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MARYLAND UNIFORM TRADE SECRETS ACT

INTRODUCTION

On July 1, 1989, Maryland became the twenty-ninth¹ state to adopt the Uniform Trade Secrets Act (the Act).² The basic function of the Act is to codify and clarify the existing common law of trade secrets,³ and to minimize substantive differences among the adopting states by expressly requiring uniform construction.⁴ In an area that frequently involves interstate transactions with their attendant conflict of laws problems, the Act brings needed predictability to trade secrets law⁵ and a means by which to incorporate a broad base of case law. This Note provides an overview of the Act's contours, and the ways in which its adoption is likely to change the treatment of trade secrets in Maryland.

1. For other enactments of the Uniform Trade Secrets Act (the Act), see ALA. CODE §§ 8-27-1 to -6 (Supp. 1989); ALASKA STAT. §§ 45.50.910 to .945 (1989); CAL. CIV. CODE §§ 3426-3426.10 (West Supp. 1990); COLO. REV. STAT. §§ 7-74-101 to -110 (1987); CONN. GEN. STAT. §§ 35-50 to -58 (1987); DEL. CODE ANN. tit. 6, §§ 2001 to 2009 (Supp. 1988); D.C. CODE ANN. §§ 48-501 to -510 (Supp. 1989); FLA. STAT. §§ 688.001 to .009 (Supp. 1990); HAW. REV. STAT. §§ 482B-1 to -9 (Supp. 1989); ILL. ANN. STAT. ch. 140, paras. 351-359 (Smith-Hurd Supp. 1989); IND. CODE ANN. §§ 24-2-3-1 to -8 (Burns Supp. 1989); KAN. STAT. ANN. §§ 60-3320 to -3330 (1983 & Supp. 1989); LA. REV. STAT. ANN. §§ 51:1431 to :1439 (West 1987); ME. REV. STAT. ANN. tit. 10, §§ 1541-1548 (Supp. 1989); MINN. STAT. §§ 325C.01 to .08 (1981 & Supp. 1990); MONT. CODE ANN. §§ 30-14-401 to -409 (1989); NEV. REV. STAT. §§ 600A.010 to .100 (Supp. 1989); N.H. REV. STAT. ANN. §§ 350-B:1 to :9 (Supp. 1989); N.M. STAT. ANN. §§ 57-3A-1 to -7 (Supp. 1989); N.D. CENT. CODE §§ 47-25.1-01 to -08 (Supp. 1989); OKLA. STAT. ANN. tit. 78, §§ 85-95 (West 1987); OR. REV. STAT. §§ 646.461 to .475 (1988); R.I. GEN. LAWS §§ 6-41-1 to -11 (Supp. 1988); S.D. CODIFIED LAWS ANN. §§ 37-29-1 to -11 (Supp. 1989); UTAH CODE ANN. §§ 13-24-1 to -9 (Supp. 1989); VA. CODE ANN. §§ 59.1-336 to -343 (1987); WASH. REV. CODE §§ 19.108.010 to .940 (1989); W. VA. CODE §§ 47-22-1 to -10 (1986); WIS. STAT. § 134.90 (1989).

2. UNIF. TRADE SECRETS ACT, 14 U.L.A. 537-38 commissioners' prefatory note (1980). The Act is codified in Maryland at MD. COM. LAW CODE ANN. §§ 11-1201 to -1209 (1989). The legislature's sole substantive change to the Uniform Act was to add a provision, *id.*, § 11-207(2), indicating that the statute does not impose liability on state personnel beyond that allowed by the Maryland Tort Claims Act. *See* MD. STATE GOV'T CODE ANN. §§ 12-101 to 12-110 (1984 & Supp. 1989).

3. UNIF. TRADE SECRETS ACT, 14 U.L.A. 370 commissioners' prefatory note (Supp. 1985).

4. *See* MD. COM. LAW CODE ANN. § 11-1208 (1989); *see also* UNIF. TRADE SECRETS ACT § 8, 14 U.L.A. 387 (1980).

5. *See* Klitzke, *The Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277, 282-84 (1980); *see, e.g.*, Rhoads & Sons, Inc. v. Ammeraal, Inc., No. 83C-NO-98, slip. op. at 11-12 (Del. Super. Ct., Oct. 21, 1988) (Del. LEXIS 395) (relying on Indiana's construction of the Act's purpose to resolve conflict of laws issues).

Under the Act's definition, trade secret protection apparently applies to a somewhat broader range of information than under the common law.⁶ Further, the Act reconciles conflicting common-law views among the adopting jurisdictions on the remedies available to one whose trade secret has been misappropriated.⁷ The Act also should eliminate confusion over statute of limitations problems in the litigation of trade secret protection.⁸

I. THE NATURE OF TRADE SECRET PROTECTION

Unlike information protected by federal patents,⁹ trade secrets¹⁰ do not enjoy absolute monopoly protection, either at common law or under the Act. The holder of a trade secret does not apply to the government for protection, as with a patent. Rather, one secures trade secret protection through private efforts to maintain secrecy. One's rights in trade secrets give rise to legal and equitable remedies under state law only in the event of "misappropriation,"¹¹ a term defined liberally by the Act. Misappropriation can come about either by tortious conduct, or by the breach of a confidential relationship.¹² It is the combination of an existing trade secret and "misappropriation" which gives rise to a cause of action; neither will suffice independently.¹³

In contrast to a patent holder, the trade secret holder has no rights against a competitor who discovers the secret independently,¹⁴ or through reverse engineering.¹⁵ In addition, protection

6. See *infra* notes 29-64 and accompanying text.

7. See *infra* notes 86-97 and accompanying text.

8. Limitations problems arise in this context for two reasons. Continuing misappropriations present the problem of determining when the statute began to run. This problem is compounded by the fact that at least three major theories were available at common law on which to base a trade secret action—property, tort, and quasi-contract. UNIF. TRADE SECRETS ACT, 14 U.L.A. 370 commissioners' prefatory note (Supp. 1985).

9. See 35 U.S.C. §§ 101-104 (1982).

10. For the definition of trade secret, see *infra* notes 32-39 and accompanying text.

11. MD. COM. LAW CODE ANN. § 11-1201(c) (1989).

12. See *infra* notes 78-85 and accompanying text.

13. See, e.g., *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 897 (Minn. 1983) (en banc) (holding that to allow a remedy for misappropriation without the proper finding of a trade secret would "come dangerously close to expanding the trade secrets act into a catchall for industrial torts").

14. *Id.*

15. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974). Several of the adopting states expressly have excepted reverse engineering, i.e., the discovery of operational principles by examination of a rightfully acquired sample, and development independent from the 'improper means' concept. See, e.g., ILL. ANN. STAT. ch. 140, para. 352 § 2(a) (Smith-Hurd Supp. 1989); OR. REV. STAT. § 646.461(1) (1988). For the definition and scope of 'improper means,' see *infra* notes 83-84 and accompanying text.

exists only as long as the trade secret, in fact, is kept "secret."¹⁶ Public disclosure,¹⁷ or a failure to exercise reasonable care to maintain secrecy, will result either in a complete loss of protection¹⁸ or in a finding that a trade secret never existed.¹⁹ Trade secret protection, therefore, differs from patent protection in that the former is continuously dependent on the conduct of both the alleged misappropriator and the creator, rather than on the combination of the protected subject matter and the government's explicit recognition of the right.

If the monopoly protection that the federal and state governments afford patents is so much more comprehensive, as well as impossible to lose by an owner's inadvertent action, why would anyone ever prefer trade secret protection to patent protection? First, trade secret protection may be the only protection available. To qualify as a trade secret, information need not meet the stringent tests required for issuance of a patent. The subject matter of a trade secret need not be "novel"²⁰ or "nonobvious,"²¹ nor must it be an "invention" or "discovery."²² Yet, even if the information does meet these

16. See *infra* notes 65-77 and accompanying text.

17. The trade secret is not lost when a confidential relationship is created at the point of "disclosure." For example, computer software shrink wrap agreements cause such a relationship to be created by the very conduct (opening the wrapper) that works the disclosure. See Kemp, *Mass Marketed Software: The Legality of the Form License Agreement*, 48 LA. L. REV. 87, 116 (1987); Note, *The Enforceability of State "Shrink-Wrap" License Statutes in Light of Vault Corp. v. Quaid Software, Ltd.*, 74 CORNELL L. REV. 222, 229 n.52 (1988).

18. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 109 S. Ct. 971, 980-81 (1989) (holding that a state law which interferes with the enjoyment of an unpatented utilitarian or design conception that its author has disclosed freely to the public-at-large impermissibly contravenes the federal patent policy's ultimate goal of public disclosure); *Miller v. Owens-Illinois, Inc.*, 187 U.S.P.Q. (BNA) 47, 48 (D. Md. 1975) (holding that compensation is not warranted if the accused misappropriator had prior knowledge of facts before they were disclosed to him in confidence).

19. See, e.g., *Dworkin v. Blumenthal*, 77 Md. App. 774, 781-82, 551 A.2d 947, 950-51 (1989) (holding that a professional association's patient list compiled by dentists prior to their resignation was not a trade secret absent evidence that the association expended an extraordinary amount of effort or money to generate the list and in view of the ready availability and use of that information by others involved in the practice).

20. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 483 (1974). As the Court pointed out, however, the fact of secrecy itself implies some degree of novelty. *Id.* at 476.

21. *Id.* at 483.

22. *Id.* But cf. Klitzke, *supra* note 5, at 282 & n.7. Klitzke maintains that information must qualify as a discovery to warrant trade secret protection. *Id.* The cases cited for this proposition, however, predate the Act significantly and at best represent a bygone conflict among the jurisdictions. While "discoveries" are surely the usual candidates for trade secret protection, even prior to the Act the common law extended protection to many more categories of information than properly could be called "discoveries." See

tests, the government will grant a patent only if the information falls within one of the statutorily enumerated categories.²³ Second, issuance of a patent can take several years. Today, it is quite possible that the invention which the creator seeks to protect will become obsolete before patent protection attaches.²⁴ Trade secret protection, by contrast, attaches immediately, automatically, and continuously. Third, an element of risk exists in the patent application process. Although a patent provides monopoly rights against the world, such rights are justified on public policy grounds only by the requirement that the creator make public the patented invention.²⁵ Therefore, the creator's idea will remain in the public domain without protection if a court denies a patent's validity after issuance.²⁶ Fourth, patents confer monopoly rights of limited duration,²⁷ whereas rights in a trade secret persist as long as the holder maintains the requisite level of secrecy.²⁸

Atlantic Wool Combing Co. v. Norfolk Mills, Inc., 357 F.2d 866, 868 (1st Cir. 1966) (reversing a lower court's determination that a minor change to a machine, not significant enough to qualify as a discovery, was ineligible for trade secret protection; such a view "unduly narrow[ed] the scope of trade secret protection."); see also *Organic Chems., Inc. v. Carroll Prods., Inc.*, 211 U.S.P.Q. (BNA) 628, 630-31 (W.D. Mich. 1981) (rejecting the discovery requirement in favor of the rule that "a 'trade secret' may be a device or process which is anticipated in the prior art, or it may be clearly patentable."); *Head Ski Co. v. Kam Ski Co.*, 158 F. Supp. 919, 923 (D. Md. 1958) (rejecting the discovery requirement and holding that "[a] trade secret may consist of any formula or pattern, any machine or process of manufacturing, or any device or compilation of information used in one's business, and which may give to the user an opportunity to obtain an advantage over competitors who do not know or use it.").

23. 35 U.S.C. § 101 (1982). The categories include "process, machine, manufacture, or composition of matter . . ." *Id.*

24. See, e.g., Dratler, *Trademark Protection for Industrial Designs*, 1988 U. ILL. L. REV. 887, 894.

25. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-81 (1974).

26. UNIF. TRADE SECRETS ACT, 14 U.L.A. 369 commissioners' prefatory note (Supp. 1985).

27. See 35 U.S.C. § 154 (1982).

28. A striking example of the importance of continuing trade secret protection is the maintenance, against fierce attack, of the trade secret status of the formula for Coca-Cola. *Coca-Cola Bottling Co. v. Cola-Cola Co.*, 107 F.R.D. 288 (D. Del. 1985) discussed the measures that the company took to keep the formula secret.

The written version of the secret formula is kept in a security vault at the Trust Company Bank in Atlanta, and that vault can only be opened by a resolution from the Company's Board of Directors. It is the Company's policy that only two persons in the Company shall know the formula at any one time, and that only those persons may oversee the actual preparation of Merchandise 7X.

The Company refuses to allow the identity of those persons to be disclosed or to allow those persons to fly on the same airplane at the same time.

Id. at 294.

II. DETERMINATION OF A TRADE SECRET UNDER MARYLAND'S COMMON LAW AND UNDER THE ACT

The policy that underlies trade secrets law is the "maintenance of commercial ethics and the encouragement of invention."²⁹ To that end, Maryland adopted the *Restatement of Torts*³⁰ trade secrets doctrine in *Space Aero Products Co. v. R.E. Darling Co.*³¹ Under that view,

[a] trade secret may consist of any formula, pattern, device or 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. 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.³²

The *Space Aero* court also embraced³³ the *Restatement's* litany of factors to be considered³⁴ in determining whether the information in a particular case meets the requirements of a trade secret:

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

29. *Kewanee*, 416 U.S. at 481.

30. RESTATEMENT OF TORTS § 757 (1939). The *Restatement* was the basis for the common law of trade secrets in nearly every state until 1980, when Minnesota became the first state to adopt the Act. The American Law Institute eliminated the trade secrets provisions from the 1979 edition of the *Restatement* after finding that trade secret law had developed into a separate body of law no longer wholly dependent on tort law. RESTATEMENT (SECOND) OF TORTS 1-2 introductory note (1979); see Klitzke, *supra* note 5, at 282-83.

31. 238 Md. 93, 105, 208 A.2d 74, 79, *cert. denied*, 382 U.S. 843 (1965).

32. RESTATEMENT OF TORTS § 757 comment b (1939).

33. 238 Md. at 110, 208 A.2d at 82.

34. While the Maryland court used the phrase "factors to be considered," *id.*, which indicated a balancing test, other courts have looked upon these "factors" as "elements" that form a conjunctive test to establish a trade secret's existence. See, e.g., *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890 (Minn. 1983) (en banc). Although the court decided *Electro-Craft* under the Act, it seems probable that the Act's widespread adoption will serve to bring most, if not all, jurisdictions in line with Maryland's balancing approach. See, e.g., *Minuteman, Inc. v. L. D. Alexander*, 147 Wis. 2d 842, 851-53, 434 N.W.2d 773, 777 (1989) (rejecting Wisconsin's prior common-law interpretation of the *Restatement* factors as a conjunctive test, in light of the Act's adoption).

quired or duplicated by others.³⁵

The Uniform Trade Secrets Act provides a new definition of "trade secret," however, which supercedes the *Restatement*.³⁶ Under the Act:

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

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.³⁷

Clearly, this definition is based on the *Restatement* comment, yet it contains at least one substantive difference that significantly broadens the scope of trade secrets law. The common law required that the purported trade secret be "used in [one's] business," and provide "an advantage over competitors who do not know or use it."³⁸ Under the Act, this business requirement is absent and it is unnecessary to show that one gains value from the competitors' lack of knowledge.³⁹

There are relatively few reported Maryland cases on the common law of trade secrets and, to date, no reported cases have been litigated under the Maryland Uniform Trade Secrets Act. But in *Conteka B.V. v. Union Carbide Corp.*,⁴⁰ a case decided less than a year before Maryland adopted the Act, this difference between the com-

35. RESTATEMENT OF TORTS § 757 comment b (1939).

36. The *Restatement* definition is embodied not only in the case law, but also in statutory provisions. See, e.g., MD. ANN. CODE art. 38A, § 8(4) (1986). The Maryland Act expressly displaces, among other things, pre-existing tort law based on misappropriation of trade secrets. MD. COM. LAW CODE ANN. § 11-1207(a) (1989). Therefore, the statute pre-empts the *Restatement* definition of the nature of a trade secret, to the extent that the *Restatement* presents a more restrictive view, whether through contradictory or supplementary terms. As discussed *infra* in note 51 and the accompanying text, however, not all courts have maintained the separation between the Act and its common-law antecedents.

37. MD. COM. LAW CODE ANN. § 11-1201(e) (1989).

38. RESTATEMENT OF TORTS § 757 comment b (1939).

39. See MD. COM. LAW CODE ANN. § 11-1201(e) (1989). In many instances, the holder of a purported trade secret will have no competitors, at least before the alleged misappropriation. At common law, these facts very well could lead to a finding that no trade secret existed at the time of the misappropriation. The Act eliminates this anomaly.

40. 699 F. Supp. 77 (D. Md. 1988).

mon-law and statutory definitions of trade secret was crucial, if not determinative, to the outcome.⁴¹ In *Conteka*, the court refused to find error in jury instructions that used the term "trade secret" directly before the phrase "in one's business," stating that "[u]nder *Space Aero*, use of an idea in business is an element of trade secret protection."⁴² Had the Act been in effect, the outcome of the case might well have been different because the Act would have allowed the jury to find a trade secret in the absence of a business connection.

In fact, the *Restatement* definition of a trade secret required not only business use, but continuous business use.⁴³ Information used for one-time purchases, such as contract bids, salary offers, and the scheduled time for key announcements specifically was excluded from coverage under section 757.⁴⁴ Only section 759,⁴⁵ which the Maryland courts never had addressed, protected this information. Under the Act, information is eligible for trade secret protection regardless of the continuity of its use. The Act also broadens the common-law definition of trade secret by allowing information with mere potential value, as opposed to present value, to qualify for protection.⁴⁶ Thus, a cause of action that previously would have failed to establish liability under Maryland common law due to lack of present value is viable under the Act.⁴⁷

Maryland courts have paid particular attention to the fifth factor of the *Restatement* test: the effort or expense that the creator invested to develop the purported trade secret.⁴⁸ Evidence aimed at establishing this factor still may be relevant under the Act to show

41. *Id.* at 78-80 (court denied plaintiff's motion for a new trial on grounds that the Maryland common law of trade secrets supported jury instructions).

42. *Id.* at 79-80.

43. RESTATEMENT OF TORTS § 757 comment b (1939). See generally Klitzke, *supra* note 5, at 284-90.

44. RESTATEMENT OF TORTS § 757 comment b (1939).

45. *Id.* § 759 ("PROCURING INFORMATION BY IMPROPER MEANS").

46. MD. COM. LAW CODE ANN. § 11-1201(e)(1) (1989).

47. There are no Maryland cases rejecting a trade secret claim on the grounds that the alleged secret had potential, but not present, value. However, Maryland case law prior to the Act suggests that the trade secret must possess current actual value. See, e.g., *supra* note 35 and accompanying text.

48. See, e.g., *Dworkin v. Blumenthal*, 77 Md. App. 774, 782, 551 A.2d 947, 950 (1989) (lower court's finding that no trade secret existed in a dental association's patient list was supported by lack of evidence that the association expended an extraordinary amount of effort or money to generate the list); cf. *Tabs Assocs. v. Brohawn*, 59 Md. App. 330, 334, 345, 475 A.2d 1203, 1211, 1213 (1984) (prima facie showing of a protectable right in a trade secret was supported by evidence that \$180,000 were expended on an analysis of the process over a six year period).

independent economic value.⁴⁹ It is difficult to predict how the Act will affect the courts' treatment of this and other vestiges of the *Restatement* test,⁵⁰ but the degree to which the courts retain these *Restatement* factors will define the Act's future importance in expanding protection.

The Act requires that information derive "independent economic value"⁵¹ from the fact of its secrecy to qualify for trade secret protection. The *Restatement* defined the trade secret as giving "an opportunity to obtain an advantage" by virtue of its secrecy.⁵² Under the *Restatement*, protectable information could be production-related or merely sales-related.⁵³ Trade secret protection extended to information such as customer lists,⁵⁴ which contribute to a business' overall competitiveness but do not create "economic value" in the same way that the traditional formula, process, or device creates "economic value."⁵⁵ It seems clear that the Act is not intended to narrow the common-law definition, and thus "economic value" must be construed to include both information that increases the efficiency of distribution as well as production.

In determining whether an alleged trade secret meets the Act's economic value requirement, the question arises whether the requirement should be read to include information that is useful in enabling a business to produce or distribute goods or services of

49. See *supra* note 38 and accompanying text.

50. In *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890 (Minn. 1983) (en banc), the court retained this factor in a case brought under Minnesota's version of the Act, stating that "the third common law element of trade secret status, that the information must have been developed at plaintiff's expense, is not completely eliminated by the Act." *Id.* at 901 n.12. The final common law test for determining whether information constitutes a trade secret, namely the ease with which the information legitimately can be duplicated, finds support in another Maryland statute dealing with trade secrets. See MD. ANN. CODE art. 56, § 157F (1988) (feasibility of reverse engineering is expressly made a primary factor for determining whether a trade secret interest exists in a given chemical).

51. MD. COM. LAW CODE ANN. § 11-1201(e)(1) (1989).

52. RESTATEMENT OF TORTS § 757 comment b (1939).

53. *Id.*

54. *Id.*

55. Customer lists merely are "developed as an incident of the [business or] practice." *Dworkin v. Blumenthal*, 77 Md. App. 774, 782, 551 A.2d 947, 950 (1989). As such, they do not contribute to the end-product or service that the company provides. Nevertheless, the *Dworkin* court recognized that customer lists conceivably could be trade secrets. *Id.* California was the first state to hold that customer lists were potentially trade secrets under the Act, emphasizing that parties still would have to meet the tests of economic value and reasonable efforts to protect secrecy on a case-by-case basis. *American Paper & Packaging Prod., Inc. v. Kingan*, 183 Cal. App. 3d 1318, 1323-26, 228 Cal. Rptr. 713, 715-16 (1986).

value (increase efficiency) or whether *any* information that a competitor would find useful qualifies for protection. Professor Klitzke opines that the term "economic value" is broad enough to include "negative" information to the effect that a particular process will not work.⁵⁶ The questions become more difficult with respect to other types of "negative information," such as profit margins and other internal cost-control information. This information is "valuable" to competitors, usually not because such information makes them more efficient, but because it can be used as a weapon to wage price wars and bottleneck supplies to drive other competitors out of the market.⁵⁷ Although one may question whether information that a party seeks for anticompetitive purposes has "economic" value, the policy behind trade secrets protection weighs in favor of construing the definition to include this type of negative information because its misappropriation has the greatest potential for harm both to the victim and to the market as a whole.⁵⁸

Electro-Craft Corp. v. Controlled Motion, Inc.,⁵⁹ which the Minnesota Supreme Court decided under that state's version of the Act, highlights the practical importance to a plaintiff of identifying alleged trade secrets with specificity. In that case, the court held that "design procedures" and "dimensions" of one of the technologies at issue were not specific enough to allow the court to find that a trade secret existed.⁶⁰ This decision suggests that a party must plead specifically as to the exact process or information at issue as a protectable trade secret so that the court can "fashion a meaningful injunction which would not overly restrict competition."⁶¹

The final common-law consideration for determining whether information constitutes a trade secret is the ease with which the information can be duplicated legitimately. The Act provides only that the trade secret not be "readily ascertainable"⁶²—the ease of

56. Klitzke, *supra* note 5, at 289; see UNIF. TRADE SECRETS ACT § 1, comment 5, 14 U.L.A. 537, 543 (1980) ("The definition of . . . trade secret includes information that has commercial value from a negative viewpoint.").

57. See *infra* note 59 and accompanying text. One also could imagine cases in which internal pricing information could be valuable for its own sake, such as when a competitor could make planning, research, and development more efficient.

58. See *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1260-61 (3d Cir. 1985) (holding that pricing information, including overhead and profit-margin, is properly protectable as a trade secret).

59. 332 N.W.2d 890 (Minn. 1983) (en banc); see *supra* note 51 and accompanying text.

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

61. *Id.*

62. MD. COM. LAW CODE ANN. § 11-1201(e)(2) (1989).

acquisition of the information is not a requirement. Yet, this common-law test has appeared before in Maryland legislation,⁶³ and it therefore is unlikely that the Act's adoption represents a legislative intent to do away with the test.

III. HOW SECRET IS SECRET?

To qualify for the Act's protection, information must be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy."⁶⁴ This provision presents a good example of the manner in which the Act tracks the common law. Indeed, the Maryland Court of Appeals in *Space Aero* established a common-law view of reasonable secrecy that seems fully consistent with the statutory standard.⁶⁵ In *Space Aero*, the defendants argued that the plaintiff lost any claim to a trade secret when the plaintiff left open the factory garage doors,⁶⁶ allowed guests to visit employees while the employees assembled the allegedly secret hose,⁶⁷ and even gave public demonstrations of the hose-building process to small groups.⁶⁸ The court rejected the defendant's arguments and concluded that the creator "took precautions to guard the secrecy of its process which, under the circumstances, were reasonably sufficient."⁶⁹ In so deciding, the court reasoned that "[a]bsolute secrecy is not essential but a substantial element of secrecy must exist so that there would be difficulty in others properly acquiring the information."⁷⁰ The fact that no other company could duplicate the process until the formation of the company that misappropriated the process showed that the creator successfully maintained secrecy for many years.⁷¹ Further, the extent of the community's industrial development is relevant to whether the creator's precautions are rea-

63. See MD. ANN. CODE art. 56, § 157F (1988). This statute expressly makes the feasibility of reverse engineering a primary factor for determining whether a trade secret interest exists in a given chemical. *Id.*

64. MD. COM. LAW CODE ANN. § 11-1201(e)(2) (1989).

65. 238 Md. 93, 109-13, 208 A.2d 74, 82-83, *cert. denied*, 382 U.S. 843 (1965). The leading case on the secrecy issue is *E.I. DuPont de Nemours & Co. v. Christopher*, 431 F.2d 1012, 1015-16 (5th Cir. 1970), in which the court held that the defendant's aerial photography of the plaintiff's uncompleted methane plant was misappropriation, not saved by lack of secrecy.

66. 238 Md. at 112, 208 A.2d at 83.

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.* at 109-10, 208 A.2d at 82.

71. *Id.* at 112, 208 A.2d at 83.

sonable, stated the court.⁷² In *Space Aero*, the creators' plant resided in a small, growing community. Therefore, the court reasoned that when determining the appropriate degree of secrecy, the trade secret holder may consider that "[i]n its particular community and environment . . . too elaborate efforts at concealment would call attention to what was being concealed, as in Poe's 'Purloined Letter.'" ⁷³

The *Space Aero* court's flexible, fact-oriented approach stands in contrast to the court's mechanical adherence to the *Restatement* tests in *Dworkin v. Blumenthal*.⁷⁴ In *Dworkin*, the Court of Special Appeals found the fact that dentists in the same practice had not made efforts to keep their patient lists secret from one another, *even while they were associated*, to be a relevant, outcome-determinative factor in a trade secret claim.⁷⁵ The court's imposition of an absolute secrecy requirement, although patterned after the *Restatement* test that concerned availability of information to employees, clashes with the reasonable secrecy standard of *Space Aero* and the Act.⁷⁶

IV. MISAPPROPRIATION

The question of whether a trade secret exists has been described as a question of property, whereas the question of whether a misappropriation has occurred has been described as one of fiduciary relationships.⁷⁷ The Maryland courts, however, have taken a slightly different view. The *Space Aero* court adopted Justice Holmes'

72. *Id.*

73. *Id.* at 114, 208 A.2d at 84. This is the majority view at common law, as well as the rule under the Act. Judge Posner suggests a justification for the view: Sanctioning reverse engineering is unlikely to lead to significant efforts at secrecy; on the other hand, producers would expend resources on secrecy measures if techniques such as aerial photography were allowed. The expenditures would contribute nothing toward the production process and as such would be "socially wasted." R.A. POSNER, *THE ECONOMICS OF JUSTICE* 254-55 (1983) (discussing *E.I. DuPont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970)).

74. 77 Md. App. 774, 551 A.2d 947 (1989); *see supra* note 19.

75. *Id.* at 782, 551 A.2d at 950.

76. MD. COM. LAW CODE ANN. § 11-1201(e)(2). The absolute secrecy requirement has appeared in dicta in a few cases, and has been regarded as the less sound view. *See* 12 BUSINESS ORGANIZATIONS, MILGRIM ON TRADE SECRETS § 2.07[2] (1983).

77. *See, e.g., Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890 (Minn. 1983) (en banc). In that case, the Supreme Court of Minnesota explicitly referred to the threshold inquiry of trade secret status as whether the plaintiff has "property rights" in the trade secret. *Id.* at 897. The court went on to recognize "that the confidential relationship is also a prerequisite to an action for misappropriation," and further, that the property rights aspect should not be separated from the confidential relationship because they are interdependent. *Id.*

view that the property concept of trade secrets is of secondary importance to a party's breach of good faith in a confidential relationship.⁷⁸

Under the *Restatement* view, misappropriation means "disclosure or use [of the trade secret of another that] constitutes a breach of confidence reposed in him by the other in disclosing the secret to him."⁷⁹ The Act's definition of misappropriation is much more comprehensive.⁸⁰ Under the Act, misappropriation includes disclosure or acquisition of a trade secret by improper means, accident, or mistake without the holder's consent.⁸¹

While the Act enumerates the improper means,⁸² the list apparently is not exhaustive.⁸³ There are no reported Maryland decisions

78: 238 Md. at 113-14, 208 A.2d at 84. In *Du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100 (1917), Justice Holmes stated:

The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. . . . If there is any disadvantage in the fact that he knew the plaintiffs' secrets he must take the burden with the good.

Id. at 102.

79. RESTATEMENT OF TORTS § 757 (1939).

80. MD. COM. LAW CODE ANN. § 11-1201(c) (1989).

"Misappropriation" means the: (1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (2) Disclosure or use of a trade secret of another without express or implied consent by a person who:

- (i) Used improper means to acquire knowledge of the trade secret; or
- (ii) At the time of disclosure or use, knew or had reason to know that

the person's knowledge of the trade secret was:

- 1. Derived from or through a person who had utilized improper means to acquire it; 2. Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or 3. Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

- (iii) Before a material change of the person's position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

Id.

81. *See id.*

82. MD. COM. LAW CODE ANN. § 11-1201(b). "Improper means' includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means." *Id.*

83. "Improper means could include otherwise lawful conduct which is improper under the circumstances." UNIF. TRADE SECRETS ACT § 1, comment 5, 14 U.L.A. 542 (1980). At least one commentator has interpreted this comment to render any unethical conduct 'improper means.' *See Note, The Uniform Trade Secrets Act: The Impact Its Adoption Would Have on Michigan's Common-Law Protection of Trade Secrets and Proposed Modifications for Legislative Consideration*, 63 U. DET. L. REV. 517 (1986).

with regard to misappropriation through accident or mistake. By allowing liability in cases of accident or mistake as well as "improper means," however, the Act reduces the proof problems that trade secret litigants face.⁸⁴

V. REMEDIES UNDER THE ACT

The Act specifically provides for both legal⁸⁵ and equitable⁸⁶ remedies in the event of misappropriation. The equitable remedies include several innovative means of shaping an injunction. Perhaps most importantly, the Act gives the courts the power to compel affirmative acts to protect a trade secret.⁸⁷

In addition, the Act's provision for the termination of injunctions⁸⁸ embodies the view already held by the Maryland courts,⁸⁹ and requires jurisdictions that previously had allowed punitive permanent injunctions to conform to the Act's provisions.⁹⁰ Nonetheless, in cases where the Act is not the source of the remedy, the courts may continue to grant indefinite or permanent injunctions. For example, the Maryland Court of Appeals upheld an indefinite injunction in a case in which the party did not prove a trade secret, but did prove a breach of contract.⁹¹

There are no reported trade secret cases in Maryland that deal

84. For a discussion of the practical ramifications of this provision, see Note, *supra* note 84, at 526.

85. MD. COM. LAW CODE ANN. § 11-1203 (1989).

86. *Id.* § 11-1202.

87. *Id.* § 11-1202(d).

88. "Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation." *Id.* § 11-1202(b) (1989).

89. In *Space Aero*, the court identified two opposing views on the use of injunctions in trade secret cases. 238 Md. 93, 123, 208 A.2d 74, 89-90, *cert. denied*, 382 U.S. 843 (1965). The first view would allow the courts to issue permanent injunctions against the misappropriator. The second view is based on the premise that the injunction is a surrogate for the secrecy which the misappropriator destroyed. Once the information becomes public, therefore, an injunction would serve only punitive purposes. The Court of Appeals, like the Act, followed the latter view. *Id.* at 125, 208 A.2d at 91.

90. See, e.g., *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 213 (Tex. Civ. App. 1973) (injunction prohibiting further disclosure was expanded to perpetually enjoin appellees from using the trade secret).

91. *Ruhl v. F.A. Bartlett Tree Expert Co.*, 245 Md. 118, 128, 225 A.2d 288, 293 (1967). The Court of Appeals indicated its willingness to uphold indefinite injunctions when it concluded that a trade secret did not exist, but concluded that an implied contractual obligation did exist. *Id.* at 127, 225 A.2d at 291. The Act is inapplicable to any case that involves contractual remedies. MD. COM. LAW CODE ANN. § 11-1207(b)(i) (1989).

with specific formulae for the calculation of money damages, or an award of attorney fees under the Act.⁹² The Act, however, provides for both.⁹³ Under the Act, courts have the power to award exemplary damages⁹⁴ and damages based on actual loss, unjust enrichment, or reasonable royalties for the misappropriator's use of the trade secret.⁹⁵

VI. RELATION TO OTHER STATUTORY PROVISIONS

By its terms, the Act does not affect "[c]riminal remedies, whether or not based upon misappropriation of a trade secret."⁹⁶ There are, in fact, two statutory routes to criminal liability for such misappropriation. First, the consolidated theft statute defines trade secrets as property subject to theft.⁹⁷ In that context, there also is a presumption established by the code that "[i]n cases of theft of a trade secret, . . . the defendant rightfully knew the trade secret or . . . it was available to him from a source other than the owner of the trade secret."⁹⁸ A second, more obscure manner of reaching criminal liability is the apparent strict liability misdemeanor that covers use or revelation of a trade secret in connection with poultry inspection.⁹⁹

CONCLUSION

The Maryland Uniform Trade Secrets Act expands the State's existing common-law doctrine of trade secrets protection. The Act essentially leaves undisturbed the common-law structure and its relation to other types of intellectual property law. The Act's definition of trade secrets permits the courts to provide remedies for the misappropriation of a wider variety of information, notably by eliminating the common-law requirements of "present economic value" and "use in business." Further, the Act broadens the concept of

92. *But see* Carter Prods., Inc. v. Colgate-Palmolive Co., 214 F. Supp. 383 (D. Md. 1963), which awarded the plaintiff the profits that the defendant made by using one of the plaintiff's trade secrets. The Act would support a similar measure of damages.

93. MD. COM. LAW CODE ANN. §§ 11-1203, -1204 (1989).

94. *Id.* § 11-1203(d).

95. *Id.* § 11-1203(b), (c).

96. *Id.* § 11-1207(b)(iii).

97. *See* MD. ANN. CODE art. 27, § 340(c)(4) (1987). While the Uniform Trade Secrets Act itself never refers to trade secrets as "property," dicta in older Maryland cases supports this view. *See* Fleishmann v. Mercantile Trust, 192 Md. 680, 684, 65 A.2d 182, 183 (1949). No cases reported in Maryland deal with a criminal conviction for theft of a trade secret.

98. MD. ANN. CODE art. 27, § 343(c)(4) (1987).

99. *See* MD. AGRIC. CODE ANN. §§ 4-218(5), -226 (1985).

misappropriation to include accident and mistake. Both legal and equitable remedies expressly made available by the Act are greater in number and scope than those that the Maryland courts have recognized to date. By joining what is now a majority of states that operate under the Act, Maryland also has lent greater weight to the trade secrets law of other jurisdictions that have adopted the Act. This no doubt will play an important role in future litigation.

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