not qualify as trade secrets. "Documents pertaining to draft contracts, bids, and letters of negotiation are not trade secrets. Information related to a single, ephemeral event in the conduct of a business does not meet the requirement that a trade secret be 'a process or device for continuous use in the operation of the business.'"⁴⁹ Moreover, "[a]lthough the information in the documents at issue is not generally known outside the business, there is no discernible value attributable to Blue Cross in having this information as against competitors, particularly since the transaction has been subsequently disapproved."⁵⁰ The court distinguished these items from other information concerning financial data of the ongoing business, as to which it granted trade secret protection.⁵¹

In *Healthcare Services of the Ozarks, Inc. v. Copeland*,^{51.1} the Missouri Supreme Court held that nonprofit corporations may enforce noncompete agreements to the same extent that a for-profit corporation may.^{51.2}

In *University of Connecticut v. Freedom of Information Commission*,^{51.3} the Connecticut Supreme Court, reversing the state freedom-of-information agency, held that a public university is capable of creating and maintaining trade secrets even if it does not engage in a "trade."^{51.4} The information in question was a database of persons who had inquired about and bought tickets for university athletic and other entertainment events.

47. *Id.* at 683. *But see Burlington N. v. Omaha Pub. Power Dist.*, 888 F.2d 1228, 1231, 1232 (8th Cir. 1989) (contractual terms on price escalation with customer entitled to trade secret status; intended for continuous use; distinguishing *Wis. Elec. Power Co. v. Pub. Serv. Comm'n*, 329 N.W.2d 178, 182 (Wis. 1983) (pricing and cost information in contract for nuclear power plant construction not trade secret because single event in business)).

48. *State ex rel. Plain Dealer v. Ohio Dep't of Ins.*, 687 N.E.2d 661 (Ohio 1997).

49. *Id.* at 673 (citations omitted).

50. *Id.*

51. *Id.* at 675.

51.1. *Healthcare Servs. of the Ozarks, Inc. v. Copeland*, 198 S.W.3d 604 (Mo. 2006).

51.2. *Id.* at 614.

51.3. *Univ. of Conn. v. Freedom of Info. Comm'n*, 36 A.3d 663 (Conn. 2012).

51.4. *Id.* at 666–67.

In *Collelo v. Geographic Services, Inc.*,^{51.5} the Virginia Supreme Court reversed the trial court's dismissal of the plaintiff's trade-secret misappropriation complaint after presentations of the plaintiff's case in chief to the jury. The trial court held that the plaintiff, GSI, failed to prove that the defendant's new employer, Boeing, was in direct competition with the plaintiff, reasoning that "even if Mr. Collelo had taken something, and [despite the fact that Boeing] was a customer of GSI, Boeing is not doing and has not been doing the same work as GSI."^{51.6} The trial court further explained its ruling as follows:

[T]here has been no evidence offered that there has been any loss of business by GSI because of competitive conduct on the part of [Boeing]. There has been no evidence that Boeing has benefitted [sic] from using this tool in a manner that would affect the business of GSI, namely, the substantive business of its Geonames work.

. . .

[T]he reason [for the Trade Secrets Act is] that if you have a secret you have developed for a particular work and it is taken by someone else, then [they] will be in violation of the terms of the [Trade Secrets A]ct, and . . . the holder of the trade secret[] will be entitled to damages.

And the damages are now codified. They are set out in the [Trade Secrets A]ct. And what are they? The loss to the business of the person who has had its trade secret taken, the unjust enrichment to the entity that has been able to do the business of the person holding the trade secret or some portion of that, and the reasonable royalties, if there is nothing else, for the use of that particular . . . trade secret.

But, again, *the reason for the rule is to avoid a person benefiting by doing the type of work which this trade secret enables to the detriment of the creator of the trade secret*. And, once again, Boeing is not doing that work. There simply has been no evidence whatsoever, not merely that *Boeing is not competing with GSI*, but in response to the trade secret aspect, *that Boeing is even doing the same work as GSI*.

. . .

And, so, it would be far easier for the Court to send this matter to the jury but what damages will a jury have to consider? . . . There

51.5. *Collelo v. Geographic Servs., Inc.*, 721 S.E.2d 508 (Va. 2012).

51.6. *Id.* at 512 (quoting trial court; bracketed material added by supreme court).

has been no loss of business to GSI. There has been no [showing] that Boeing has made more money *because it has used these trade secrets to do the same kind of work.* . . . There is no way that the jury could find that Boeing has taken GSI's secret in order to do the work that that secret was designed for. Boeing is simply not doing that kind of work.

For these reasons, the motion of the defendants to strike the plaintiff's evidence is granted.^{51.7}

In reversing, the supreme court stated:

[T]he Trade Secrets Act does not require that one who is accused of misappropriating a trade secret use the allegedly misappropriated trade secret to compete with the holder of the trade secret. Once a complainant has established the misappropriation of a trade secret, the Trade Secrets Act provides that the "complainant is entitled to recover damages for misappropriation," including "both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss." Code § 59.1–338. The Trade Secrets Act also states that, "[i]f a complainant is unable to prove a greater amount of damages by other methods of measurement, the damages caused by misappropriation can be measured exclusively by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret." Code § 59.1–338.^{51.8}

§ 3:8 Nonbusiness Information

There are a few cases denying protection to information on the grounds that it is not "business information."

Most of the case law considering whether information held by a nonprofit enterprise qualifies as trade secrets, for example, involves the application of exemption 4 of the Freedom of Information Act.⁵² That provision has been interpreted as covering trade secrets as they are defined by the common law, and most of the case law restricts the trade secret definition to traditional profit-seeking business

51.7. *Id.* at 514–15 (quoting trial court; bracketed material and emphasis added by supreme court).

51.8. *Id.* at 516 (citation omitted).

52. 5 U.S.C. § 552(b)(4) (exempting from FOIA disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential").

information.⁵³ The *Restatement (Third) of Unfair Competition* says that nonprofit entities can claim trade secret protection for economically valuable information, such as lists of prospective members or donors.⁵⁴ Public entities can own trade secrets, as well.⁵⁵

*Public Citizen Health Research Group v. Food & Drug Administration*⁵⁶ takes a slightly different approach. In that case, the court of appeals reversed a determination that data relating to the safety and efficacy of intraocular lenses was exempt from disclosure. The court of appeals, in an opinion authored by Judge Edwards for a panel that included Judge (now Supreme Court Justice) Scalia, concluded that the district court had used an overly broad definition of trade secrets under exemption 4, because it had used the definition contained in section 757 of the *Restatement*. The court acknowledged that the *Restatement's* broad definition had been accepted in a variety of private law contexts, but questioned whether Congress meant for it to govern FOIA cases.⁵⁷ The court repudiated “the broad *Restatement* approach” and defined trade secrets “in its narrower common law sense, which incorporates a direct relationship between the information at issue and the productive process.”⁵⁸

Accordingly we define trade secret, solely for the purpose of FOIA Exemption 4, as a secret, commercially valuable plan, formula, process, or device that is used for the making, preparing, compounding, or processing of trade commodities and that can be said to be the end product of either innovation or substantial effort.⁵⁹

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- 53. Wash. Research Project, Inc. v. Dep't of Health, Educ. & Welfare, 504 F.2d 238, 244 (D.C. Cir. 1974) (research design in grant application not a trade secret for purposes of FOIA exemption 4 because scientists not engaged in trade or commerce and any interest in nondisclosure was founded on professional recognition or reward, which is not an interest flowing from use in one's business); St. Paul's Benevolent Educ. & Missionary Inst. v. United States, 506 F. Supp. 822, 829, 830 (N.D. Ga. 1980) (survey data on feeding of infants in low-income families collected by church-related organizations were not trade secrets because developers of data were not engaged in trade or commerce and information gave no competitive advantage; thus not privileged from release by exemption 4 of FOIA).
 - 54. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. d.
 - 55. State *ex rel.* Besser v. Ohio State Univ., 721 N.E.2d 1044, 1049–50 (Ohio 2000) (Ohio UTSA specifically defines “person” who can have trade secrets to include “governmental entities,” and therefore state university was competent to own trade secrets; Public Records Act case).
 - 56. Pub. Citizen Health Research Grp. v. Food & Drug Admin., 704 F.2d 1280 (D.C. Cir. 1983).
 - 57. *Id.* at 1286.
 - 58. *Id.* at 1288.
 - 59. *Id.*

The FOIA thus incorporates a more restrictive definition of trade secrets, the D.C. Circuit said, “reserved for information involving ‘the productive process itself, as opposed to collateral matters of business confidentiality such as pricing and sales volume data, sources of supply and customer lists.’”⁶⁰

The D.C. Circuit justified its choice of the narrower definition based on the difference between the FOIA’s goals and the private law goals of trade secret law, which focus on defendant wrongdoing, unjust enrichment, and competitive harm, rather than any policy of encouraging innovation.⁶¹ Also, it should be noted that the structure of exemption 4 permits protecting non-trade-secret data when it qualifies under the other prong, covering commercial and financial information. Thus, a narrow FOIA definition of trade secret does not foreclose protection altogether. In a purely private common law setting, a narrow definition of trade secret may leave information unprotectable, so there are arguments in private law for making the trade secret definition as broad as a policy-based need for protection.

One of the more interesting claims for protection of nontraditional subject matter arose in *Religious Technology Center v. Wollersheim*.⁶² The Church of Scientology argued that some scriptural materials taken by a splinter group were trade secrets. The district court held that the materials qualified because of the plaintiff’s elaborate efforts to maintain secrecy. The U.S. Court of Appeals for the Ninth Circuit reversed, concluding that the materials gave the church only a spiritual advantage, and that this did not satisfy the requirement for an actual or potential commercial advantage “presumably measurable in dollar terms.”⁶³ It noted phrases like “used in one’s business” and “advantage over competitors,” used in the

60. *Id.* at 1287 (quoting Mark Q. Connelly, *Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data*, 1981 WIS. L. REV. 207, 230).

61. *Id.* at 1289 n.25.

62. Religious Tech. Ctr. v. Wollersheim, 796 F.2d 1076 (9th Cir. 1986).

63. *Id.* at 1090. *But cf.* Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc., 923 F. Supp. 1231 (N.D. Cal. 1995) (religious works from Church of Scientology qualified as trade secrets but church had to particularize information clothed with trade secret status; religious tracts conferred economic value on church, were subject to potential competition, and were secret).

Restatement, and “commercial value” and “competitive advantage,” used in the comment to section 1 of the UTSA.⁶⁴

64. *Religious Tech. Ctr.*, 796 F.2d at 1090 (citing RESTATEMENT OF TORTS § 757 and commissioners’ comment to section 1 of Uniform Act, 14 U.L.A. at 543). See *Reingold v. Swift Ships, Inc.*, 126 F.3d 645, 650 (5th Cir. 1997) (reversing district court and finding fiberglass ship mold to be trade secret); *Self Directed Placement Corp. v. Control Data Corp.*, 908 F.2d 462 (9th Cir. 1990) (training course not trade secret because instruction techniques were already matter of public knowledge, and completely disclosed to students taking course); *McKay v. Communispond, Inc.*, 581 F. Supp. 801 (S.D.N.Y. 1983) (training programs for business executives to enhance their presentation skills would probably qualify for trade secret protection, except information about program had been published); *Seymour v. Buckley*, 679 So. 2d 220, 224 (Ala. 1996) (affirming trial court’s determination that painless dent removal does not constitute trade secret under Alabama law; evidence introduced at trial supported fact that painless dent removal was readily ascertainable); *Saforo & Assocs., Inc. v. Porocel Corp.*, 991 S.W.2d 117, 120–22 (Ark. 1999) (Supreme Court of Arkansas approved a trial court finding that a system for washing an ingredient used in making aluminum constituted a trade secret; court applied Arkansas version of the UTSA six-factor test: (1) extent to which the information is from outside the business; (2) extent to which the information is known by employees and others involved in the business; (3) extent of measures taken to guard the secrecy of the information; (4) value of the information to purported owner and its competitors; (5) amount of effort or money expended by purported owner in developing the information; and (6) ease or difficulty with which the information could be properly acquired or duplicated by others); *Allen v. Hub Cap Heaven, Inc.*, 484 S.E.2d 259 (Ga. Ct. App. 1997) (unique combination of otherwise mundane services for selling automotive trim pieces to body shops and car dealers did not qualify as trade secret, in large part because combination was disclosed to every customer); *Weston v. Buckley*, 677 N.E.2d 1089, 1092 (Ind. Ct. App. 1997) (dent removal process constituted trade secret because developed with great effort and learnable only with extensive training); *Bond v. Polycycle*, 732 A.2d 970, 975 (Md. Ct. Spec. App. 1999) (“The availability of components in the open market is not dispositive. . . . [O]nly Bond knows the secret formula of how small to make the pieces of plastic, how much water to use, the appropriate temperature of the water, the proper level of agitation to apply, and the length of the agitation process. As appellee correctly points out, it is those elements, mixed and processed precisely in a certain manner, that define the Polycycle process, just as much as the specific blend of available ingredients defines Coca Cola.”); *McAlpine v. AAMCO Automatic Transmissions, Inc.*, 461 F. Supp. 1232, 1256–57 (E.D. Mich. 1978) (merchandizing system used by automobile transmission repair franchisor was insufficiently original, complex, or unique to qualify for trade secret protection; despite competitive advantage flowing from use of system its elements (instructions for handling customers, checklist procedure for diagnosing transmission problem, price list, daily business activity form and sales pitch for customers) were mundane and widely known); *Bloom v. Hennepin County*, 783 F. Supp. 418, 439 (D. Minn. 1992) (denying summary judgment against plaintiff doctor asserting trade secret status in multiple sclerosis protocol developed for treating own patients);

Two different issues are involved in the case law applying the limitation “business” to trade secret. The first concerns the nature of the person or entity claiming trade secret ownership. Trade secret ownership should not be limited to profit-seeking or profitable enterprises. Universities, trade associations, other advocacy groups, charities, and volunteer social organizations compete vigorously for membership, visibility, and contributions. They are an integral part of modern economic life. The same policy justifications for protecting trade secrets in the profit-seeking sphere—encouraging innovation by protecting against free-riding, and punishing unethical behavior—apply in the nonprofit sphere as well.

The second concerns the relationship between the claimed trade secret and the activities carried on by the claimant. Some kinds of information are so remote from the business activities of an enterprise that, while they may be “secrets,” they are not “trade secrets.” For example, the possession of scandalous information about the private life of one’s competitor might be secret, and it also might give rise to a competitive advantage because of its blackmail potential. But it is not business information and should not qualify as a trade secret.

The best approach for a plaintiff seeking to establish trade secret protection for nonconventional information is to establish first the secrecy and competitive advantage elements, explained respectively in chapters 4 and 5, and then to argue that once these two elements are established, neither the *Restatement* nor the UTSA accepts any independent subject matter limitation. *Wollersheim* but not *Public Citizen Health Research Group* is precedent against such a position. *Public Citizen* expressly distinguished its narrowed interpretation of trade secrets in the FOIA context from a broader interpretation the court thought appropriate for the trade secret misappropriation context.

§ 3:9 Specific Subjects

Because of the requirement that trade secrets confer competitive advantage, trade secret subject matter includes any of the major functions of business enterprise: production and operations, engineering and research and development, marketing, finance, purchasing,

Mo-Kan Cent. Recovery Co. v. Hedenkamp, 671 S.W.2d 396, 400–01 (Mo. Ct. App. 1984) {automobile repossession service bidding structure, techniques for repossession of cars, and use of specialized tools not entitled to trade secret status for purposes of validating covenant not to compete because they involved little more than common sense and no showing of secrecy}; M. Bryce & Assocs., Inc. v. Gladstone, 319 N.W.2d 907 (Wis. Ct. App. 1982) {information revealed during a seminar regarding design of a management information system was trade secret}.

and management. The following sections collect cases involving specific subject matter within each of these major functional categories.

The cases cited illustrate two things. First, they illustrate the many different kinds of information for which trade secret status is asserted. Second, and more important analytically, they show that denial of trade secret status for a particular type of information usually results not from the subject, but from a failure of some other element, usually secrecy, and occasionally the absence of a competitive advantage flowing from possession of the information. The author has found few cases denying trade secret status for secret business information providing a competitive advantage on the grounds that the subject of the information was outside the scope of trade secret protection. Those few, discussed later in the chapter, relate to information on product safety or health effects.

The mere fact that information is communicated privately in a business setting, however, does not confer trade secret status. In *Reardon LLC v. Reardon Commerce, Inc.*,^{64.1} the district court rejected a motion to seal evidence of the contents of an email message. "An email is not a 'trade secret' merely because it is sent or received by a high-ranking official of a company."^{64.2}

§ 3:9.1 Production and Operations

[A] Manufacturing Process and Operations

Information useful in producing the product of the enterprise is protectable, regardless of whether the product of the enterprise is tangible.⁶⁵ The original concept of trade secret included knowledge

64.1. *Reardon LLC v. Reardon Commerce, Inc.*, 597 F. Supp. 2d 1006 (N.D. Cal. 2009).

64.2. *Id.* at 1027.

65. *Self Directed Placement Corp. v. Control Data Corp.*, 908 F.2d 462 (9th Cir. 1990) (training course not trade secret because instruction techniques were already matter of public knowledge, and completely disclosed to students taking course); *M. Bryce & Assocs., Inc. v. Gladstone*, 319 N.W.2d 907 (Wis. Ct. App. 1982) (information revealed during a seminar regarding design of a management information system was trade secret); *McKay v. Communispond, Inc.*, 581 F. Supp. 801 (S.D.N.Y. 1983) (training programs for business executives to enhance their presentation skills would probably qualify for trade secret protection, except information about program had been published); *Mo-Kan Cent. Recovery Co. v. Hedenkamp*, 671 S.W.2d 396, 400-01 (Mo. Ct. App. 1984) (automobile repossession service bidding structure, techniques for repossession of cars, and use of specialized tools not entitled to trade secret status for purposes of validating covenant not to compete because involved little more than

of how to produce tangible products. Such knowledge now is protectable without any serious dispute.⁶⁶

In *AvidAir Helicopter Supply, Inc. v. Rolls-Royce Corp.*,^{66.1} the court of appeals, applying the Missouri UTSA and the Indiana UTSA, affirmed a holding that information about repair and overhaul of helicopter engines constituted subject matter qualified for trade secret protection:

The value of Rolls-Royce's documents is apparent when a shop is required to certify the return to service for an overhauled engine. To certify to the FAA that the overhaul was completed in accordance with an FAA-approved procedure, that shop must have updated technical information for the engine. AvidAir claims that it can obtain FAA approval for a procedure that is based on only publicly available information, and if this is true, AvidAir may be free to do so. This is, however, not what AvidAir did. Instead of obtaining FAA approval based on an independent investigation of changes to the approved procedure, AvidAir simply appropriated the documents it knew were claimed to be trade secrets and then certified that its procedure was in compliance with the updated documents. Indeed, even after the district court adjudicated the trade secret status of DOIL 24, Revision 13, AvidAir again misappropriated it and other documents from Precision, claiming it did so lawfully in order to benefit from Rolls-Royce's efforts to update proprietary information. AvidAir's repeated attempts to secure the revised DOILs without Rolls-Royce's approval belies its claim that the information in the

common sense and no showing of secrecy); *McAlpine v. AAMCO Automatic Transmissions, Inc.*, 461 F. Supp. 1232, 1256–57 (E.D. Mich. 1978) (merchandizing system used by automobile transmission repair franchise or was insufficiently original, complex, or unique to qualify for trade secret protection; despite competitive advantage flowing from use of system its elements were mundane and widely known: instructions for handling customers, checklist procedure for diagnosing transmission problem, price list, daily business activity form and sales pitch for customers); *Bloom v. Hennepin County*, 783 F. Supp. 418, 439 (D. Minn. 1992) (denying summary judgment against plaintiff MD asserting trade secret status in multiple sclerosis protocol developed for treating own patients).

66. See *Union Carbide Corp. v. Tarancón Corp.*, 742 F. Supp. 1565 (N.D. Ga. 1990) (process of lining metal containers with fluorine was trade secret); *Andrea Dumon, Inc. v. Pittway Corp.*, 442 N.E.2d 574 (Ill. App. Ct. 1982) (specific temperatures used during heating and cooling of depilatory production process was not trade secret because range of temperatures could be used); *Hickory Specialties, Inc. v. B&L Labs., Inc.*, 592 S.W.2d 583 (Tenn. Ct. App. 1979) (set of temperature, moisture, and air parameters used in producing liquid smoke was trade secret).
- 66.1. *AvidAir Helicopter Supply, Inc. v. Rolls-Royce Corp.*, 663 F.3d 966 (8th Cir. 2011).

documents was readily ascertainable or not independently valuable.^{66.2}

In *Bimbo Bakeries USA, Inc. v. Botticella*,^{66.3} the court of appeals affirmed a preliminary injunction forbidding a former executive from working for a competitor. The district court, in granting the injunction, found that the following constituted trade secrets:

- a. Information in Bimbo's code books, as well as and including formulas and designs for Thomas' English Muffins, Oroweat brand products, Sandwich Thins products, and other Bimbo products.
- b. Bimbo's strategy for increasing profitability, embodied in a road map in January of 2009, which included line closures, plant closures, new process improvements, formula optimizations, and new product launches, and which achieved cost savings of \$75 million over the course of a year.
- c. Knowledge of how Bimbo produces bread "from scratch" instead of using pre-mixed ingredients.
- d. Documents copied by [Botticella] from his work computer onto an external storage device with no credible explanation. . . .
- e. Bimbo's promotional strategies with respect to specific customers.
- f. Bimbo's cost positions.
- g. Identities of Bimbo's customers targeted for upcoming bids.^{66.4}

In *Uncle B's Bakery, Inc. v. O'Rourke*,⁶⁷ the court decided that, for the purpose of granting a preliminary injunction, the processes involved in bagel production are trade secrets, even though many of the processes were readily ascertainable.⁶⁸

66.2. *Id.* at 973.

66.3. *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102 (3d Cir. 2010).

66.4. *Id.* at 110.

67. *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405 (N.D. Iowa 1996) (granting preliminary injunction).

68. *Id.* at 1428. *Compare Elm City Cheese Co. v. Federico*, 752 A.2d 1037, 1046 (Conn. 1999) (totality of business methods, from cheese making process through financial information and distribution methods, constituted trade secret), *with Lasermaster Corp. v. Sentinel Imaging*, 931 F. Supp. 628, 632 (D. Minn. 1996) (holding that Teslin, sheeting product for paper or plastic, and information about plaintiff's graphics supplier were not trade secrets because of ascertainability).

In *Ex parte Industrial Warehouse Services, Inc.*,^{68.1} the Alabama Supreme Court reviewed denial of a protective order for claimed trade secrets in a personal injury case involving a motor vehicle accident. The trucking-enterprise defendant claimed that its bills of lading and operations and safety manuals satisfied the definition of trade secret in the Alabama UTSA.

The court held that the information in the safety and operations manuals did not constitute trade secrets:

We will address Wilson and Taylor's arguments in turn. First, IWS readily admits that it must report some information contained in its bills of lading and operations and safety manuals to the FMCSA. However, IWS notes that the information it reports to the FMCSA is not made public. Wilson and Taylor have not directed this Court's attention to anything before us indicating that the FMCSA makes the information reported to it available to the public. Further, IWS is required by federal law to report the information to the FMCSA, and Wilson and Taylor have not directed this Court's attention to anything indicating that IWS may avoid such reporting. Accordingly, IWS is doing all it reasonably can under the circumstances to keep the information secreted from the public. IWS even entered into confidentiality agreements with its clients that prohibit the public disclosure of the information in its bills of lading. We do not find this argument convincing.

Within this argument, however, Wilson and Taylor specifically argue that the information in IWS's operations and safety manuals can be readily ascertained from public information. Wilson and Taylor assert that the information in IWS's operations and safety manuals is "used to teach commercial drivers how to operate a vehicle" and that the information "will reference codes and regulations which are uniform throughout the United States and common in the trucking industry." Wilson and Taylor note that "IWS has made no showing and offered no explanation how training manuals could be the subject of a trade secret or why it would be detrimental for the public to know how [IWS] trains its drivers."

We find this particular argument concerning the information in IWS's operations and safety manuals convincing. IWS acknowledges that the information in its operations and safety manuals is, in part, based on regulations applicable to the entire trucking industry. IWS argues that the manner in which it incorporates those regulations constitutes a trade secret. However, other than

68.1. *Ex parte Indus. Warehouse Servs., Inc.*, ___ So. 3d ___, Nos. 1170013 and 1170087, 2018 WL 1126576 (Ala. Mar. 2, 2018).

this general assertion, IWS has not offered any explanation as to how the information in its operations and safety manuals, which, in part, is readily ascertained from publicly available information, constitutes a trade secret. We conclude that IWS has not met its heavy burden of demonstrating that the circuit court exceeded its discretion in concluding that the information in IWS's operations and safety manuals does not constitute "confidential . . . commercial information" under Rule 26(c)(7).^{68.2}

Sometimes, the information relates to production processes, but is too general to meet the secrecy requirements or the competitive advantage requirements for trade secret protection.⁶⁹ A compilation of facts or synthesis of known processes is entitled to protection if the compilation or synthesis meets the other requirements.⁷⁰

This principle applies to computer programs.⁷¹

68.2. *Id.*, 2018 WL 1126576, at *5 (citations to record omitted).

69. See *Sybron Corp. v. Wetzel*, 403 N.Y.S.2d 931 (App. Div. 1978) (general knowledge of process of lining metal vessels with liquid glass was not trade secret); *Wiebold Studio, Inc. v. Old World Restorations, Inc.*, 484 N.E.2d 280 (Ohio Ct. App. 1985) (knowledge of tools and products used for restoration was not a trade secret); *Remington Rand Corp. v. Bus. Sys., Inc.*, 830 F.2d 1260 (3d Cir. 1987) (general know-how for manufacture of specific typewriter was trade secret), *on remand sub nom. Kilbarr Corp. v. Bus. Sys., Inc.*, 679 F. Supp. 422 (D.N.J. 1988), *aff'd mem.*, 869 F.2d 589 (3d Cir. 1989).

70. *Salsbury Labs., Inc. v. Merieux Labs., Inc.*, 908 F.2d 706 (11th Cir. 1990) (production process consisting of several processes that exist in public domain was trade secret because precise combination was unknown throughout industry); *Syntex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423 (Fed. Cir. 1984) (process based on compilation of reactions well-known and documented in literature was trade secret), *vacated on other grounds*, 470 U.S. 1047 (1985), *reinstated in material part on remand*, 767 F.2d 901 (Fed. Cir. 1985); *Reinforced Molding Corp. v. Gen. Elec. Co.*, 592 F. Supp. 1083 (W.D. Pa. 1984) (process used to manufacture parts to defendant's specifications was trade secret even though overall process was combination of individual processes widely known in industry); *Sheridan v. Mallinckrodt, Inc.*, 568 F. Supp. 1347 (N.D.N.Y. 1983) (extrusion blow molding process was trade secret because even though techniques were being utilized in other industries, improved manner of removing parts from mold was unique); *P.J. Garvey Carting & Storage v. County of Erie*, 510 N.Y.S.2d 365 (App. Div. 1986) (unauthorized use of plaintiff's prior "route list" for delivering voting machines by defendant in solicitation of bids was not trade secret because it could be created by any knowledgeable person in moving business).

71. *Trandes Corp. v. Guy F. Atkinson Co.*, 798 F. Supp. 284, 288 (D. Md. 1992) (object code was unintelligible to average person and arrangement of known algorithms was not generally known; judgment entered on jury verdict for trade secret misappropriation), *aff'd in part, rev'd in part*, 996 F.2d 655, 662 (4th Cir. 1993) (certain aspects of software were trade secrets; other were not).

[B] Information About Clients, Customers, or Patients

Private information about customers useful in producing a product or service confers a competitive advantage and therefore is protectable. For example, in *Marsico v. Cole*,⁷² patient charts and X-rays constituted trade secrets even though they would have been released pursuant to professional requests.

In *APG, Inc. v. MCI Telecommunications Corp.*,^{72.1} the court of appeals agreed with the district court that information about a customer's technical requirements for prepaid telephone cards, communicated in an email to the defendant, did not qualify as a trade secret as a matter of law because it was readily obtainable through normal business channels if the defendant had sought it directly from the customer.^{72.2}

In *State v. Ohio Environmental Protection Agency*,⁷³ the Ohio Supreme Court, considering a challenge to a refusal to release information under the State Public Records Act, held that data about the identity of solid waste generators and the amount of waste each generator sent to a disposal firm and information on test failure rates of disposal firms and mixing characteristics constituted trade secrets under the Ohio UTSA because none of this information was available at a reasonable cost from public sources.⁷⁴

[C] Product Design

Product design information is protectable, regardless of whether discrete details of the design are protectable.⁷⁵ Conversely, even if the

72. *Marsico v. Cole*, Civ. A. No. 13104, 1995 WL 523586 (Del. Ch. Aug. 15, 1995).

72.1. *APG, Inc. v. MCI Telecomms. Corp.*, 436 F.3d 294 (1st Cir. 2006).

72.2. *Id.* at 307.

73. *State v. Ohio Envtl. Prot. Agency*, 724 N.E.2d 411 (Ohio 2000).

74. *Id.* at 419.

75. Secure Servs. Tech., Inc. v. Time & Space Processing, Inc., 722 F. Supp. 1354 (E.D. Va. 1989) (facsimile machine "handshake protocol" would be protectable information except security was inadequate); Telerate Sys., Inc. v. Caro, 689 F. Supp. 221 (S.D.N.Y. 1988) ("handshake protocol" for a data base system was trade secret); Penetone Corp. v. Palchem, Inc., 627 F. Supp. 997 (N.D. Ohio 1985) (material data sheets that were sent to customers and samples given to salesman were trade secrets); Data Gen. Corp. v. Dig. Comput. Controls, Inc., 357 A.2d 105, 110 (Del. Ch. 1975) (logic board maintenance drawings were trade secrets; logic designed drawings of minicomputer were sufficiently novel to be entitled to trade secret status, despite 95% success experienced by high school design team retained by defendant to "reverse engineer" the minicomputer in question); California v. Gopal, 217 Cal. Rptr. 487 (Cal. Ct. App. 1985) (reticles, overlays, and database tapes showing computer chip design were trade

design of the overall product is not protectable because it is in the public domain, information about product details is protectable.⁷⁶ Building designs are protectable.⁷⁷

A combination of well-known designs, like a synthesis of known facts, is protectable.⁷⁸ This concept is regularly extended to computer software⁷⁹ and to traditional machinery.⁸⁰

Business practices, whether or not embodied in a computer program, also may qualify as trade secrets. In *Capital Asset Research Corp. v. Finnegan*,⁸¹ the U.S. Court of Appeals for the Eleventh Circuit found that information about the purchaser's process for evaluating the amount to be bid on a tax deed on real property was not a trade secret,

secrets); Forro Precision, Inc. v. Int'l Bus. Machs. Corp., 673 F.2d 1045 (9th Cir. 1982) (engineering drawings of disk drives and disk packs were trade secrets); Drill Parts & Serv. Co. v. Joy Mfg. Co., 439 So. 2d 43 (Ala. 1983) (engineering drawings and tolerances for drill replacement parts were trade secrets); Learning Curve Toys, Inc. v. Playwood Toys, Inc., 342 F.3d 714, 723 (7th Cir. 2003) (concept for noise-producing toy railroad track qualified as trade secret under Illinois UTSA); Hutchison v. KFC Corp., 51 F.3d 280 (9th Cir. 1995) [idea of serving skinless chicken by skinning, marinating, dipping, breading, freezing if necessary, and frying is readily ascertainable and therefore did not constitute trade secret; summary judgment for defendant affirmed].

76. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (tolerances on a drive plug diameter were trade secrets; efficiency factors necessary for system design were trade secrets; design safety factor used in system design calculations was a trade secret); Aerospace Am., Inc. v. Techs., Inc., 738 F. Supp. 1061 (E.D. Mich. 1990) (wiring diagram of asbestos removal device may have been trade secret, but security was inadequate); Drill Parts & Serv. Co. v. Joy Mfg. Co., 439 So. 2d 43 (Ala. 1983) (engineering drawings and tolerances for drill replacement parts were trade secrets); Rexnord, Inc. v. Ferris, 637 P.2d 619 (Or. Ct. App. 1981) (technical information needed to manufacture parts, which appeared in detailed engineering drawings for rock crushers were trade secret), *rev'd on other grounds*, 657 P.2d 673 (Or. 1983) (reversing denial of punitive damages).
77. Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113 (5th Cir. 1991) (architectural layout of chain restaurants and design constitutes trade secret), *aff'd on other grounds*, 112 S. Ct. 2753 (1992).
78. Electro-Miniatures Corp. v. Wendon Co., 771 F.2d 23 (2d Cir. 1985) (drawings of printed circuit slip ring assemblies was trade secret; even though slip ring assemblies were well-known, printed circuit slip rings were not well-known).
79. *But see Integrated Cash Mgmt. Serv., Inc. v. Dig. Transactions, Inc.*, 920 F.2d 171 (2d Cir. 1990) (software system composed of generic utility programs was trade secret); Pub. Sys., Inc. v. Towry, 587 So. 2d 969 (Ala. 1991) (computer software program was not trade secret because it merely combined off-the-shelf program with data that was readily ascertainable).
80. Anaconda Co. v. Metric Tool & Die Co., 485 F. Supp. 410 (E.D. Pa. 1980) (machine's precise configuration was trade secret even though it was combination of well-known components).
81. *Capital Asset Research Corp. v. Finnegan*, 160 F.3d 683 (11th Cir. 1998).

and reversed the district court's ruling. The Eleventh Circuit reasoned that the majority of the information at issue was freely available through public records. In addition, the remaining information concerning the method of calculating bids was not a unique combination affording its possessor a competitive advantage, as required by Georgia law.

In *State ex rel. Carr v. Akron*,^{81.1} the Ohio Supreme Court held that professionally developed tests for promotion to higher office in the fire department qualified as trade secrets because the competitive position of the test preparer would be undercut if the material was available publicly.^{81.2}

In *Mike's Train House, Inc. v. Lionel, LLC*,^{81.3} the court of appeals, while reversing judgment on a jury verdict of \$40 million for other reasons, affirmed the district court's conclusion that designs for model train components qualified as trade secrets even though they contained certain elements that were in the public domain. A combination of elements can qualify as a trade secret even though some of the elements are in the public domain when the "unified process, design and operation [as a] unique combination affords a competitive advantage and is a protectable secret."^{81.4}

In *Global Water Group, Inc. v. Atchley*,^{81.5} the Texas intermediate court affirmed JNOV for the defendant, finding that the plaintiff had not established trade secret protection in its water purification process. It employed commonly used steps and commonly used chemicals and was vague about the chemical ratios it claimed were unique to its product. It failed to show how its claimed trade secret conferred any competitive advantage.^{81.6}

In *Prosonic Corp. v. Stafford*,^{81.7} the district court granted a preliminary injunction against a former employee who went to work for a competing hazardous waste drilling company, finding likelihood of success on the merits of a trade secrets misappropriation claim. The court found that the plaintiff's drilling technology, drilling techniques, business model, bidding practices, pricing strategy, annual budgets, customer preferences, and marketing efforts would likely qualify as trade secrets. It also found that the defendant threatened to misappropriate the trade secrets because "[h]is only knowledge of the Sonic business comes from his employment at Prosonic, and now he is using that knowledge to grow business for WDC."^{81.8}

81.1. *State ex rel. Carr v. Akron*, 859 N.E.2d 948 (Ohio 2006).

81.2. *Id.* at 956.

81.3. *Mike's Train House, Inc. v. Lionel, LLC*, 472 F.3d 398 (6th Cir. 2006).

81.4. *Id.* at 410–11.

81.5. *Glob. Water Grp., Inc. v. Atchley*, 244 S.W.3d 924 (Tex. Ct. App. 2008).

81.6. *Id.* at 929.

81.7. *Prosonic Corp. v. Stafford*, 539 F. Supp. 2d 999 (S.D. Ohio 2008).

81.8. *Id.* at 1006.

In *National Football Scouting, Inc. v. Rang*,^{81.9} the district court denied summary judgment on a claim that a press report including player “grades” awarded by a private scouting company misappropriated trade secrets:

Because the fact that National assigned a certain Player Grade is information, whether the grade is protected under trade secret law is a question for the trier of fact. A factual dispute exists over whether National has made reasonable attempts to preserve the secrecy of the information. Additionally, Rang has created a factual dispute over whether the grades receive economic value from not being generally known. Rang has offered evidence that the Clubs do not draft players according to the Player Grades, while National offers evidence that the fact that it assigns player grades has significance to almost everyone involved in the draft.^{81.10}

The court also held that publication of the player grades infringed the plaintiff’s copyright.^{81.11}

[D] Product Formulas

Product formulas are among the most frequently accepted trade secrets.⁸²

81.9. Nat'l Football Scouting, Inc. v. Rang, 912 F. Supp. 2d 985 (W.D. Wash. 2012).

81.10. *Id.* at 996–97.

81.11. *Id.* at 988–95.

82. See *Am. Can Co. v. Mansukhani*, 728 F.2d 818 (7th Cir. 1982) (formulas of commercial jet inks were trade secrets); *Coco Rico, Inc. v. Fuertes Pasarell*, 738 F. Supp. 613 (D.P.R. 1990) (coconut flavored soda formula probably would have been trade secret except it was revealed in expired patent); *Demit of Venez. v. Elec. Water Sys., Inc.*, 547 F. Supp. 850 (S.D. Fla. 1982) (chemical formula for electromagnetic water treatment device was trade secret even though exact formula was not divulged, but merely knowledge of particular chemicals in compound was utilized), *aff'd mem.*, 740 F.2d 977 (11th Cir. 1984); *Peggy Lawton Kitchens, Inc. v. Hogan*, 466 N.E.2d 138 (Mass. App. Ct. 1984) (recipe for chocolate chip cookies was trade secret); *Dotolo v. Schouten*, 426 So. 2d 1013 (Fla. Dist. Ct. App. 1983) (formula for citrus-based pet products was trade secret even though defendant obtained formula by having chemical laboratory analyze sample to determine percentage of various ingredients in product); *Basic Chem., Inc. v. Benson*, 251 N.W.2d 220 (Iowa 1977) (formulas for producing maintenance and sanitation supplies were trade secret even though they resulted from defendant's efforts); *Mangren Research & Dev. Corp. v. Nat'l Chem. Co.*, 87 F.3d 937, 943 (7th Cir. 1996) (affirming trial court's determination that formula for plastic mold release agent, using ingredient previously thought to be worthless, is trade secret under Illinois' version of UTSA); *Nw. Coalition for Alternatives to Pesticides v. Browner*, 941

In *Magistro v. J. Lou, Inc.*,^{82.1} the Nebraska Supreme Court held that pizza recipes made available by a franchisor to its franchisee qualified as trade secrets, but that the evidence did not show that the defendant continued to use the recipes in making pizza after it terminated operation under the franchise and continued it under another name.^{82.2}

[E] Information for Production Versus Information As Product

Judge Friendly has suggested that only information used in an enterprise's production process, and not information intended for sale or constituting the output of the business, qualifies for trade secret protection.⁸³ Typically, when information is the output of a

F. Supp. 197, 202 (D.D.C. 1996) (generic names and numbers of ingredients in pesticides formula not entitled to trade secret status under federal FOIA; information would not enable one to reverse engineer formula); H.E. Butt Grocery Co. v. Moody's Quality Meats, Inc., 951 S.W.2d 33 (Tex. Ct. App. 1997) (affirming \$3.1 million judgment for misappropriation of trade secret and recipe for beef fajitas; disclosure of recipe in confidence to defendant/business competitor during negotiations for sale of business provided sufficient evidence for jury to conclude trade secret was involved); 205 Corp. v. Brandow, 517 N.W.2d 548 (Iowa 1994) (recipes for pizza and sandwiches qualified as trade secrets); Uncle B's Bakery, Inc. v. O'Rourke, 920 F. Supp. 1405 (N.D. Iowa 1996) (bagel bakery recipes and processes constituted trade secrets under UTSA; preliminary injunction granted); Robert K. Hur, *Takings, Trade Secrets, and Tobacco: Mountain or Mole Hill?*, 53 STAN. L. REV. 447, 484 n.196 (citing this book for proposition that product formulas are among most common trade secrets).

- 82.1. *Magistro v. J. Lou, Inc.*, 703 N.W.2d 887 (Neb. 2005).
- 82.2. *Id.* at 891–92 (noting evidence that defendant was given a different recipe at a convention, that he purchased meatballs commercially and changed the sauces he used on his pizzas, and that the sauce mixtures were different from those specified in the recipes provided by franchisor).
83. *Lehman v. Dow Jones & Co.*, 783 F.2d 285, 297–99 (2d Cir. 1986). The plaintiff in *Lehman* was a “finder” of corporate acquisition deals. Judge Friendly speculated that if the requisite elements of secrecy were proved, a manual on how to set up such deals, a list of acquisition contacts, or model letters and forms might qualify for trade secret status because that kind of information was used in running the business. However, information that the business produced with the intention of selling it did not qualify. Therefore, information about the availability and attractiveness of potential merger partners did not qualify for trade secret protection. Judge Friendly’s analysis thus emphasized the nature of the information and not the absence of secrecy that was also shown on the facts. See *Montgomery Cty. Ass’n of Realtors, Inc. v. Realty Photo Master Corp.*, 878 F. Supp. 804, 814 (D. Md. 1995) (real estate listings did not constitute a trade secret because of their public nature, notwithstanding their inclusion in a proprietary electronic database; summary judgment granted to defendant on trade secret claim).

business, disclosure through sales of the product vitiates the secrecy element of trade secret status.

Computer programs are an important exception to this general tendency, however, because they can be sold and used without disclosing the information that makes them operate the way they do. Still, Judge Friendly's point applies when one distinguishes between source code for computer programs and object code. Source code, which is what most software enterprises seek to protect, is information about the production process and would be entitled to trade secret status. The product itself generally is composed of object code, which is less revealing of the important techniques of producing the programs.

Other courts have expressed Judge Friendly's concerns.⁸⁴ There are, however, rare circumstances in which a product can be marketed under circumstances that preserve the secrecy in the product itself.⁸⁵

[F] Business Methods

De Lage Landen Operational Services, LLC v. Third Pillar Systems, Inc.^{85.1} involved a claim by the customer of a software developer that the developer had misappropriated the customer's trade secrets and incorporated them into computer software sold to the developer's other customers. The agreement between the customer and the developer explicitly provided that the customer retained ownership of any information it transferred to the developer, provided for ownership by the customer of computer programs developed with the information, and contained a nondisclosure obligation.

Applying the California Trade Secrets Act, the court found that the "use cases" (examples of loan transactions) qualified as trade secrets based on employee testimony:

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- 84. Peckarsky v. Am. Broad. Co., 603 F. Supp. 688, 697 (D.D.C. 1984) (characterizing as frivolous a claim for trade secret protection in compilation of facts by reporter because (1) they were a product rather than a means for conducting business as investigative reporter, (2) they were not secret, and (3) irregular limited use is inconsistent with continuous use requirement for trade secret).
 - 85. Mid-Am. Mktg. Corp. v. Dakota Indus., Inc., 281 N.W.2d 419, 424 (S.D. 1979) (while product itself can be a trade secret, citing K&G Oil Tool & Serv. Co. v. G&G Fishing Tool Serv., 314 S.W.2d 782 (Tex. 1958) (agreement that user of magnetic retrieval tool would not disassemble product to learn how it was made), all secrecy in particular case related not to product but to manufacturing process), *on reh'g*, 289 N.W.2d 797, 799 (S.D. 1980) (affirming judgment on jury verdict in favor of plaintiff on trade secret misappropriation count).
 - 85.1. De Lage Landen Operational Servs., LLC v. Third Pillar Sys., Inc., 693 F. Supp. 2d 423 (E.D. Pa. 2010).

We find believable the testimony of DLL employees Rita DiMartino, James Martinko, Jim McCann, and Dan Milone that these processes for making fast and reliable credit decisions differentiate DLL from competitors in the vendor finance field. If competitors were to obtain these highly detailed use cases, they could essentially replicate DLL's business strategy and eliminate DLL's competitive advantage in the field. Furthermore, we credit the testimony of Martinko and Milone that the development of the use cases took ten full-time employees over two years to complete. This expenditure of time and money by DLL substantiates DLL's claim that they have independent economic value.^{85.2}

§ 3:9.2 *Engineering and Research and Development*

Research results are protectable.⁸⁶ Included are so-called negative trade secrets, research results indicating that a particular product or concept is not commercially useful.⁸⁷ The commentary to the UTSA notes that "lengthy and expensive research" showing that a certain process will not work qualifies as having commercial value.⁸⁸ Information pertaining to the methods of product testing, identity of persons engaged in the testing, and the results of the testing is protectable.⁸⁹ Information pertinent to product support is protectable.⁹⁰

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- 85.2. *Id.* at 439.
 - 86. Schalk v. State, 823 S.W.2d 633 (Tex. Crim. App. 1991) (computer programs in speech research field were trade secrets); Tlapek v. Chevron Oil Co., 407 F.2d 1129, 1134 (8th Cir. 1969) (development of a theory of an oil location was a trade secret; plaintiff developed information suggesting oil would be found from gravity contours, surveys, interpretations of plaintiff's geophysicists not generally available from other sources); Van Prods. Co. v. Gen. Welding & Fabricating Co., 213 A.2d 769 (Pa. 1965) (results of research and development and experimentation in the desiccant field was not a trade secret).
 - 87. Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 682 (7th Cir. 1982) (process that was either never used or no longer used by plaintiff was trade secret); Machen, Inc. v. Aircraft Design, Inc., 828 P.2d 73 (Wash. Ct. App. 1992) (knowledge that original aircraft brake design was deficient was not trade secret because any pilot or mechanic of aircraft would know).
 - 88. UTSA § 1 cmt., 4 U.L.A. at 439 (citing Telex Corp. v. IBM Corp., 510 F.2d 894 (10th Cir. 1975)).
 - 89. Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1469 (9th Cir. 1992) (accepting eligibility for trade secret protection for source code, developmental plans for computer software, and identities of "beta testers" on home developer market tested different versions of software in discovery protective order dispute).
 - 90. ISC-Bunker Ramo Corp. v. Altech, Inc., 765 F. Supp. 1310, 1322–23 (logic of computer programs, service manuals and technical bulletins qualified for trade secret protection).

The Texas rules of evidence exempt trade secrets from discovery. In *In re Bass*,⁹¹ the Texas Supreme Court issued a writ of mandamus preventing discovery of geological seismic data. The case in which discovery was sought involved a claim by owners of a royalty interest that a mineral estate owner breached its duty to develop its land. The trial court had found that while the seismic data sought in discovery qualified as a trade secret, the royalty owners nevertheless had established that access to the data was necessary for a fair adjudication of their claims. The trial court ordered the mineral estate owner to produce the data under a protective order. Reviewing cases from other jurisdictions, the Texas Supreme Court held that the seismic data qualified as a trade secret.⁹²

[A] Reverse Engineering

Patent specifications do not constitute trade secrets. In *Accent Packaging, Inc. v. Leggett & Platt, Inc.*,^{92.1} the court of appeals affirmed summary judgment against the plaintiff on a trade secret misappropriation claim. It held that:

As a matter of law, any specifications and tolerances disclosed in or ascertainable from the asserted patents became publicly available in October 2005 when the '877 patent application was published and, as such, could not constitute a trade secret in early 2006 when Leggett is alleged to have engaged in misappropriation.^{92.2}

In *Rycoline Products, Inc. v. Walsh*,⁹³ the New Jersey intermediate court reversed the trial court and held that a trade secret may result from efforts to reverse engineer another's product.⁹⁴

[B] Safety and Health Effects

Information on product safety or health effects is sometimes developed in the regular course of company R&D and product design and testing. It may also be developed in conjunction with product liability litigation. When developed in conjunction with litigation, such information may be unprotectable, at least when trade secret status is in conflict with discovery rights in the litigation.

91. *In re Bass*, 113 S.W.3d 735 (Tex. 2003).

92. *Id.* at 740.

92.1. *Accent Packaging, Inc. v. Leggett & Platt, Inc.*, 707 F.3d 1318 (Fed. Cir. 2013).

92.2. *Id.* at 1329–30.

93. *Rycoline Prods., Inc. v. Walsh*, 756 A.2d 1047 (N.J. Super. Ct. App. Div. 2000).

94. *Id.* at 1053–55.

In *Smith v. BIC Corp.*,⁹⁵ for example, the plaintiff's wife was badly burned by a BIC cigarette lighter and subsequently died. In the resulting product liability lawsuit, the plaintiff sought discovery of safety test results and information on other complaints and accidents. Defendant BIC moved for a protective order on the grounds, among other things, that the discovery sought trade secrets.⁹⁶ The district court denied a protective order on the grounds that some of the information was not secret and that other information had not been shown by BIC to give it a competitive advantage.⁹⁷ The U.S. Court of Appeals for the Third Circuit found that the district court's emphasis on proof of competitive advantage was erroneous and inappropriately limited the broader question of whether a secret is used in the business and not known to the trade in general.⁹⁸ The Third Circuit concluded that the quality control and safety test information "falls within the category of a 'compilation of information which is used in one's business' and, as such, is a trade secret."⁹⁹ Apparently, BIC did not argue very vigorously that the reports of other accidents and claims met the secrecy requirement for trade secrets.¹⁰⁰ Obviously, such information was generally known, at least to the victims of such accidents and the makers of such claims.

§ 3:9.3 *Marketing*

[A] Generally

Information about customers and marketing need not be reduced to writing to have trade secret status.¹⁰¹

Information about customers other than their identity, addresses, and telephone numbers is protectable.¹⁰² This includes personal

95. *Smith v. BIC Corp.*, 869 F.2d 194 (3d Cir. 1989).

96. *Id.* at 196–97.

97. *Id.* at 197.

98. *Id.* at 200.

99. *Id.* at 201 (applying Pennsylvania law).

100. *Id.*

101. *Fleming Sales Co. v. Bailey*, 611 F. Supp. 507 (N.D. Ill. 1985) (customer list and information not compiled but only generally acquired during employment not trade secret); *Allen v. Johar, Inc.*, 823 S.W.2d 824 (Ark. 1992) (customer list and information was protectable trade secret even though information was memorized not written). In *Ed Nowogroski Ins., Inc. v. Rucker*, 944 P.2d 1093, 1097 (Wash. Ct. App. 1997), the Washington intermediate court, reversing the trial court, held that memorized customer information could constitute a trade secret.

102. *Allan Dampf, P.C. v. Bloom*, 512 N.Y.S.2d 116 (App. Div. 1987) (patient list, and information about checkup due date, past work done, and fees billed was a trade secret); *Hancock v. Essential Res., Inc.*, 792 F. Supp. 924,

contacts¹⁰³ and customer requirements.¹⁰⁴ In some cases, identity, addresses, and telephone numbers may be protectable as well.

In *Hallmark Cards, Inc. v. Monitor Clipper Partners, LLC*,^{104.1} the court of appeals affirmed judgment on a jury verdict for the plaintiff in a trade secret misappropriation case, finding that trade secrets existed. The plaintiff's marketing consulting firm communicated confidential market research to a private equity firm, which used it to purchase a competitor of the plaintiff. The plaintiff settled with the consulting firm, and a jury awarded it \$21.3 million in compensatory damages and \$10 million in punitive damages against the private equity firm.

On appeal, the defendant argued that the PowerPoint slides that were the medium of misappropriation neither conferred competitive advantage nor were the objects of reasonable efforts to protect their secrecy. The court of appeals disagreed, concluding that the information conferred economic advantage:

First, Clipper argues that the presentations were not "the subject of efforts . . . to maintain [their] secrecy" because Hallmark published the central conclusions of the presentations before Clipper acquired them. Second, Clipper asserts that the information contained in the presentations had grown "stale" in the four years between Monitor's creation of the presentations and

926–27 (S.D.N.Y. 1992) (marketing information including customer list, customer data, customer mailing list, and other customer materials, allegedly developed through consultant, sales representative incentives, attendance at twenty trade shows, and advertising and trade publications not entitled to trade secret status because secrecy not maintained and much of information available from government publications and rented lists inexpensively obtained; no analysis of the role of cost of developing information).

103. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (knowledge of key decision makers within prominent customer is not a trade secret); Courtesy Temp. Serv. v. Camacho, 272 Cal. Rptr. 352 (Ct. App. 1990) (temporary employment services list of customers with key contacts and pricing information was trade secret).
104. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (market research exploring the needs of a prominent customer that is presumably aware of its own needs was not a trade secret); Ecolab Inc. v. Paolo, 753 F. Supp. 1100 (E.D.N.Y. 1991) (customer requirements and prices they paid were trade secrets); Panther Sys. II Ltd. v. Panther Comput. Sys., Inc., 783 F. Supp. 53 (E.D.N.Y. 1991) (customer list including customer usage, needs, and prices they would pay was trade secret); Hayes-Albion v. Kuberski, 364 N.W.2d 609 (Mich. 1984) (specific information that defendant gained as plaintiff's chief engineer regarding resolution of problems of particular customers was trade secret).
- 104.1. Hallmark Cards, Inc. v. Monitor Clipper Partners, LLC, 758 F.3d 1051 (8th Cir. 2014).

Clipper's acquisition of them, which is another way of saying that the presentations no longer derived independent economic value from not being generally known to the public.

We find neither argument persuasive. Hallmark did publish some general conclusions about the greeting cards market based on information contained in its PowerPoint presentations, but these conclusions never went beyond broad generalities. At a meeting of the Greeting Card Association in the early 2000s, for instance, Hallmark disclosed that women over forty-five were turning to "alternative forms of communication" to express sentiments that they had once expressed through cards. But Hallmark did not publish any of the evidence supporting the conclusion or explain how it had reached this conclusion. This unpublished evidence might have led another company to reach a different conclusion about women over forty-five, or perhaps that company would have used that evidence to answer a different question entirely. The value of this evidence, therefore, depends on far more than the broad conclusions that Hallmark drew from the data.

Nor did the passage of four years deprive the PowerPoint presentations of their economic value. The record discloses that Clipper found information about the greeting cards market to be "sparse" in 2005, when it acquired the presentations. While the economic value of the presentations may have diminished in the four years prior to Clipper's misappropriation, the paucity of other information available meant that the presentations still provided a valuable source of knowledge about the greeting cards market.

We thus conclude that the jury had sufficient evidence before it to find that Hallmark's PowerPoint presentations constituted trade secrets under [the Missouri Uniform Trade Secrets Act].^{104.2}

In *Camp Creek Hospitality Inns, Inc. v. Sheraton Franchise Corp.*,¹⁰⁵ the U.S. Court of Appeals for the Eleventh Circuit reversed summary judgment for the defendant on a trade secret claim and held that hotel reservation information of a franchisee could qualify as a trade secret under the Georgia version of the UTSA. The court stated,

First, Camp Creek has presented expert testimony suggesting that this information is closely guarded in the hotel industry, that a competitor could not easily derive the information through other means, and that a competitor could make use of such information to the detriment of the owner. See Berman Aff. ¶ 29. This evidence shows that the

104.2. *Id.* at 1056–57 (internal quotation marks and citations omitted).

105. *Camp Creek Hosp. Inns, Inc. v. Sheraton Franchise Corp.*, 130 F.3d 1009 (11th Cir. 1997), substituted opinion, 139 F.3d 1396 (11th Cir. 1998).

information is valuable and not of the type any intelligent competitor could have compiled by legitimate alternative means.¹⁰⁶

In a questionable ruling, the New Jersey intermediate court held that, at common law, a trade marketing concept or a new product idea cannot qualify as a trade secret.¹⁰⁷

[B] Opinion Survey Questions

In *Strategic Directions Group, Inc. v. Bristol-Myers Squibb Co.*,¹⁰⁸ the U.S. Court of Appeals for the Eighth Circuit held that a battery of opinion survey questions intended for market research did not qualify as a trade secret. The individual questions were readily ascertainable and the purported trade secret owner repeatedly placed them in the public domain. Indeed, the questions were specifically designed for public consumption.¹⁰⁹

[C] Wholesaling Methods

*Wal-Mart Stores, Inc. v. P.O. Market, Inc.*¹¹⁰ involved a claim that Wal-Mart misappropriated an idea by a group of entrepreneurs for financing bulk purchases of Wal-Mart products. The record showed a number of meetings in which the concept was discussed with Wal-Mart personnel, accompanied by requests by the entrepreneurs that the idea be kept confidential. When Wal-Mart refused to enter into a promised agreement with the entrepreneurs and instead implemented financing of bulk transactions on its own, the entrepreneurs sued for misappropriation of trade secrets. The trial court entered judgment on a jury award of some \$31 million. Among other things, the Arkansas Supreme Court was concerned with whether the business concept presented to Wal-Mart was sufficiently specific to constitute "information" within the UTSA definition of trade secret, and with "whether an economic plan or idea for structuring of business qualifies as a trade secret."¹¹¹ The court concluded that the combination of well-known ideas for doing business the plaintiff put together were not unique. The court stated,

It is apparent to this court that any person reasonably well versed in the economics of wholesaling and credit purchasing could have put together the O'Banion concept. Indeed, the O'Banion concept

106. *Id.* at 1024.

107. *Johnson v. Benjamin Moore & Co.*, 788 A.2d 906, 923 (N.J. App. Div. 2002).

108. *Strategic Directions Grp., Inc. v. Bristol-Myers Squibb Co.*, 293 F.3d 1062 (8th Cir. 2002).

109. *Id.* at 1065.

110. *Wal-Mart Stores, Inc. v. P.O. Mkt., Inc.*, 66 S.W.3d 620 (Ark. 2002).

111. *Id.* at 632.

was essentially wholesaling in the sense that it contemplated buying goods in bulk at a favorable price and selling them at a markup to pre-ordained customers. Even though we look to the combination of the components and not to their individual qualities, the O'Banion concept was hardly unique.¹¹²

[D] Marketing Strategies

In *Savor, Inc. v. FMR Corp.*,¹¹³ the Delaware Supreme Court held that marketing strategies potentially qualified as a trade secret.

[E] Customer Lists

Customer lists are protectable subject matter,¹¹⁴ but the proponent of trade secret status frequently has trouble establishing the secrecy element of the information in customer lists.¹¹⁵ A distinction frequently is recognized between “retail” customer lists and “wholesale” lists.

112. *Id.* at 634.

113. *Savor, Inc. v. FMR Corp.*, 812 A.2d 894, 897 (Del. 2002) (reversing dismissal for failure to state a claim).

114. *Am. Credit Indem. Co. v. Sacks*, 262 Cal. Rptr. 92 (Cal. Ct. App. 1989) (customer list of credit insurance was a trade secret, six and one-half percent of all companies use indemnity insurance, but sixty-five to seventy-five percent of policyholders renew); *Home Pride Foods, Inc. v. Johnson*, 634 N.W.2d 774, 782 (Neb. 2001) (customer list containing information on previous order placement and amount of orders qualified as trade secret because not readily available publicly and could permit competitor to undercut list owner's pricing); *Warner & Co. v. Solberg*, 634 N.W.2d 65, 76 (N.D. 2001) (reversing summary judgment for defendant and remanding for determination of whether customers lists were trade secrets because not “readily accessible to reasonably diligent competitor or salesman”); *Sethscot Collection, Inc. v. Drbul*, 669 So. 2d 1076 (Fla. Dist. Ct. App. 1996) (distinguishing list of active customers, entitled to trade secret protection, from list of prospective customers, not entitled to trade secret protection); *Churchill Commc'n Corp. v. Demyanovich*, 668 F. Supp. 207 (S.D.N.Y. 1987) (customer list and key contacts for electronic processing firm were trade secrets); *Gillis Associated Indus. v. Cari-All, Inc.*, 564 N.E.2d 881, 885 (Ill. App. Ct. 1990) (list of over 3,000 customers and their phone numbers, which was compiled and refined through successive mailings and phone calls, was the type of information that trade secret act intended to protect, but not kept secret); *Allan Dampf, P.C. v. Bloom*, 512 N.Y.S.2d 116 (App. Div. 1987) (patient list, among other information, photocopied by associate dentist was trade secret); *Kozuch v. Cra-Mar Video Ctr., Inc.*, 478 N.E.2d 110 (Ind. Ct. App. 1985) (list of 5,000 customers was trade secret because it could not be created by means other than through plaintiff's business operation).

115. *NALCO Chem. Co. v. Hydro Techs., Inc.*, 984 F.2d 801, 804 (7th Cir. 1993) (customer lists not protected under Wisconsin UTSA because number of customers neither fixed nor small and other trade secret requirements such as secrecy not met; preliminary injunction enforcing

restrictive covenants reversed); *Union Sav. Am. Life Ins. Co. v. N. Cent. Life Ins. Co.*, 813 F. Supp. 481, 494 (S.D. Miss. 1993) (customer list not entitled to trade secret status under Minnesota law because it could be easily duplicated from public sources; partial summary judgment granted); *Ruesch v. Ruesch Int'l Monetary Servs., Inc.*, 479 A.2d 295 (D.C. 1984) (file of potential customers for foreign exchange financial services not entitled to trade secret status because little more than public information to which plaintiff added little value); *Am. Paper & Packaging Prods., Inc. v. Kirgan*, 228 Cal. Rptr. 713 (Cal. Ct. App. 1986) (list of customers known or ascertainable to others in the industry was not a trade secret); *Kendall/Hunt Publ'g Co. v. Rowe*, 424 N.W.2d 235 (Iowa 1988) (list of people who might want to publish with plaintiff was not a trade secret); *Woodward Ins., Inc. v. White*, 437 N.E.2d 59, 68 (Ind. 1982) (names of insurance customer, policy expiration dates, and policy coverages did not qualify as trade secrets because list could be developed by other means as by getting information from customers; also no established confidentiality policy).

In *Atwood Agency v. Black*, 646 S.E.2d 882 (S.C. 2007), the South Carolina Supreme Court vacated an injunction, finding that the identity of condominium owners and renters did not qualify as a trade secret for a vacation rental agency because the information was available from public records and from informal contacts with renters. *Id.* at 884.

In *Dicks v. Jensen*, 768 A.2d 1279 (Vt. 2001), the Vermont Supreme Court agreed with the trial court that a customer list did not qualify as a trade secret. The former employer could show no measures taken to preserve the secrecy of the list. Moreover, the absence of evidence that any special effort or investment contributed to creation of the list undercut the proposition that the contents of the list were not "readily ascertainable." *Id.* at 1284-85.

In *Harvest Life Ins. Co. v. Getche*, 701 N.E.2d 871 (Ind. Ct. App. 1998), the court held that an insurance company's policyholder list (which can include names, coverage, premiums, and expiration dates) does not constitute a trade secret under the Indiana statute. The court based its ruling on a long line of cases that held similar customer lists were not trade secrets because the same information can be readily obtained from the policyholders themselves, from the policies, or from other materials given to the policyholders. Thus, the information cannot be kept secret.

In *In re UFG Int'l, Inc.*, 225 B.R. 51 (S.D.N.Y. 1998), a Chapter 11 trustee of an insurance brokerage firm brought an adversary proceeding against former employees and their subsequent employers for, among other things, misappropriation of trade secrets. The court granted the defendants' motion for summary judgment, finding that the information at issue, customer lists, was not protectable as a trade secret in New York.

In *Fred's Stores of Miss., Inc. v. M&H Drugs, Inc.*, 725 So. 2d 902 (Miss. 1998), a pharmacy obtained a judgment against its former employee and competitor on its claim of trade secret misappropriation. Affirming in relevant aspects, the Mississippi Supreme Court found that the plaintiff's customer list constituted a trade secret under Mississippi law. The court focused on the plaintiff's efforts to secure the secrecy of the information. Although the list was kept on the pharmacy counter and was not stamped, the employees were not instructed, and third parties sometimes went behind the counter, the court found that the security was sufficient. The most important factor was that the list was kept in the same area as prescription drugs. The court stated that the result might have been different had the list been kept at the front counter of the store. The court

Wholesale lists are more likely to involve readily available information and therefore to be denied trade secret status.¹¹⁶

Distinctions are drawn between customer lists that contain bare factual information about customers and their transactions and customer lists that embed personal relationships between customers and marketing personnel.¹¹⁷

held that a customer list qualified as a trade secret because information about volume of purchases by individual customers was not publicly available.

In *Swink v. Giffin*, 333 Ark. 400 (1998), a former employer brought suit against an employee for misappropriation of its trade secret customer list. It was undisputed that the list was a trade secret and that it was improperly taken. The issue was simply whether or not the plaintiff actually owned the list in question. The court found credible the plaintiff's contention that the list was purchased along with other assets of the business.

In *H&R Recruiters, Inc. v. Kirkpatrick*, 663 N.Y.S.2d 865, 866 (App. Div. 1997), the intermediate appellate court in New York denied enforcement of a noncompete covenant because the alleged trade secrets backing it up—a client list—did not qualify for trade secret protection. The court found that the identities of the past and prospective customers were readily discoverable through various nonconfidential sources, such as company directories and job postings widely distributed to placement firms, including the one with which the defendant was currently employed.

116. *Panther Sys. II Ltd. v. Panther Comput. Sys., Inc.*, 783 F. Supp. 53, 66–69 (E.D.N.Y. 1991) (granting trade secret status to lists of customer inquiries responding to advertisements and magazine reviews, but denying trade secret status to lists of public customers available through public channels); *Vigoro Indus., Inc. v. Crisp*, 82 F.3d 785, 789–90 (8th Cir. 1996) (affirming trial court's determination that customer information including: (1) identity of farmer's customers; (2) farmer's planting history; and (3) farmer's permission concerning salesman proactive activity are not trade secrets because of ascertainability).

117. *Corroon & Black-Rutters & Roberts, Inc. v. Hosch*, 325 N.W.2d 883, 887 (Wis. 1982) (explaining distinction between route salesman list and other lists, based on particular relationship between customer and route salesman which endures, noting that covenant not to compete may explain the distinction); *Nova Care Orthotics & Prosthetics E., Inc. v. Speelman*, 528 S.E.2d 918, 922 (N.C. Ct. App. 2000) (customer lists did not qualify as trade secrets because there was no showing of special efforts to keep them secret and defendant was personally acquainted with all customers); *Frantz v. Johnson*, 999 P.2d 351, 359 (Nev. 2000) (approving judgment for plaintiff for misappropriation of customer and pricing lists); *N. Atl. Instruments, Inc. v. Haber*, 188 F.3d 38, 46 (2d Cir. 1999) (customer list constituted trade secret because of high cost of duplicating information about customer preferences); *Chemfab Corp. v. Integrated Liner Techs., Inc.*, 693 N.Y.S.2d 752, 754 (App. Div. 1999) (knowledge of the identity of only one customer cannot constitute trade secret); *Fred Siegel Co. v. Arter & Hadden*, 707 N.E.2d 853 (Ohio 1999) (triable issue of fact whether client list taken by former associate of one law firm to another firm qualified as trade secret, based on factual dispute over secrecy measures employed and how easy it would have been to reassemble the client list from publicly available information); *Kovarik v. Am. Family Ins. Grp.*, 108 F.3d 962, 966 (8th Cir. 1996)

In *La Bella Vita, LLC v. Shuler*,^{117.1} the Idaho Supreme Court reversed summary judgment for the defendant in a trade secrets misappropriation case. It found that conflicting testimony created triable issues of fact regarding the trade secret status of a baby shower list, including disputes over whether it was secret.^{117.2}

In *First Express Services Group, Inc. v. Easter*,^{117.3} the Nebraska Supreme Court reversed in material part a judgment for trade secret misappropriation. The defendant took customer lists and solicited customers after she left the plaintiff's employ and went to work for a competitor.

Arlene argues that the customer list was not a trade secret because it was "nothing more than each crop insurance client's own insurance information, which was and is ascertainable by proper means and could never constitute a trade secret as a matter of law." Not surprisingly, First Express argues that the information was proprietary and valuable and that it was a trade secret. We conclude, however, that because the customers' identities and contact information were ascertainable from public sources, and because the other information on the list was also ascertainable by proper means, the customer list was not a trade secret.^{117.4}

The court based its conclusion on the narrow definition of trade secrets adopted by the Nebraska legislature:

Although the [Nebraska] Act is based on the Uniform Trade Secrets Act, the Act's definition of a trade secret differs significantly from the uniform act. Under the uniform act, a trade secret is something that derives independent economic value "from not

(customer lists can become trade secrets and qualify for noncompete protection when employee learns attributes of a set of customers that are not public); *Millet v. Crump*, 687 So. 2d 132, 136 (La. Ct. App. 1996) (denying injunction against use of customer lists; customer lists were not trade secrets under UTSA because not treated as confidential by employer); *Allen v. Hub Cap Heaven, Inc.*, 484 S.E.2d 259 (Ga. Ct. App. 1997) (customer lists qualify under Georgia UTSA only if they are on tangible list; personal knowledge of suppliers does not qualify); *Clark v. State*, 670 So. 2d 1056, 1057–58 (Fla. Dist. Ct. App. 1996) (reversing criminal conviction for theft of trade secret; realtor's customer information sheets, available for inspection by multiple salespeople, do not qualify as trade secrets). But see *id.* at 1057–58 (Altenbernd, J., concurring) (commenting that even if customer information sheets, available for inspection by multiple salespeople, do not qualify as trade secrets, composite book of lists may qualify for protection).

117.1. *La Bella Vita, LLC v. Shuler*, 353 P.3d 420 (Idaho 2015).

117.2. *Id.* at 430–32.

117.3. *First Express Servs. Grp., Inc. v. Easter*, 840 N.W.2d 465 (Neb. 2013).

117.4. *Id.* at 474.

being [generally] known to, and not being [readily] ascertainable by proper means by, other persons....” The Legislature, however, deleted the qualifiers “generally” and “readily” from the statutory definition. And as one commentator noted, Nebraska’s statute greatly narrows the definition of a trade secret: “[U]nder the literal terms of the ... language, if an alleged trade secret is ascertainable at all by any means that are not ‘improper,’ the would-be secret is peremptorily excluded from coverage under the [Act].” The question, then, is whether the information on the list here was ascertainable by proper means.^{117.5}

In light of that definition, the customer lists at issue were not trade secrets:

We give statutory language its plain and ordinary meaning. Applying the language here, the customer list does not qualify as a trade secret under § 87–502(4) because all of the information on the list was ascertainable by proper means. Mark testified, and no one disputed, that simple Internet searches could identify which farmers farmed what land and could provide contact information for those farmers. Arlene also demonstrated that she could recite most of her customers’ information from memory. The rest of the information on the list essentially reflected the farmers’ previous insurance coverage on their crops. It is undisputed that the individual farmers had all of that information and that Arlene could have obtained the information from them through a simple telephone call. Also, once a customer changed agencies, all of the customer’s prior insurance information became available from the insurance carrier’s Web site. Though the exact information required to transfer a customer is a bit unclear, the record shows that, at most, all that is required is the customer’s name, address, type of crops, and signature, all of which are ascertainable by proper means.^{117.6}

In *TMX Finance Holdings, Inc. v. Drummond Financial Services, LLC*,^{117.7} the Georgia Supreme Court reversed in part an injunction in a trade secrets case. Among other things, the plaintiff alleged that the defendant was using motor vehicle records to identify and solicit the plaintiff’s customers.^{117.8}

TitleMax also claims that Drummond failed to show a substantial likelihood that it would succeed on the merits of its claim for

117.5. *Id.*

117.6. *Id.* at 474–75.

117.7. *TMX Fin. Holdings, Inc. v. Drummond Fin. Servs., LLC*, No. S16A1895, 2017 WL 875039, ___ S.E.3d ___, (Ga. Mar. 6, 2017).

117.8. *Id.*, 2017 WL 875039, at *1 (describing allegations).

misappropriation of trade secrets. This claim is based on the allegation that TitleMax used information it gathered from motor vehicle records to identify Drummond's customers. But "only tangible lists of customers . . . warrant protection as trade secrets" in Georgia. Drummond has not claimed that TitleMax has taken a tangible list of Drummond's customers but rather that TitleMax has searched databases of motor vehicles to determine which vehicles have liens held by Drummond. Such actions may be unlawful under the Driver's Privacy Protection Act or otherwise, but they do not constitute a misappropriation of trade secrets in Georgia. See OCGA § 10-1-761 (4) ("[t]rade secret' means . . . a list of actual or potential customers . . . which is not . . . available to the public and . . . [d]erives economic value . . . from not being generally known to, and not being readily ascertainable by proper means by, other persons . . ."). As a result, to the extent that the nationwide injunction against TitleMax collecting information about Drummond customers in parking lots or using that information to search databases of motor vehicles is based on a finding that the identities of Drummond customers are trade secrets, the injunction cannot be sustained.^{117.9}

It is not clear what the court meant by "tangible." Surely it did not intend to exclude information in electronic form from trade secret protection. If it did, this is plainly wrong.

Armenian Assembly of America, Inc. v. Cafesjian^{117.10} was one of several lawsuits that arose out of squabbles among trustees of a nonprofit entity created to establish an Armenian genocide museum. The entity claimed that the defendant former trustee had breached fiduciary duties and misappropriated trade secrets, including mailing lists, legislative policy documents, and other databases.^{117.11}

The district court held that whether the information qualified as trade secrets constituted a question for the jury:

To be protected as a trade secret under D.C. law, (1) the "information must be secret"; (2) "its value must derive from its secrecy"; and (3) its owner must use reasonable efforts to safeguard its secrecy. Whether information is a trade secret is generally a question of fact. Here, Plaintiffs have produced evidence in the record that the Assembly restricted public access to its membership list and other database lists and considered use by third parties to be a serious problem. Because the question of whether a trade secret exists is best resolved by a fact finder

117.9. *Id.* at *3 (citations and footnotes omitted).

117.10. *Armenian Assembly of Am., Inc. v. Cafesjian*, 692 F. Supp. 2d 20 (D.D.C. 2010).

117.11. *Id.* at 43.

after full presentation of evidence from each side, there is at least a material dispute of fact as to whether the Assembly's directories constitute trade secrets. Plaintiffs have provided no evidence, however, relating to "legislative policy documents" or other information beyond membership and database lists. Therefore, the trade secrets claim must be limited to membership lists and database lists.^{117.12}

A trade secrets dispute arose out of the simultaneous legal representation of an enterprise and its president in *Radiology Services, P.C. v. Hall*.^{117.13} The president's daughter was the corporate attorney for Radiology Services. After a dispute arose about the president's performance, the daughter allegedly provided him with confidential client lists so that he could send them a survey form. The Nebraska Supreme Court found that the daughter did not provide any information to which the president did not already have access in his capacity as an officer of the plaintiff enterprise:

Rounsborg knew the identities of the corporation's clients. In his deposition, Rounsborg recited a list of Radiology Services' clients from memory. Addresses of these clients were easily ascertainable. Even assuming Hall provided Rounsborg with a list of client addresses, she did not provide him with any information that he did not already have or that he was not otherwise entitled to have as president of the corporation. Her actions did not constitute a failure to preserve confidential or proprietary information.^{117.14}

Moreover, the court observed:

A customer list can be a trade secret in some circumstances. Courts are reluctant to protect customer lists to the extent that they embody information that is readily ascertainable through public sources. Where time and effort have been expended to identify particular customers with particular needs or characteristics, courts will prohibit others from using this information to capture a share of the market. Protected lists are distinguishable from mere identities and locations of customers that anyone could easily identify as possible customers.^{117.15}

It found that the content of the disputed lists was readily available from other sources.^{117.16}

117.12. *Id.* (internal quotation marks and citations omitted).

117.13. *Radiology Servs., P.C. v. Hall*, 279 Neb. 553, 780 N.W.2d 17 (2010).

117.14. *Id.*, 279 Neb. at 565.

117.15. *Id.*

117.16. *Id.* at 565–66.

When customers themselves keep their relationship with the owner of the trade secret confidential, as in the personnel recruitment business,¹¹⁸ this enhances the plaintiff's argument that the information was not in the public domain.¹¹⁹ It helps if the plaintiff, rather than the defendant, developed the information.¹²⁰

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118. See *Fortune Agency v. Livingston*, 102 Misc. 2d 369 (N.Y. Sup. Ct. 1979) (granting preliminary injunction against use of names, addresses, telephone numbers, and career information of job applicants procured by former employees from the files of personnel placement agency).
119. See *Fisher Org., Inc. v. Ryan*, 122 Misc. 2d 305 (N.Y. Sup. Ct. 1983) (because name of candidate was not discoverable except through telephoning, screening, and evaluation of candidates, it was entitled to trade secret protection on claim by executive placement organization).
120. *Colo. Supply Co. v. Stewart*, 797 P.2d 1303 (Colo. Ct. App. 1990) (customer list not trade secret because defendant developed information, customers purchased products from several vendors, and information was easily obtained); *Hanger v. Scussel*, 937 F. Supp. 1546, 1559 (M.D. Ala. 1996) (customer lists of prosthetics company held to be trade secrets because only other way to get information would be to ask every doctor about referrals); *IDS Life Ins. Co. v. SunAmerica, Inc.*, 958 F. Supp. 1258, 1279 (N.D. Ill. 1997) (finding plaintiff's customer lists likely to be trade secrets under USTA because: (1) plaintiffs paid millions of dollars to develop confidential customer information; (2) plaintiffs derived economic value from customer information; and (3) plaintiffs took reasonable care in maintaining information's secrecy).

In *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc.*, 987 S.W.2d 642 (Ark. 1999), the court stated that the following was found to qualify for trade secret protection:

- (1) The amount of profit that Hunt made on a contract with particular customers.
- (2) Hunt's margins of profitability utilized in its pricing model. Hunt submitted that the profitability in the industry is not huge, and if a competitor knows what Hunt's profit margin is regarding a particular customer, that competitor is armed with an unfair advantage. For example, a competitor could knowingly undercut Hunt's price with a particular customer. In addition, a person with special knowledge of what Hunt pays for fuel, equipment, insurance, and other overhead expenses would allow a competitor to anticipate with greater accuracy what price Hunt would charge a customer.
- (3) A customer's established buying habits with Hunt over a long-term period.
- (4) Hunt's methods of doing business and its processes, operations, marketing programs, computer programs, and future plans. This includes Hunt's proprietary software in logistics and dedicated contract services.
- (5) Hunt's strategic planning for the future and how Hunt intends to attack certain markets with specific customers.

987 S.W.2d at 645.

[F] Customer Pricing

Prices charged to customers are protectable, as long as they meet the secrecy requirements. For example, prices disclosed in a catalogue or publicly available price list are not protectable, while prices negotiated with individual customers and meeting the secrecy requirements are protectable.¹²¹

In *Canadian Commercial Corp. v. Department of the Air Force*,^{121.1} the D.C. Circuit affirmed a conclusion, in a reverse Freedom of Information Act suit, that the plaintiff's line-item prices qualified as trade secrets and thus were exempt from FOIA disclosure.^{121.2}

In *In re Union Pacific Railroad Co.*,^{121.3} the Texas Supreme Court held that a railroad's rate calculation formulas constituted trade secrets, privileged from discovery in personal injury litigation.^{121.4}

[G] Contract Renewal Dates

Contract renewal dates are protectable, as long as they are kept secret.¹²²

121. Courtesy Temp. Serv. v. Camacho, 272 Cal. Rptr. 352 (Cal. Ct. App. 1990) (temporary employment service's list of customers with key contacts, billing rates, and markup percentages was trade secret); Panther Sys. II Ltd. v. Panther Comput. Sys., Inc., 783 F. Supp. 53 (E.D.N.Y. 1991) (customer list, including customer usage, needs, and prices they would pay was trade secret); Ecolab, Inc. v. Paolo, 753 F. Supp. 1100 (E.D.N.Y. 1991) (information regarding how much customers paid and how much they used was trade secret); Allan Dampf, P.C. v. Bloom, 512 N.Y.S.2d 116 (App. Div. 1987) (fees billed by dentist, among other information, photocopied by associate dentist was trade secret); MSQ Inspection, Inc. v. Bielecki, 963 F. Supp. 771, 774 (E.D. Wis. 1995) (granting summary judgment to defendants on trade secret misappropriation claim because customer lists, bids, and pricing formulas were not trade secrets as a matter of law under Wisconsin version of UTSA).

121.1. Canadian Commercial Corp. v. Dep't of the Air Force, 514 F.3d 37 (D.C. Cir. 2008).

121.2. *Id.* at 40.

121.3. *In re Union Pac. R.R. Co.*, 294 S.W.3d 589 (Tex. 2009).

121.4. *Id.* at 592.

122. TIE Sys., Inc. v. Telcom Midwest, Inc., 560 N.E.2d 1080 (Ill. App. Ct. 1990) (list of dates on which customer would renew contract or buy services based on contract was a trade secret); Robert S. Weiss & Assocs. v. Wiederlight, 546 A.2d 216 (Conn. 1988) (expiration dates in insurance companies' customer lists were not trade secrets because the defendant's personal relationship with each customer gave him access to their needs); Ecolab, Inc. v. Paolo, 753 F. Supp. 1100 (E.D.N.Y. 1991)

[H] Shipping Documents

In *Ex parte Industrial Warehouse Services, Inc.*,^{122.1} the Alabama Supreme Court reviewed denial of a protective order for claimed trade secrets in a personal injury case involving a motor vehicle accident. The trucking-enterprise defendant claimed that its bills of lading and operations and safety manuals satisfied the definition of trade secret in the Alabama UTSA.

The court held that the bills of lading constituted trade secrets:

Second, Wilson and Taylor argue that the information in both IWS's bills of lading and its operations and safety manuals is not a trade secret because IWS shares the information *with its employees*. Wilson and Taylor have not directed this Court's attention to any authority indicating that a company loses the benefit of the trade-secret privilege by sharing the privileged information with its employees. This argument is not convincing.

We conclude that IWS has demonstrated that the information in its bills of lading is confidential and satisfies the definition of a trade secret set forth in § 8-27-2(1). IWS has demonstrated good cause for a protective order pursuant to Rule 26(c)(7) concerning the information in IWS's bills of lading consisting of trade secrets and confidential information. However, IWS has not demonstrated that the information in IWS's operations and safety manuals is confidential or that it satisfies the definition of a trade secret set forth in § 8-27-2(1).

Wilson and Taylor also argue that every detail of the underlying litigation, including IWS's trade secrets and confidential information, should be made public. Wilson and Taylor argue that they "have every right to have the public made aware of IWS's actions in their dangerous and reckless operation of a commercial motor vehicle on the highways of Alabama." IWS is not requesting that all details of the trial be kept from the public, only its trade secrets and confidential information. IWS has not requested that the details of the accident be suppressed, and we see no reason that they be suppressed. However, IWS has demonstrated that it has a

(information regarding how much customers paid and how much they used was trade secret); *Burlington N. v. Omaha Pub. Power Dist.*, 888 F.2d 1228, 1231-32 (8th Cir. 1989) (contractual terms on price escalation with customer entitled to trade secret status; intended for continuous use; distinguishing *Wis. Elec. Power Co. v. Pub. Serv. Comm'n*, 329 N.W.2d 178, 182 (Wis. 1983) (pricing and cost information in contract for nuclear power plant construction not trade secret because single event in business)).

122.1. *Ex parte Indus. Warehouse Servs., Inc.*, ___ So. 3d ___, Nos. 1170013 and 1170087, 2018 WL 1126576 (Ala. Mar. 2, 2018).

right to a protective order concerning the information in its bills of lading.^{122.2}

§ 3:9.4 Finance and Strategic Business Plans

The first *Restatement*, by mentioning methods of bookkeeping, endorses the view that some types of financial management information may be protectable.¹²³ Business plans and financial projections are protectable.¹²⁴ Market projections are similarly protectable.¹²⁵

Sources of capital should be protectable as long as they are not generally known.¹²⁶ Such information provides a clear competitive

122.2. *Id.*, 2018 WL 1126576, at *5.

123. RESTATEMENT OF TORTS § 757 cmt. b.

124. Morton v. Rank Am., Inc., 812 F. Supp. 1062, 1073 (C.D. Cal. 1993) (projected income, expenses and capital needs and financial, operational, marketing and other business strategies protectable under California UTSA, except for aspects generally observable by public; summary judgment for defendant denied); BIEC Int'l, Inc. v. Glob. Steel Servs., Ltd., 791 F. Supp. 489, 546 (E.D. Pa. 1992) (details of license agreements, business plans, financial projections and marketing strategies entitled to trade secret protection, although certain production processes were not); Enter Leasing Co. v. Ehmke, 3 P.3d 1044, 1067 (Ariz. Ct. App. 1999) (information on branch office financial performance and assets committed to branch offices constituted trade secrets; trial court decision reversed); PepsiCo, Inc. v. Redmond, 54 F.3d 1262 (7th Cir. 1995) (no real controversy over status of strategic business plan as trade secret; preliminary injunction against high level executive assuming new position with competitor affirmed (applying Illinois Trade Secrets Act)); Pulsecard, Inc. v. Discover Card Servs., Inc., Civil Action No. 94-2304, 1996 WL 137824 (N.D. Kan. Mar. 22, 1996) (denying summary judgment for defendant initially; affidavit alleged disclosure of business plan containing customer lists, pricing structure, desirability of acquiring certain competitors; information qualified as trade secret under Kansas UTSA assuming evidence at trial showed concrete secrets and efforts to protect them; subsequently, granting summary judgment because the evidence failed to show acquisition of trade secrets or any misuse, based only on proximity and likelihood of acquisition of knowledge).

See also PepsiCo, Inc. v. Redmond, No. 94 C6838, 1996 WL 3965 (N.D. Ill. Jan. 2, 1996) (finding strategic plan to constitute trade secret and entering final judgment and permanent injunction against misappropriation).

125. N.Y. Tel. Co. v. Pub. Serv. Comm'n, 436 N.E.2d 1281, 1284 (N.Y. 1982) ("migration study" by telephone company showing patterns of movement by customers from older technology to newer technology, future price plans, schedules of new product introduction, and sales tactics may be protected from disclosure under public documents law if trial court on remand finds they constitute trade secrets).

126. Cf. Pub. Sys., Inc. v. Towry, 587 So. 2d 969, 972–73 (Ala. 1991) (spreadsheet of sources of funding for nonprofit entities developed by consultant

advantage. A nonprofit organization, for example, should be entitled to trade secret protection of its funding sources, assuming it can satisfy the secrecy requirement.

A corporation's profit and loss statement has been held not to constitute a trade secret under the UTSA.¹²⁷

Information on how prices are determined is protectable.¹²⁸ Cost information is protectable.¹²⁹

for such entities not entitled to trade secret status because based on public domain information; modest investment involved in organizing information shows that it was "readily available and does not require substantial research investment to obtain").

127. AutoCount, Inc. v. Automated Prescription Sys., Inc., 651 So. 2d 308, 312 (La. Ct. App. 1995).
128. Burlington N. v. Omaha Pub. Power Dist., 888 F.2d 1228, 1231, 1232 (8th Cir. 1989) [contractual terms with customer covering price escalation entitled to trade secret status; intended for continuous use; distinguishing Wis. Elec. Power Co. v. Pub. Serv. Comm'n, 329 N.W.2d 178, 182 (Wis. 1983) (pricing and cost information in contract for nuclear power plant construction not a trade secret because it concerned only a single event)].
129. Davis v. Eagle Prods., Inc., 501 N.E.2d 1099 (Ill. App. Ct. 1986) [pet food manufacturer's sales and costing information, especially tonnage information, was confidential]; SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (profit margin and costs of material, labor, and overhead were a trade secret); Van Prods. Co. v. Gen. Welding & Fabricating Co., 213 A.2d 769 (Pa. 1965) (former employer's labor costs were not trade secret); Optic Graphics, Inc. v. Agee, 591 A.2d 578 (Md. Ct. Spec. App. 1991) (pricing information and marketing strategy of graphic arts business not trade secret because information was subject to change, subject to market forces, and varied with type of machine used); Comput. Assocs. Int'l, Inc. v. Bryan, 784 F. Supp. 982 (E.D.N.Y. 1992) (formulas and coefficients used by computer program to estimate resources required to develop or modify software was trade secret, even though questions that were program's framework were well known); Blue Cross & Blue Shield v. Ins. Bureau Hearing Officer, 304 N.W.2d 499, 506 (Mich. Ct. App. 1981) (rating information submitted by health insurer to support rate increase must be released under state public documents law despite Blue Cross claim of trade secret status for information on contract and noncontract charges, initial payment to hospitals, per diem cost information, administrative expense factor, risk factor, reserve factor, and conversion factor; no trade secret because information could be discerned by customers and, through them, competitors; disclosure mandated).

In Carpetmaster of Latham, Ltd. v. Dupont Flooring Sys., Inc., 12 F. Supp. 2d 257 (N.D.N.Y. 1998), a carpet company sued a competitor for misappropriation of trade secrets. On the one hand, the court found that costs, products, prices, and the proposal process for bidding were not trade secrets because this type of information was close to the general skill and knowledge any employee in the industry would gain. The court observed that there were no measures to secure secrecy and that the same information could be gained by the public. On the other hand, the court found that the identity, source, and price of certain trademarked products were trade secrets. The court noted that the plaintiff relabeled its products to hide

In *Apple, Inc. v. Samsung Electronics Co.*,^{129.1} the Federal Circuit granted an interlocutory appeal and reversed a refusal to seal documents provided in support of a motion:

We begin our analysis by considering whether Apple and Samsung have an interest in keeping their detailed product-specific financial information secret. We conclude that Apple and Samsung have such an interest because they could suffer competitive harm if this information is made public, and the district court erred by concluding otherwise. In particular, it seems clear that if Apple's and Samsung's suppliers have access to their profit, cost, and margin data, it could give the suppliers an advantage in contract negotiations, which they could use to extract price increases for components. This would put Apple and Samsung at a competitive disadvantage compared to their current position. Significantly, although the district court recognized this part of the parties' argument, it failed to discuss the argument in its analysis. Thus, we conclude that Apple and Samsung have a significant interest in preventing the release of their detailed financial information.^{129.2}

In a footnote, the court added this:

We think it likely that the detailed financial information Apple and Samsung seek to seal would meet the Restatement's relatively broad definition of "trade secret"—"any . . . compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it." However, the district court did not make a formal determination of whether these are trade secrets, and we do not believe we need to either. That is because documents may be sealed merely if they are "sources of business information that might harm a litigant's competitive standing."^{129.3}

In *Lydall, Inc. v. Ruschmeyer*,^{129.4} discussed more fully in section 3:3, the Connecticut Supreme Court agreed with the trial court that

some of their characteristics and that they were subject to agreements of confidentiality with the supplier.

In *Marshall v. Gipson Steel, Inc.*, 806 So. 2d 266, 272 (Miss. 2002), the Mississippi Supreme Court, reversing the lower court, held that a computer program for estimating the cost of steel construction projects did not qualify as a trade secret because its formulas were in wide use in the industry and whatever value it conferred would be readily ascertainable by legitimate means.

129.1. *Apple, Inc. v. Samsung Elecs. Co.*, 727 F.3d 1214 (Fed. Cir. 2013).

129.2. *Id.* at 1225 (citations and footnote omitted).

129.3. *Id.* at 1225 n.3 (citation omitted).

129.4. *Lydall, Inc. v. Ruschmeyer*, 919 A.2d 421 (2007).

selection of a particular product line to generate cash during a business decline qualified as a trade secret because it “was not the only sensible approach” to that line of business and thus was not within the realm of general public knowledge.^{129.5}

§ 3:9.5 Purchasing Information

Information pertinent to the purchasing function is protectable, especially sources of supply.¹³⁰

§ 3:9.6 Management Techniques and Organization Design

Specific techniques for organizing work and motivating employees are not *per se* unprotectable.¹³¹ The comments to the first *Restatement* endorse this view by mentioning methods of office management as examples of trade secret.¹³² Such techniques provide a clear competitive advantage because they reduce costs. If a hypothetical employer motivated its employees by a kind of internal fraternity, with a secret ritual, which the employees pledged to keep secret, there is no reason that this would not qualify for trade secret protection simply because it relates to workforce management rather than a machine for making widgets.

129.5. *Id.* at 439–42.

130. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (knowledge of alternate suppliers and their respective prices was not a trade secret); Sigma Chem. Co. v. Harris, 605 F. Supp. 1253, 1261–64 (E.D. Mo. 1985) (knowledge of which supplier sells a particular chemical of a particular quality that satisfies a particular purpose at the right price was akin to “finding a needle in a haystack” and, therefore, qualified as a trade secret), *aff’d in material part*, 794 F.2d 371, 374 (8th Cir. 1986); Wiebold Studio, Inc. v. Old World Restorations, Inc., 484 N.E.2d 280, 285 (Ohio Ct. App. 1985) (supplier of unique product and two other products used to repair ceramics did not qualify as trade secrets because not actually used or particularly useful); Panther Sys. II Ltd. v. Panther Comput. Sys., Inc., 783 F. Supp. 53, 70–71 (E.D.N.Y. 1991) (lists of suppliers denied trade secret status; supplier information typically is available from public channels); Greenblatt v. Prescription Plan Servs. Corp., 783 F. Supp. 814, 826 (S.D.N.Y. 1992) (list of dentists performing services for employer-sponsored healthcare plan created by seller of administrative services to plans did not qualify as trade secret because readily ascertainable; also no showing of disclosure in confidence).

131. Glosband v. Watts Detective Agency, Inc., 21 B.R. 963, 974–75 (D. Mass. 1981) (fraudulent transfer of property under Bankruptcy Act included roster of bankrupt corporation’s employees, including schedules of starting and reporting times; telephone numbers and addresses constituted trade secrets; analysis does not distinguish clearly between customer lists and employee roster).

132. RESTATEMENT OF TORTS § 757 cmt. b.

Similarly, plans for recruiting especially qualified personnel should be eligible for trade secret protection. The difficulty would be in meeting the secrecy elements. Ordinarily, of course, a management technique cannot be replicated merely because it is known, and enterprises therefore have less incentive to keep such matters secret. They also have an incentive to publicize them in order to attract new members to their workforces.

§ 3:10 Legal Information

In *Teleconnect Co. v. Ensrud*,¹³³ the U.S. Court of Appeals for the Eighth Circuit, applying Iowa law, reversed summary judgment for the defendant, finding sufficient issues to go to trial on the plaintiff's claim that the defendant should be enjoined from serving as an expert witness for the plaintiff's opponent in litigation over telephone tariffs based on the defendant's work as an analyst and paralegal for plaintiff.

In *Pillsbury, Madison & Sutro v. Schectman*,¹³⁴ however, the California intermediate appellate court affirmed the grant of an injunction, ruling that certain confidential law firm documents were not trade secrets because they had no economic value to anyone else.

Techniques for interpreting public Medicare regulations do not qualify as trade secrets.¹³⁵

§ 3:11 Religious Materials

Religious materials can qualify as trade secrets. In *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*,¹³⁶ the court noted that religious texts are not like most trade secrets in that they are not used in the production or sale of a commodity, but that this does not preclude them from being trade secrets. The court found, however, that the religious group failed to qualify the information as trade secrets with sufficient definiteness to support injunctive relief.¹³⁷

133. *Teleconnect Co. v. Ensrud*, 55 F.3d 357 (8th Cir. 1995).

134. *Pillsbury, Madison & Sutro v. Schectman*, 64 Cal. Rptr. 2d 698, 704 (Ct. App. 1997).

135. *Health Care Mgmt. Consulting, Inc. v. McCombes*, 661 So. 2d 1223, 1226 (Fla. Dist. Ct. App. 1995) (affirming in material part dismissal of temporary injunction).

136. *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc.*, 923 F. Supp. 1231 (N.D. Cal. 1995).

137. *Id.* at 1252.

§ 3:12 Memorized Information

In *Ed Nowogroski Insurance, Inc. v. Rucker*,¹³⁸ the Washington Supreme Court reversed a finding that trade secret misappropriation could not be based on evidence that a former employee used memorized client lists.¹³⁹ The court recognized a split of authority on whether memorized trade secrets are covered by the misappropriation tort.¹⁴⁰ It found that the UTSA did not abrogate the common law rule in Washington that the form of trade secret information, whether written or memorized, made no difference in a misappropriation case.¹⁴¹

On the other hand, in *AmeriGas Propane, L.P. v. T-BO Propane, Inc.*,¹⁴² a federal district court in Georgia granted summary judgment to the defendant with respect to claimed violations of state trade secret law. The court held that simple lists of customer names and addresses and memorized customer information did not constitute trade secrets under the Georgia UTSA; nor could they support a valid confidentiality agreement.

In *Al Minor & Associates, Inc. v. Martin*,¹⁴³ the Ohio Supreme Court affirmed a damages judgment for \$25,973 for misappropriation of trade secrets. The evidence showed that the defendant had memorized the plaintiff's client list and used it to solicit business after he went to work for a competitor. The court rejected the argument that information can qualify as a trade secret only if it is written down:

Neither R.C. 1333.61(D) nor any other provision of the UTSA suggests that for purposes of trade secret protection, the General Assembly intended to distinguish between information that has been reduced to some tangible form and information that has been memorized. R.C. 1333.61(D) refers only to "information," including "any business information or plans, financial information, or listing of names, addresses, or telephone numbers," and the statute makes no mention of writings or other physical forms that such information might take. Furthermore, nothing in our six-factor test adopted in *Plain Dealer*, 80 Ohio St.3d at 524–525,

138. *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash. 1999).

139. *Id.* at 940.

140. *Id.* (comparing RESTATEMENT OF AGENCY § 396 cmt. b (1988) (use of memorized information not misappropriation) with RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. f (1995)).

141. *Id.* See also *N. Atl. Instruments, Inc. v. Haber*, 188 F.3d 38, 46–47 (2d Cir. 1999) (rejecting broad rule that anything an employee remembers casually is not a trade secret).

142. *AmeriGas Propane, LP v. T-BO Propane, Inc.*, 972 F. Supp. 685, 694, 699 (S.D. Ga. 1997).

143. *Al Minor & Assocs., Inc. v. Martin*, 881 N.E.2d 850 (Ohio 2008).

687 N.E.2d 661, indicates that the determination whether a client list constitutes a trade secret depends on whether it was capable of being memorized or had been memorized.

The legislature, when enacting R.C. 1333.61(D), could have excluded memorized information from the definition of trade secret or added a requirement that such information be reproduced in physical form in order to constitute a trade secret. But it did not, and we are not in a position to read such language into the statute. *See, e.g.*, Portage Cty. Bd. of Commrs. v. Akron, 109 Ohio St. 3d 106, 2006-Ohio-954, 846 N.E.2d 478, ¶ 52, wherein we stated that “[a]n unambiguous statute must be applied in a manner consistent with the plain meaning of the statutory language, and a court cannot simply ignore or add words”; *see also* Iddings v. Jefferson Cty. School Dist. Bd. of Edn. (1951), 155 Ohio St. 287, 290, 44 O.O. 294, 98 N.E.2d 827, which emphasized that “[t]o construe or interpret what is already plain is not interpretation but legislation, which is not the function of the courts.”

In addition, more than 40 other states have adopted the Uniform Trade Secrets Act in substantially similar form, and the majority position is that memorized information can be the basis for a trade secret violation. *See, e.g.*, Ed Nowogroski Ins., Inc. v. Rucker (1999), 137 Wash. 2d 427, 971 P.2d 936; Morlife, Inc. v. Perry (1997), 56 Cal. App. 4th 1514, 66 Cal. Rptr. 2d 731; Allen v. Johar, Inc. (1992), 308 Ark. 45, 823 S.W.2d 824; Jet Spray Cooler, Inc. v. Crampton (1972), 361 Mass. 835, 282 N.E.2d 921; Van Prods. Co. v. Gen. Welding & Fabricating Co. (1965), 419 Pa. 248, 213 A.2d 769; M.N. Dannenbaum, Inc. v. Brummerhop (Tex. App. 1992), 840 S.W.2d 624; Schulenburg v. Signatrol, Inc. (1965), 33 Ill.2d 379, 212 N.E.2d 865; Morgan’s Home Equip. Corp. v. Martucci (1957), 390 Pa. 618, 136 A.2d 838; Cent. Plastics Co. v. Goodson (1975), 1975 Ok 71, 537 P.2d 330; Rego Displays, Inc. v. Fournier (1977), 119 R.I. 469, 379 A.2d 1098. We acknowledge, however, that some courts adhere to the contrary position. *See, e.g.*, DeGiorgio v. Megabyte Internatl., Inc. (1996), 266 Ga. 539, 468 S.E.2d 367 (only tangible customer lists warrant protection as trade secrets); and Pearce v. Austin (La. App. 1985), 465 So. 2d 868 (same).¹⁴⁴

§ 3:13 Employee Information

In *Campbell v. Marian County Hospital District*,¹⁴⁵ the court held that compensation and salary information regarding physicians and purchase price of physician practices did not qualify as a trade secret.

144. *Id.* at 853.

145. *Campbell v. Marian Cty. Hosp. Dist.*, 580 S.E.2d 163 (S.C. Ct. App. 2003).

§ 3:14 Educational Tests

In *State ex rel. Perrea v. Cincinnati Public Schools*,¹⁴⁶ the Ohio Supreme Court held that standardized tests qualified as trade secrets exempt from disclosure under the state public records act.¹⁴⁷

§ 3:15 Software Source Code

Software source code can qualify as a trade secret. In *GlobeRanger Corp. v. Software AG United States of America, Inc.*,¹⁴⁸ the court of appeals affirmed a \$15 million judgment for trade secret misappropriation involving software for commercial passive radio frequency identification (RFID) systems. The plaintiff claimed that the defendant had accessed its source code and other trade secrets incident to work each was doing independently for the U.S. Navy.

In considering the defendant's argument that the trade secret claim was preempted by copyright law, the court considered the strategic choice of the type of protection for software:

The different spheres of intellectual property protection can sometimes overlap. As the software code in this case illustrates, the same intellectual property can be protectable under the copyright laws or subject to trade secret protection. If the creator seeks the protection of the copyright laws, it obtains the exclusive right to make copies of the work for decades but must publicly register the work before enforcing that right through a lawsuit. 17 U.S.C. § 411(a). The creator might prefer to not publicly disclose the creation, in which case it can maintain the material as a trade secret if it takes reasonable measures to preserve secrecy. See generally, Stephen M. Dorvee, *Protecting Trade Secrets Through Copyright*, 1981 DUKE L.J. 981, 982 (1981) (describing how copyright protection is limited compared to trade secret protection in that it only covers expression and not underlying ideas, and requires disclosure of the trade secret). Depending on the business situation, one of these tradeoffs will be preferable to the other.”¹⁴⁹

The court considered whether the source code qualified as a trade secret:

Software AG first challenges the most foundational element of GlobeRanger's claim: whether a trade secret existed.

146. State *ex rel.* Perrea v. Cincinnati Pub. Sch., 916 N.E.2d 1049 (Ohio 2009).

147. *Id.* at 1053–54.

148. *GlobeRanger Corp. v. Software AG U.S., Inc.*, 836 F.3d 477 (5th Cir. 2016).

149. *Id.* at 483–84.

A trade secret is defined by Texas courts as “any formula, pattern, device or compilation of information which is used in one’s business and presents an opportunity to obtain an advantage over competitors who do not know or use it.” Whether a trade secret exists is a question of fact. Texas courts weigh six factors, rooted in the Restatement (First) of Torts § 757 (1939), to determine whether a trade secret exists:

- (1) the extent to which the information is known outside of the business; (2) the extent to which it is known by employees and others involved in the business; (3) the extent of measures taken to guard the secrecy of the information; (4) the value of the information to the business and to its competitors; (5) the amount of effort or money expended in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

GlobeRanger produced sufficient evidence for a jury to reasonably conclude that at least some portion of its Navy Solution constituted a trade secret. Relevant to whether the software was valuable to the business and its competitors, there was testimony explaining how GlobeRanger’s “filtering” technology was unique and its ability to filter large amounts of information in real time added value compared to traditional inventory management systems. Both the value and the difficulty in reproducing the technology were also shown through emails and testimony from Software AG employees. For example, when questioned about an email in which another Software AG employee asked a former GlobeRanger employee how to access the .Net source code in GlobeRanger’s solution, a testifying Software AG employee who described himself as the “technical lead” on the RAVE project explained that they needed the code because:

When we were looking at the workflows in GlobeRanger, we could see step 1, then step 2, then step 3. Step 2 was a transformation. And looking at the workflow, we couldn’t see what the transformation was—we didn’t know what fields were being transformed and what business logic was being implemented, as what Navy logic was being implemented in step 2.

In terms of the extent that the information is known outside the business and efforts to keep it secret, GlobeRanger offered testimony about its unique source code for iMotion and other proprietary software, and how a “secret code” was required for each customer’s database. GlobeRanger’s Vice President of Software Services and Delivery detailed how the company worked to keep its software “contractually, as well as physically and electronically” protected, including: restricting physical access to the data center;

requiring double password protection to access the “source code control system;” limiting access to source code only to developers rather than all employees; and licensing requirements for the software. And the unique license key required to access a particular product—including the Navy Solution software—can limit use of the product for a certain time period or to a certain number of devices. GlobeRanger also produced evidence that it reminded the Navy and RA that a license key it provided was only for maintenance of the current installation and not any other purpose. Considering this and other evidence produced at trial, a jury could reasonably conclude that at least some aspects of the Navy Solution constituted a “formula, pattern, device or compilation of information” GlobeRanger used to “obtain an advantage over competitors who do not know or use it.”¹⁵⁰

The defendant argued that the evidence was not sufficiently specific, but the court rejected that argument:

Software AG’s primary problem is with the “some aspects” part of what we just said. It argues that this evidence was not enough because GlobeRanger needed to show more specific, “concrete secrets.” *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1266 (7th Cir. 1992) (citing Illinois trade secret misappropriation law). But it has not cited, nor can we find, any Fifth Circuit or Texas case law requiring greater specificity than what GlobeRanger provided at trial. See, e.g., *Welogix*, 716 F.3d at 875 (holding in a similar posture that “Welogix presented sufficient evidence and testimony to support the jury’s finding that Welogix’s technology contained trade secrets,” without requiring a specific description of the trade secret). Software AG has therefore not shown that the jury’s finding that GlobeRanger’s RFID technology contained trade secrets is unsupported as a matter of law.¹⁵¹

150. *Id.* at 491–93 (some citations omitted).

151. *Id.* at 493.

