Stealing Trade Secrets Ethically

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I. INTRODUCTION

Is trade secret litigation an appropriate opportunity for policing commercial morality? Many of the judges ruling on these cases seem to say so. This article examines the trade secret cases of the past eleven years for some evidence of how the courts apply the law to monitor commercial morality.

If I take something tangible that you own, I am clearly a thief. And many would agree that depriving you of the benefits of ownership—stealing—is immoral in most instances. But if I take your ideas, knowledge, or information, you still have use of them. Society may actually benefit if we share knowledge. So in the realm of ideas, am I so clearly a thief and is my taking so clearly wrong and unfair?1

This central question stimulates an examination of the ethical aspects, or "fairness," of trade secret principles and their application by the courts. Frequent judicial comments about morality expressed in trade secret decisions invite such an examination. The decisions today reflect this common theme when dealing with trade secret questions:

The protection which we afford to trade secrets against one who wrongfully uses them is grounded on principles of public policy to which we have adhered since Peabody v. Norfolk, 98 Mass. 452, 457 (1868): "It is the policy of the law, for the advantage of the public, to encourage and protect invention and commercial enterprise." This encouragement and protection is afforded trade secrets because the public has a manifest interest not only in commercial innovation and development, but also in "[t]he maintenance of standards of commercial ethics."2
Undoubtedly, courts believe that ethical standards are of some assistance in applying trade secret principles, particularly in cases of first impression. The court in *E.I. DuPont deNemours & Co. v. Christopher,* the frequently cited "spy in the sky" case, expressly acknowledged as much. The defendant was the pilot of an airplane (the "cloak") carrying a photographer (with the camera as the "dagger") on a mission of apparent industrial espionage. The flight took the airplane over the site of a plant being built by the plaintiff. The plaintiff had secured the site intending to prevent others from discovering certain aspects of the process of producing methanol. In ruling against the spy, the court cautioned those who litigate trade secrets that the law introduces "here no new or radical ethic since our ethos has never given moral sanction to piracy [and that] [t]he market place must not deviate far from our mores." The authors respond to the implied invitation to examine ethics in trade secrets cases. We examine trade secret decisions of the past eleven years in light of ethical principles to discover whether trade secret law serves a reasoned public policy accounting for the equities of not only the parties but society itself.

II. Legal and Ethical Theft.

A. Background

Information, techniques, knowledge, data, formulas, processes, machinery, and the like are vital parts of many businesses. Gathering such information and techniques is frequently time consuming and expensive, and the law honors this effort and cost by declaring

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4. Id. at 1016-17.
5. The authors assume a narrow invitation and respond in kind; this article considers only trade secret law. The trade secret claimant frequently relies on more to make a case. Many companies employ covenants not to compete and other restrictive agreements to protect business interests against contractors, suppliers, and other outsiders, as well as employees. For a thorough review of the role of trade secrets within the bundle of such techniques, see Robison, The Confidence Game: An Approach to the Law About Trade Secrets, 25 Ariz. L. Rev. 347 (1983).
6. Those cases decided in the years 1976 through 1987 were examined, with particular attention and notation here for those opinions that disclosed to the authors some insight into the public policy or ethical aspects of the trade secret issue. Some of the cases cited were on the federal district court level, yet revealed, even in cases where the appropriateness of a temporary injunction was in issue, some insight into the public policy considerations before the court.
certain information and techniques "trade secrets." If a trade secret is improperly obtained, a court will award damages and an injunction to the party claiming ownership of it. The improper appropriation of a trade secret involves the tort of conversion. Nevertheless, courts split over this tort theory, disagreeing about whether trade secrets should be treated under a "property view" or a "confidential relationship view." Accordingly, the reader of many opinions finds "[t]hat the legal basis affording relief consists of a conglomerate of property, agency, tort, and contract law [as well as] on the concept of equity."

The elements of the action are fairly well acknowledged. In order to qualify as a trade secret, the knowledge or information, sometimes specifically described as "any formula, pattern, or compilation of information," must not be generally known or readily ascertainable, must provide a demonstrable advantage in business, and must have been gained at the expense of the owner who intended to keep it confidential. Generally speaking, each element must be proven. The definition of trade secret, however, is elusive "because it includes a wide spectrum of categories subject to variations depending upon the facts of a particular case."

There is legitimate reason for confusion. The source of most judicial thought on the definition of a trade secret is the Restatement of Torts (Restatement) section 757, which basically sets out the elements stated above. The comments under the heading of "secrecy," however, also list six factors courts should use to gauge the


8. See Lemelson v. Carolina Enters., Inc., 541 F. Supp. 645, 659 (S.D.N.Y. 1982). See also Note, supra note 7, at 808-15 (advocating the "property view" and arguing that "liability for the breach of a confidential relationship should be treated under the law of agency, not the law of trade secrets.").


11. Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 898 (Minn. 1983) (citing Cherne Indus., Inc. v. Grounds & Assocs., Inc., 278 N.W.2d 81, 90 (Minn. 1979) (adopting the four-point test of Restatement of Torts § 757 (1939) to define a trade secret)).

extent to which the required elements are met. These guidelines leave much to judicial discretion, with the result being very uneven applications of the parameters. As one dissenting judge recently complained, "the majority incorrectly assumes that each factor . . . must be treated independently . . . [and] be weighed equally." The more reasoned approach, he argued, would be to balance the factors "in light of commercial realities." In effect, judges rely on their intuition in many cases, as the result can be easily justified by manipulating the elements of the tort or the Restatement's factors.

The Uniform Trade Secret Act represents a recent effort to codify trade secret law and to minimize some of the difficulties courts experience. The Act more specifically defines trade secrets to include methods, techniques and other "know-how" and requires that they be kept secret by "efforts that are reasonable under the circumstances." Courts still are perplexed, however. Shortly after Minnesota adopted the Act, the state supreme court interpreted the secrecy provision to require not just an "intention" to keep information secret, as may have been sufficient under the Restatement, but actual manifestation of that intent. Reversing the trial court's finding that the claimant demonstrated the necessary intent, the court criticized the company's security measures in light of its failure to maintain an aura of confidentiality in the business, which the statute does not appear to require.

These observations are relevant to our examination because the legal elements form a barrier to identifying the public policy protecting certain ideas or thoughts. Simply put, the elements establishing a trade secret are not necessarily mutually exclusive. Is an idea eligible for protection because it is valuable, because it is not

13. Courts should consider:
(1) the extent to which the information is known outside of [the claimant's] business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of the measures taken by [the claimant] to guard the secrecy of the information; (4) the value of the information to [the claimant] and to [the claimant's] competitors; (5) the amount of effort or money expended by [the claimant] in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.


17. Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 901 (Minn. 1983).
generally known, because one makes an effort to keep it secret, or because others who learn of it are either bound in a confidential relationship with the claimant or in some way misbehave in taking the idea? Are these not separate strands of a single thread? Further, what role does independent discovery or reverse engineering, called back-tracking, play in the balancing of interests? Because no bright line isolates these elements, a certain circular reasoning pervades the cases. The analysis presented here assumes that the application of the elements of the cause of action does not always manifest a consistent thrust. Therefore, this examination attempts to penetrate judicial legalisms to arrive at an understanding of judicial decisionmaking as courts monitor commercial morality.

B. Ethical Theft Defined

Ethically, theft is taking what belongs to others when they are reasonably unwilling to part with it. Nearly all trade secret cases involve the charge that one, usually a former employee or a contractor, has taken another's idea. Arguably, one may take from another by self-help where a superior moral claim is pressed. An example involving business conduct is where a grossly underpaid employee has no other opportunity to support his or her family except through his or her job. The employee "raises" his or her salary by self-help—stealing the employer's goods. The ethicist would evaluate the "reasonably unwilling" element of the definition and consider the worker's need to preserve his or her life as canceling to a certain extent the employer's ownership claim. Of course, the taker of the trade secret does not qualify in such a desperate way, but then the possessor of the trade secret may have a significantly weaker ownership claim.

Trade secret issues are subtle and contain a number of interesting aspects, including stolen "ideas" as the subject matter of the theft rather than a fair salary. Trade secret cases are "stolen ideas" cases instituted by plaintiffs against others who have taken or used what the plaintiffs believe to be exclusively theirs. Frequently, claimants press that their property rights have been disturbed. Unlike the legal claims, however, ethical rights in property are not always simply validated, particularly when claims are made for such

19. The ethicists usually supply more life-threatening examples as where one is in "extreme need, (i.e. in very great danger of losing such goods as life, a limb or an eye) and can save himself only by using a little of his neighbor's property, it would be unreasonable for that neighbor to object." W. Collins, supra note 18.
intangibles as knowledge or information. Indeed, the ethicist might view the alleged taker of a trade secret as a stand-in for society, claiming a share of this valuable property. The "property rights" question is always a difficult ethical issue, but it is only one issue among several in trade secret cases. One also must consider the ways in which the right was protected, the type of relationship between the alleged taker and claimed owner, and the conduct of the taker or user.

The courts are not overly analytical in their pursuit of the ethical issue, but they espouse ethical intentions.

The law puts its imprimatur on fair dealing, good faith, and fundamental honesty. Courts condemn conduct which fails to reflect these minimum accepted moral values by penalizing such conduct whenever it occurs. "[I]t is simply the difference between right and wrong, honesty and dishonesty, which is the touchstone in an issue of this kind." Do courts realize these intentions? Are standards of fair dealing and good faith employed to formulate a reasoned public policy upon which one may claim exclusive rights to certain business ideas and reasonably refuse to share such secrets? The answers to these questions call for ethical as well as legal analysis.

C. Ethical Methodology

In order to evaluate fairness, one needs guidelines. Ethics can supply them through application of accepted analytical techniques. Ethics is a "systematic attempt, through the use of reason to make sense of our individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct and the values worth pursuing in life." Business ethics, on the other hand,
are narrower but in focus only, being "concerned primarily with the relationship of business goals and techniques to specifically human ends." Ethics offers several methods of judging trade secret behavior. Two techniques for examining conduct could be the utilitarian, also known as the teleological or consequential, method and the deontological approach.

Utilitarianism is an ethical theory holding that an action is right if it produces, or if it tends to produce, the greatest amount of good for the greatest number of people. The deontologists, however, evaluate conduct independently of its consequences and offer a formalistic theory. As expressed by Immanuel Kant, a deontological approach assumes that persons are autonomous moral entities who, by practical reasoning, give to themselves moral law. Therefore, moral action must be consistently universalizable, must respect rational beings as ends in themselves, and must stem from and respect the autonomy of rational beings. Despite their standing as two separate methods, employing utilitarianism and deontology to evaluate trade secret cases leads the practical observer to conclude that in many instances the answers to a particular set of problems are similar.

For purposes of ethical analysis, trade secret cases seem to demand two major inquiries: What type of material initially qualifies as a trade secret—the "eligibility" question; and secondly, what conduct in the taking or using by the defendant is improper?

24. Current textbooks tend to include a treatment of the ethical aspects of law and employ these two methods in evaluating the law and its underlying policies. For example, laws

sometimes have a deontological character. . . . [A] law making it illegal to bribe foreign officials would be deontological. The bribing is condemned as wrong and cannot be justified by such good consequences as increased revenue, employment, or profits. In contrast, a law making illegal careless manufacturing of products that cause injury to consumers has somewhat of a teleological character. The negligent manufacturing is legally neutral, but when the consequences of this act are bad—consumer injury—the act becomes illegal.


25. Utilitarians come in several varieties. Act utilitarians hold that in every situation one ought to act so as to maximize the total good, even if doing so means breaking a rule which, when obeyed, generally promotes the social good. Rule utilitarians obey the rule even when "doing so does not lead to the best consequences, for the presence of the rule itself and consistent adherence to it does promote the general welfare." W. Hoffman & J. Moore, Business Ethics: Readings and Cases in Corporate Morality 7 (1984).

26. R. DeGeorge, supra note 1, at 67-68.
III. THE TRADE SECRET AS A CONCEPT

A. The Eligibility Issue

Is it a fair and good public policy that ideas and information are the exclusive property of one person? Do not ideas and thoughts belong to all? The deontologists would have difficulty approving of a rule constructed so as to bar free thought, and they would demand considerable pruning before finding it meets the tests of universality and rationality. The reason for this pruning is evident when one examines the legal and ethical posture of trade secret cases. The facts of Electro-Craft Corp. v. Controlled Motion, Inc. supply an appropriate prototype of party behavior and situational facts in trade secret cases.

In Electro-Craft the claimant corporation sued another company and its president for misappropriating the designs of certain electric motors. These designs were not patented, a not uncommon practice in the industry, leaving the claimant only trade secret rights upon which to rely. The president of the defendant company was a former employee of the plaintiff company. Both companies made high performance motors, called "servo motors," which are able to start and stop at least thirty times per second. These motors are useful for such high technology applications as computer disc drives and printers, and industrial robots. The specific claim was theft of one moving coil motor and one brushless motor. The trial court found the defendants guilty of misappropriation, but the Supreme Court of Minnesota reversed, in effect holding that the plaintiff had failed to adequately protect its information and therefore had no "trade secret" that could be stolen.

This case provides the ethicist with an initial insight into a particularly fragile aspect of eligibility of an alleged trade secret: the

27. 332 N.W.2d 890 (Minn. 1983).
28. Id. at 893.
29. Id. at 901. The Commissioners' Prefatory Notes to the Uniform Trade Secrets Act lend insight into why businesses choose trade secret protection over patent protection:

A valid patent provides a legal monopoly for seventeen years in exchange for public disclosure of an invention. If, however, the courts ultimately decide that the Patent Office improperly issued a patent, an invention will have been disclosed to competitors with no corresponding benefit. In view of the substantial number of patents that are invalidated by the courts, many businesses now elect to protect commercially valuable information through reliance upon the state law of trade secret protection.

motors were developed from a certain base, a fact present in many cases. Simply stated, the finished device cannot be said to be free of certain equitable claims of society because, for purposes of ethical evaluation, it is not a totally virgin creation. Instead, the device is somewhat encumbered by the labor, genius, and ideas of its ancestors—an instance of the classic "sits on the shoulders of others" indebtedness. In this case, for example, moving coil motors have been produced for many years, and development in another field, the invention of newer and better adhesives, largely improved the devices under review. Accordingly, not all moral credit goes to the party who now possesses the process for the completed device and vigorously urges trade secret protection. Are all such secrets indebted by this possible moral claim? On this issue, examining different types of litigated trade secrets helps to determine whether all business ideas have an equal claim to ownership.

B. Types of Trade Secrets

In trade secret litigation, the subject matter or secret under judicial scrutiny can be viewed as falling into two broad categories: (1) "technical or scientific processes," including recipes and products of a simpler nature such as board games; and (2) what can be classified as "other business information." The servo motors, the subject of the inquiry in the Electro-Craft decision, represent the character of the problem and the intensity of litigation involved in protecting a technical or scientific process. These techniques or processes usually lead to the creation of a product or service. The other group of cases, those claiming protection of business information, frequently involve "customer lists" but also include a variety of other claims for exclusive information such as business forms.

31. A trade secret may be based upon existing technology that has been improved by "trial and effort and at considerable expense." Metallurgical Indus., Inc. v. Fourtek, Inc., 790 F.2d 1195, 1202 (5th Cir. 1986) (quoting Ventura Mfg. Co. v. Locke, 454 S.W.2d 431, 434 (Tex. Ct. App. 1970)). Interestingly, the value of "negative know-how"—knowing what not to do—is uncertain. At least one court has characterized the value of negative know-how as integral to improvement and the equivalent of "positive knowledge." Id. at 1203.

32. Electro-Craft, 332 N.W.2d at 898 n.6.

33. It is interesting to speculate upon why the Electro-Craft court offered this information in its opinion. Did the court sense the prior claim of society and was this an "ethical" factor in the negative decision for the claimants?


35. American Nursing Care of Toledo, Inc. v. Leisure, 609 F. Supp. 419, 432 (N.D. Ohio 1984) (finding that disclosure of franchisor's business forms to potential franchis-
source material used in an investigative article, and even data on the attractiveness of a business opportunity. The claimant here presses that the business information is valuable for it gives the claimant a competitive advantage, principally from a more efficient operation. Technical or scientific information, on the other hand, usually results in offering a product or service—a “better mouse-trap”—which gives the claimant a competitive edge.

Obviously, the institution and prosecution of a lawsuit represents the claimant’s judgment that the “trade secret” is of business value. The reason for this judgment is also obvious: the claimant believes the secret affords a competitive advantage, one of the legal elements in determining a trade secret. The moralist must test the impact of that competitive advantage against the interests of society. The test is whether guaranteeing exclusivity improves the general good or only advances individual goals. Simply illustrated, a medical device that advances medical knowledge is directly beneficial to society. On the other hand a customer list, a type of business information, reaps its value through permitting the claimant to compete more efficiently in the marketplace. The latter is, to the moralist, perhaps a somewhat lesser contribution or indirect benefit to society. Viewed this way, the rule utilitarian might look to the good and evil flowing from the enforcement of a trade secret claim. Honoring the proposed division suggested here, let us first examine the technical or scientific process cases in this light.

1. Technical or Scientific Process Cases.—The researcher might look at the trade secret cases of the past eleven years and attempt to rank the claimed secret ordinarily as to eligibility using a “direct benefit to society” test. For example, the servo motor described in Electro-Craft is of some direct value to society by reason of its technical improvement, which assists many other products. But it also could be considered to have lesser social value than an extrusion blow-molding process used in the production of cuffed endotracheal tubes, which are used in operations to administer a mixture of ox-


ygen and anesthesia. Surveying the cases under study, a listing could be broken into three categories: drawings, devices, formulas, or processes involving (1) a direct health benefit; (2) technology advancement; and (3) product innovation. Claimed trade secrets in the direct health benefit category included: contact lens material, a dental appliance, endotracheal tubes, hypodermic needles, pesticides, and a respiratory device.

Claimed trade secrets in the technology advancement category included: an assembly line lawn trimmer, a beverage dispenser, blind rivets, circuit clip ring assemblies, coil brace parts, a concrete mixer, a construction design, a distillation plant, a drill part, electromagnetic properties of water, engine repair, fiberglass insulation, industrial glue, inertia welded connectors, jet inks, key lock codes, measurement tolerances, a military rifle.

(finding this process a trade secret due to manufacturer’s protection of the process, the competitive edge it gave the business, and its uniqueness in the marketplace).


51. Interex v. PPG Indus., 736 F.2d 194 (5th Cir. 1984).


57. In re Innovative Constr. Sys., Inc., 793 F.2d 875 (7th Cir. 1986). See also infra text accompanying notes 270-276.

58. RTE Corp. v. Coatings, Inc., 84 Wis. 2d 105, 267 N.W.2d 226 (1978). For additional discussion of the case, see infra text accompanying notes 222-225.

59. American Can Co. v. Mansukhani, 728 F.2d 818 (7th Cir.) aff'd, 216 U.S.P.Q.
modeling rivers on a computer, a monolith impregnator, filters, plastic compounds, quartz crystals, refrigerator coils, a ring design, a rotational molding process, servo motors, steam turbine repair, a suntan product, temperature ranges, vinyl-laminated wood, a winding machine, and an airplane window design.77

Claimed trade secrets in the product innovation category included: chocolate chip cookies, an electronic board game, an entertainer robot, a mixed drink recipe, I Ching cards, liquid (BNA) 1094 (E.D. Wis. 1982). See also American Can Co. v. Mansukhani, 742 F.2d 314 (7th Cir. 1984). See also infra notes 230-233 and accompanying text.

60. Chicago Lock Co. v. Fanberg, 676 F.2d 400 (9th Cir. 1982). See also infra text accompanying notes 319-323.


The ideas for which legal validation as trade secrets were sought have been quite varied. Of the forty-eight technical-scientific process subjects listed above, only four failed the eligibility test in the courts. One of these, the high efficiency particulate air filter production process also floundered judicially on other grounds such as inadequate security, patent law implications, and application of the reverse engineering rule. The remaining three ideas not qualifying were a computer program setting designs for class rings, certain temperature ranges for a depilatory, and information regarding certain quartz crystals. From a moral or public policy point of view, these four ideas for processes or techniques are not otherwise distinguishable as less or more worthy than their companion ideas under litigation.

2. Other Business Information.—The majority of the reported trade secret decisions of the past eleven years involved claims for the protection of technical or scientific ideas whose application resulted in identifiable products or services. Nonetheless, “other business information” cases also were litigated in substantial numbers. Within this class, “customer list” cases shared equal billing with a variety of other types of general business information.

In customer list cases, the claimant faces the ethicist’s strongest charge against eligibility for exclusivity—selfishness. Arguably, a customer list is of no direct benefit to anyone but the gatherer. Moreover, the information probably is taken from data within the public domain. Simply asked, on what moral ground does the claimant demand exclusivity for a list of persons who are likely to

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83. Hickory Specialties, Inc. v. B&L Laboratories, Inc., 592 S.W.2d 583 (Tenn. App. 1979). For further discussion of the case, see infra notes 175, 179-180 and accompanying text.
88. Id. at 993, 485 N.Y.S.2d at 145.
buy the product or service? The claimant defends its possessory posture in several ways. In the first place, the list makes the company more competitive and thereby able to provide the product or service at a lower cost, hire more employees, and pay them better. That is, of course, if the claimant is inclined to behave so altruistically. Secondly, time, money, and effort have been spent in creating the list; therefore, the claimant is entitled to the fruits of his or her labor. Thirdly, because customer lists add nothing directly to society in general, exclusivity hardly diminishes mankind and no poor moral marks can be assigned the claimant for seeking legal exclusivity. This last contention perversely presses a better claim for eligibility than those claimants for ideas of a technical or scientific nature. Chief Justice Burger, speaking in *Kewanee Oil Co. v. Bicron Corp.*, agreed: "Also, it is hard to see how the public would be benefited by disclosure of customer lists or advertising campaigns; in fact, keeping such items secret encourages businesses to initiate new and individualized plans of operation, and constructive competition results."  

Curiously, customer lists appear to have the least chance of legal success on eligibility grounds despite the possible strength of the proposed ethical claim developed above. Further, even other business information, which tends to produce a product rather than solely the identity and location of a customer, does not easily qualify for trade secret protection. While the reviewed decisions are not always clear, the following lists the nature of the ideas litigated in "other business information" cases: cable television receptivity, an enhancement program for business skills, financial accounting computer software, a franchisor's business forms, a franchisor's high speed data acquisition module, a jobber management system, a journalist's investigative material, a labor estimating man-

92. 416 U.S. 470, 483 (1974). *See also infra* text accompanying notes 162-168; *infra* note 186.


ual,\textsuperscript{100} a marketing program,\textsuperscript{101} rebate information,\textsuperscript{102} a software prompter for television and theatre,\textsuperscript{103} a telephone sales script,\textsuperscript{104} and a television script.\textsuperscript{105}

Only four of the above "secrets" qualified as legally eligible for protection.\textsuperscript{106} A franchisor's business forms, for example, were "merely common business forms for recording generic business information indigenous" to the business in \textit{American Nursing Care of Toledo, Inc. v. Leisure}.\textsuperscript{107} Even a labor-estimating manual, a comprehensive tabulation of over 57,000 entries showing the labor hours necessary to install electrical items used in nearly every type of construction project, was denied trade secret eligibility.\textsuperscript{108} While the claimant developed the manual over the years from his experience and "[w]hile not everyone, or even a substantial number of people, could do what he did, his method is a matter of public knowledge, not a secret."\textsuperscript{109}

On the other hand, a computer software program concerning a jobber management system for oil dealers that cost $400,000 and twenty-two man months to develop qualified as a trade secret in \textit{Dickerman Associates, Inc. v. Tiverton Bottled Gas Co.}.\textsuperscript{110} Other technical systems, including one costing $100,000 designed to meet financial accounting reporting requirements of public bodies such as school districts and county governments,\textsuperscript{111} a data acquisition module,\textsuperscript{112} and a software prompter for television\textsuperscript{113} also were eligible as possi-
ble trade secrets.

Note that the eligible secrets listed were used for more than the sole purpose of finding receptive customers. The cases conceptually bridge the gap between general information which produces some use apart from identifying possible customers and that additionally contributes in another way to the enhancement of a business. But the cases meld into customer lists in a case such as Lehman v. Dow Jones & Co. There, information as to the receptivity of company officers to a prospective merger and the attractiveness of an opportunity to acquire a cable television company failed to win court approval as protectable. Lehman highlights the innate problem of carving out practically distinct information. The court noted that "[a]lthough the bulk of trade secret law relates to industrial information, some kinds of non-industrial business information—for example, data related to customers, merchandising, cost and pricing, and systems and methods—[can be] protected." Of relevance here is the protection sometimes given information concerning business opportunities, like knowledge of valuable mineral discoveries, a brokerage opportunity, or an impending transaction.

Assuming for purposes of discussion that the relevant "business" engaged in by [the plaintiff] was the finding of corporate acquisition deals, we find it impossible to characterize the availability and attractiveness information as "a process or device for continuous use in the operation of the business" as required by the Restatement definition.

The court cited its conceptual difficulty with these types of claims. It felt that the claimant here attempted to protect information as to a single or ephemeral event in the conduct of a business. The information at issue was "not used to run plaintiff's business but was its product: like the car that rolls off the production line. . . ."

But this proposed distinction concerns both the legal and ethical theorist. Unlike technical and scientific ideas that manifest a more recognizable mass of information, general business informa-

114. 783 F.2d 285 (2d Cir. 1986) (Friendly, J.).
115. Id. at 297.
116. Id. at 298 (citing 1 R. Milgrim, supra note 7, § 209[8]).
117. 783 F.2d at 298.
118. Id. (emphasis in original). The court expressly declined to say, however, "that a business like [the plaintiff's] will never possess information that qualifies as a trade secret." Id. (emphasis added).
tion and company techniques become subtly interwoven into the personality and practices of the individuals exposed to the specific company environment. This environment includes awareness of certain company-generated material, such as expensively obtained techniques for locating and doing business. General business information often depends on the availability of specific empirical data, such as a business form, a sales script, the name of a lead, and how a customer may be approached. But how can the law separate this business information from the individuals who know it so that it retains its company identity? That part of the question activates consideration of the rights of society in the traditional balancing act.

The court in Amex Distributing Co. v. Mascari articulated this difficulty in the context of a produce brokerage business. It distinguished between business information such as a customer list and employee rights encompassed by personal knowledge of particular customers. Beginning as a "bird dog," or produce inspector, the defendant at nineteen years of age began to learn the produce business. As the years went by, he assumed greater responsibilities in a highly competitive economic arena, putting together transactions for shippers and buyers. The company, and therefore the defendant, "owed its success to an in-depth knowledge of the customers' needs and predilections and an assiduous pursuit of serving those needs by frequent contacts." In denying the former employer relief on a number of grounds, the court addressed the trade secret question and the balancing act courts occasionally are called upon to exercise:

Conflicting social and economic policy considerations are

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119. At least one court has tried to reduce the question to more definite terms. Under what is sometimes referred to as the "Hollingsworth test," a judge should perform a five-part analysis to determine "whether in a given case the knowledge gained by an employee is secret and confidential." Hollingsworth Solderless Terminal Co. v. Turley, 622 F.2d 1324, 1331 (9th Cir. 1980) (quoting California Intelligence Bureau v. Cunningham, 83 Cal. App. 2d 197, 203, 188 P.2d 303, 306 (1948)). See also Surgidev Corp. v. Eye Technology, Inc., 648 F. Supp. 661, 681-82 (D. Minn. 1986), aff'd, 828 F.2d 452 (8th Cir. 1987).

120. The distinction between certain managerial techniques or organizational structures and eligible trade secret ideas is not so easily seen in some cases. The ethicist's problem with this exercise is revealed in R. DEGEORGE, supra note 1, at 296.


122. Id. at 516, 724 P.2d at 602.

123. Id. at 512, 724 P.2d at 598.

124. Id.

125. 150 Ariz. at 512, 724 P.2d at 598.
present in each trade secret case. A business which may invest substantial time, money and manpower to develop secret advantages over its competitors, must be afforded protection against the wrongful appropriation of confidential information by a prior employee, who was in a position of confidence and trust. At the same time, the right of an individual to follow and pursue the particular occupation for which he is best trained is a most fundamental right. Our society is extremely mobile and our free economy is based upon competition. One who has worked in a particular field cannot be compelled to erase from his mind all of the general skills, knowledge and expertise acquired through his experience.126

In denying the employer's claim for trade secret status to the company's general methods and principles of doing business, the court commented that as "another court has rather memorably put it, absent a special and enforceable duty, an alert salesperson is not required to undergo a prefrontal lobotomy."127

Thus, business information cases did not fare well in litigation, as both customer lists and other general business information claims succeeded in only twenty-eight percent of the attempts reviewed. But following the courts in their application of the principle of eligibility sometimes is difficult. The following identified customer list cases, by subject matter, overview the eligibility factor: a button manufacturer's list,128 dental patients,129 carbofuran buyers,130 construction supply buyers,131 diagnostic kit customers,132 a filter customer's characteristics,133 a franchisor's suppliers,134 a fruit importer's characteristics,135 an insurance policyholders list,136 oph-

126. Id. at 516, 724 P.2d at 602 (quoting ILG Indus. v. Scott, 49 Ill. 2d 88, 93-94, 273 N.E.2d 393, 396 (1971)).
127. Id. at 517, 724 P.2d at 603 (citing Fleming Sales Co. v. Bailey, 611 F. Supp. 507, 514 (N.D. Ill. 1985) (applying, in the absence of a covenant, Indiana's version of the Uniform Trade Secrets Act)).
130. FMC Corp. v. Taiwan Tainan Giant Indus. Co., 730 F.2d 61 (2d Cir. 1984). See also infra text accompanying notes 234-236.
134. Proimos v. Fair Automotive Repair, Inc., 808 F.2d 1273 (7th Cir. 1987).
thalmologists using implanting techniques,\textsuperscript{137} magazine subscriptions,\textsuperscript{138} marketing contacts,\textsuperscript{139} a newspaper distributors list,\textsuperscript{140} an original equipment manufacturer's purchasing behavior,\textsuperscript{141} a pipe distributor's customer list,\textsuperscript{142} a plastic manufacturer's customer list,\textsuperscript{143} pressure sensitive label customers,\textsuperscript{144} a purse buyers list,\textsuperscript{145} a temporary employment agency client list,\textsuperscript{146} a video center customer list,\textsuperscript{147} a vitamin mailing list,\textsuperscript{148} and voting machine customers.\textsuperscript{149}

Only six of the cases listed were clearly eligible for protection: those involving the dental patients,\textsuperscript{150} the newspaper distributors,\textsuperscript{151} the ophthalmologists,\textsuperscript{152} the voting machines,\textsuperscript{153} the video center,\textsuperscript{154} and the carbofuran buyers.\textsuperscript{155} The claimants in three cases, those involving the temporary employment agency,\textsuperscript{156} the

\begin{footnotesize}
\begin{enumerate}
\item Walter E. Zemitzsch, Inc. v. Harrison, 712 S.W.2d 418 (Mo. App. 1986).
\item Mercer v. C.A. Roberts Co., 570 F.2d 1232 (5th Cir. 1978).
\item American Wheel & Eng'g Co. v. Dana Molded Prods., Inc., 132 Ill. App. 3d 205, 476 N.E.2d 1291 (1985).
\item Kozuch v. CRA-MAR Video Center, Inc., 478 N.E.2d 110 (Ind. App. 1985).
\item Kozuch v. CRA-MAR Video Center, Inc., 478 N.E.2d 110, 113 (Ind. App. 1985).
\item FMC Corp. v. Taiwan Tainan Giant Indus. Co., 730 F.2d 61, 63 (2d Cir. 1984).
\end{enumerate}
\end{footnotesize}
button manufacturer's list, and a plastic manufacturer's list, apparently failed as beneficiaries for protection on other grounds.

Should there be a public policy protecting this variety of business information? Are some ideas more valuable to society when freely available or when subject to competitive thrust? The moralist or policymaker considering the societal implication of trade secret protection might question whether all the ideas listed are of equal worth to society. Some might argue that withholding a certain business idea with a direct and immediate benefit to society is bad public policy. Deontologically, the rule might read that ideas and information directly promoting intellectual and technical advancement belong to the public. Others might find such a policy permissible only under the principle of proportionality. In situations where both the intended means and end are good in and of themselves, one may ethically permit foreseen but unintended side effects, if and only if one has a proportionate reason for doing so. Under this philosophical mantle, one may press the view that limiting free access to new ideas or techniques is the only reasonable method of encouraging development.

When one examines the eligibility feature this way, the good traditionally stems from those reasons ethically supporting the enforcement of property rights. But leaving aside for the moment the traditional rationale supporting the right to private property, let us inquire solely into the possible loss to society by a public policy enforcing trade secret protection so liberally.


159. Customer lists may fail to achieve protection because of the eligibility requirement, even if the employer and employee agree they are confidential. Even an “agreement between an employer and employee that something is a trade secret is not controlling if in fact it is not.” Cambridge Filter Corp. v. International Filter Co., 548 F. Supp. 1301, 1306 (D. Nev. 1982).


161. Garrett reminds the reader that the principle of proportionality is to be judged by the type of goodness or evil involved, the urgency of the situation, the certainty or probability of the effects, the intensity of one's influence on the effects and the availability of alternate means. Some of these standards would test the principle quickly, such as probability of effects and availability of alternate means. For example, in the latter instance a strong argument that patent law is a more equitable route than protection of trade secrets could be advanced. Id. at 10-11.
Do courts consider the eligibility issue from a public policy or ethical view? Not directly, perhaps, but the Supreme Court raised the issue of deprivation of society in *Kewanee Oil Co. v. Bicron Corp.*, in which the Court reversed a Sixth Circuit ruling that Ohio’s trade secret laws conflicted with the patent laws of the United States. In finding that state trade secret law did not conflict with patent law, the majority articulated several public policy, i.e., ethical, rationales for the enforcement of trade secrets. The opinion noted the existence of business ideas somewhat between patentable inventions and other valuable business information by stating that trade secret law encourages independent innovators to proceed with discovery and exploitation of their inventions. Competition is fostered and the public is not deprived of the use of valuable, if not quite patentable, inventions. Further, the Court discussed the role of trade secret protection against the faithless employee and noted that:

Instead, then, of licensing others to use his invention and making the most efficient use of existing manufacturing and marketing structures within the industry, the trade secret holder would tend either to limit his utilization of the invention, thereby depriving the public of the maximum benefit of its use, or engage in the time-consuming and economically wasteful enterprise of constructing duplicative manufacturing and marketing mechanisms for the exploitation of the invention.

The majority concluded that “[t]he detrimental misallocation of resources and economic waste that would . . . take place . . . with respect to employees or licensees cannot be justified by reference to any policy that the federal patent law [sought] to advance.”

These rationales have a particular utilitarian sound to them which assists the reader when looking at the recent cases. In *Kewanee Oil* the technical idea was a process involving sodium iodide synthetic crystals, but one might ask whether all trade secrets are ethically equal. In analyzing the cases by character of the secret,
denying society the free use of a product having a direct health benefit is treated differently than restricting ideas advancing technology. This is arguably even more true when comparing health-related ideas to those concerning product innovation. But one cannot ignore the moralist’s caveat that all possible effects be fully examined.\(^{169}\)

Consider the consequences of depriving society of the secret at issue in one of the product innovation cases, *Peggy Lawton Kitchens, Inc. v. Hogan*.\(^{170}\) There, a food company brought an action to enjoin a former employee from marketing chocolate chip cookies based on a recipe claimed to be a trade secret. As the appeals court tells it: “Nothing is sacred. We have before us a case of the theft of a recipe for baking chocolate chip cookies. The question is whether the plaintiff . . . possessed a protected trade secret.”\(^{171}\) Apparently, an officer of the plaintiff corporation mixed the chaff from walnuts (“nut dust”) in his chocolate chip cookie batter. This produced a distinctive flavor and was an immediate commercial success. The plaintiff’s evidence included such catchy testimony as “miraculous, sales took off immediately, it did to cookies what butter does to popcorn, and it made the flavor sing.”\(^{172}\) The court concluded that while the basic ingredients were common to any chocolate chip cookie, the combination in which those ingredients were used, the diameter and thickness of the cookie, and the degree to which it was baked constituted a formula the law could protect.\(^{173}\) In any event, including nut dust into the mix added that modicum of originality separating the process from the everyday and characterizing a trade secret.\(^{174}\)

The court held the cookie recipe a protected trade secret. One might say that the restriction from freely enjoying the nuance of flavor, a psychological good, in a certain chocolate chip cookie would not rate highly on the “deprivation to society” list. An examiner might render similar initial judgment to the plaintiff’s claim for “liquid smoke” in *Hickory Specialties, Inc. v. B&L Laboratories, Inc.*\(^{175}\)

\(^{169}\) See R. DeGeorge, *supra* note 1, at 47.


\(^{171}\) Id. at 937, 466 N.E.2d at 139.

\(^{172}\) Id. at 938, 466 N.E.2d at 139.

\(^{173}\) Id. at 939, 466 N.E.2d at 139-40.


\(^{175}\) 592 S.W.2d 583 (Tenn. App. 1979). This decision concerned the claim of a manufacturer of a product known as “liquid smoke,” which is applied to meat products to impart smoke flavoring and color. Id. at 584. The manufacturer succeeded in developing a process that duplicated the taste and aroma of smoked food without the traditional
The problem, however, with granting ethical preference to those delivering only psychological satisfactions is the quality of public good in permitting people to indulge in these satisfactions. Supplying cocaine, for example, apparently satisfies a great need for some, but the other evils flowing from its promotion and distribution are severe. In fact, trade secret law had its beginnings in the product innovation decisions one might call the "magic elixir" cases in England.176

Utilitarians might grant that an elixir relieving pain and enhancing the health of others is good. But they would then press that its availability to society should be relatively free. Historically, the first point was probably moot as many magic elixirs were, if not patently fraudulent, of questionable value for the ailments and conditions so outrageously advertised.177 One may argue from hindsight that the protection sought for an inefficacious product is not justified. This is particularly true where successful advertising creates demand and therefore product value. Producers can argue only that the sale of their products brings employment and therefore good.178 Part of American folklore, however, is that the old time medicine side-show performer stimulated the demand for the item by the misrepresentations about its value made to an unsuspecting public. Note that elixir cases, when viewed this way, lack the raison d'être for trade secret protection, the development or promotion of value to society. Deontologists would interpret the demand for the product as artificially created by the advertiser, using the purchasers solely as a means to profit.

smoking process. Id. The obvious primary "good" would be the psychological one of satisfying the acquired taste without the expense of the usual method of smoking food. Id. While this is of some value, it might not initially qualify as a major advancement to society.

176. Such cases involved the protection of a formula or concoction for various ailments, a home remedy "gone public," so to speak. This genre included such products as "Wistar's Balsam of Wild Cherry," Fowle v. Park, 131 U.S. 88 (1889), and "Morison's Universal Medicine," Morison v. Moat, 9 Hare 241, 68 Eng. Rep. 492 (1851). Given the advertised objective to cure mankind of all maladies from baldness to cancers, the protector of the secret formula had a steep ethical hill to climb to justify such exclusive proprietary behavior.

177. The extent to which these magic elixirs, Indian salves, kidney cures, electric medicated pads, liquid bread, and the like were a part of American history is detailed in B. McNAMARA, STEP RIGHT UP (1976).

178. The simple fact of the matter is that advertising does seem excessive in so many instances. When advertising effort extends beyond the objectives of supplying truthful information, showing availability of the product, and assisting in the creation of good will for the producer, the ethical temptations are great and the moral judgments are comparatively simple regardless of whether one uses a teleological or deontological approach. See R. DeGEORGE, supra note 1, at 275.
The moralist cautions the examiner to unearth all possible benefits. In *Hickory Specialties, Inc. v. B&L Laboratories, Inc.*, a process for artificially creating the taste and aroma of smoked food responded to the consumer's psychological need, but was, by itself, neither moral nor immoral. A rush to judgment in the liquid smoke case, however, would have overlooked that, "[d]ue to environmental and health problems associated with the traditional smoking process, the demand for liquid smoke has increased dramatically in recent years."

In effect, the court suggested that the liquid smoke "secret" easily might qualify as directly beneficial, perhaps even to a degree comparable to those secrets categorized as health benefits and technological advancements. Both undisclosed benefits and harm are possible in a trade secret, however, and one cannot always assume that a formula or idea has the effect that the claimant purports. The confidentiality required of a trade secret "may also conceal dangerous aspects of a product."

Nearly every business idea of the technical-scientific kind appears legally eligible, but whether such characterization by the courts satisfies defensible public policy does not seem to have been reviewed. In most of the reviewed cases the ruling on eligibility revealed scant concern with public policy. Such an analysis perhaps has been foreclosed by the law's familiar habits when dealing with property rights. Before summarizing the ethical effects flowing from eligibility, some comment is appropriate on property rights and trade secret law.

### D. Impact of the Property Connection

The right of trade secrets is founded either on the law of prop-

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179. 592 S.W.2d 583 (Tenn. App. 1979).
180. *Id.* at 584.
181. *See* S. Bok, *Secrets: On the Ethics of Concealment and Revelation* 146 (1982) (noting that under the shield of trade secrets the side effects of certain drugs have been kept from the public, as has been the ineffectiveness of other drugs).
182. An exception is *Demit of Venezuela v. Electronic Water Sys., Inc.*, 547 F. Supp. 850 (S.D. Fla. 1982), *aff'd*, 740 F.2d 977 (11th Cir. 1984), which involved the method and particular chemicals used to condition an electro-mechanical water treatment device to remove minerals that eventually could cause scaling in boilers and pipes. The defendant in that case pressed that the plaintiff had not adequately shown whether the particular secret had beneficial value. In response to this contention that court stated: "Although this Court may take issue with what the Defendant may view as beneficial, we are not called to render such an opinion since the Plaintiffs produced persuasive testimony showing that their treatment had beneficial value." *Id.* at 852 (emphasis in original).
early American decisions framed trade secret protection in terms of protectable property rights, but many authorities today maintain that trade secret law protects against breaches of confidential relationships. Certainly the trade secret claimant's legal contention that, for some purposes, he or she has a "property" right in the secret is not without support on constitutional grounds. In the recent case of *Ruckelshaus v. Monsanto Co.*, for example, an inventor, developer, and seller of pesticides invested substantial sums in developing active ingredients for pesticides. The company was required to submit data on these formulas to the Environmental Protection Agency (EPA), thereby exposing its secret to the world. The Supreme Court noted that "[a]lthough this Court never has squarely addressed the question whether a person can have a property interest in a trade secret, which is admittedly intangible, the Court has found other kinds of intangible interests to be property for the purposes of the Fifth Amendment's Taking Clause."

The Court ruled that "to the extent that Monsanto has an interest in its health, safety and environmental data cognizable as a trade-secret property right under Missouri law, that property right is

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183. Note, supra note 7, at 809-10.
184. Id. at 809. See also Carpenter v. United States, 108 S. Ct. 316, 320 (1987) (quoting 3 W. Fletcher, Cyclopedia of Law of Private Corporations § 857.1, at 260 (rev. ed. 1986)) ("Confidential information acquired or compiled by a corporation in the course and conduct of its business is a species of property to which the corporation has the exclusive right and benefit. . .").
185. Note, supra note 7, at 810-11. This dichotomy was examined recently in Remington Rand Corp.-Delaware v. Business Sys., Inc., 830 F.2d 1260 (3d Cir. 1987). There, an American company's trade secrets were treated as assets of a bankrupt Dutch corporation, which had been licensed to use them. Id. at 1262. The Dutch trustees in bankruptcy disbursed the material containing the secrets to a third-party creditor. Id. While Remington instituted litigation for compensation, the defendant creditor argued that Remington's failure to file a verified claim against the bankrupt estate precluded it from participating in the distribution of property. Id. at 1263-64. Applying Dutch civil statutory law, which recognizes both a "duty of good care to be observed in social intercourse" and obligations of confidentiality concerning trade secrets, the Third Circuit found that the trustees had committed "an inappropriate act." Id. at 1264.
186. In *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), the Court upheld Ohio's protection of trade secrets as "intellectual property." Id. at 479. Mr. Justice Douglas, however, did not agree. In his dissent, he stated that a trade secret, "unlike a patent, has no property dimension" and that a "suit to redress theft of a trade secret is grounded in tort damages for a breach of contract—a historic remedy." Id. at 497-98.
188. Id. at 998.
189. Id.
190. Id. at 1003.
protected by the Taking Clause of the Fifth Amendment."\textsuperscript{191} This property right includes the right to exclude others, which is "one of the most essential sticks in the bundle of rights that are commonly characterized as property."\textsuperscript{192}

The public policy or ethical support for such private ownership rests principally on the contention that the fruits of one's labor belong to the laborer. This concurs with a type of ownership that promotes the efficient creation of wealth.\textsuperscript{193} Accordingly, servo motors and other useful products manifest an efficient addition to the public wealth. And a solid ethical claim resides in those whose efforts, time, and capital bring this about.\textsuperscript{194} But is this claim absolute when measured against the competing principle that resources were placed on earth for the benefit of all, even if the control of them belongs to certain individuals?\textsuperscript{195} Certainly, the control aspect of trade secret cases is very interesting. After all, servo motors and respiratory techniques exist as ideas, not fully captured by the first taker. Further, has society adjudicated ownership claims by a reasoned public policy? At least if one receives a registered patent, one has nearly absolute ownership, albeit for a limited time.\textsuperscript{196} This trade-off is at least an attempt at a public equitable adjustment of the interests. The court in \textit{Laurie Visual Etudes, Inc. v. Chesebrough-Pond's Inc.}\textsuperscript{197} reminded us:

\begin{quote}
[T]he patent holder is the last one in the world who should be permitted to contend there is more to his invention or idea that was not disclosed in the patent. "We would remind [patent applicants] that if they have in truth invented something which promotes the progress of science and the useful arts, then in exchange for a patent grant they must make a full and complete disclosure of their invention, leaving nothing to speculation or
\end{quote}

\textsuperscript{191} 467 U.S. at 1003-04.
\textsuperscript{192} Kaiser Aetna v. United States, 444 U.S. 164, 176 (1979), quoted in Ruckelshaus, 467 U.S. at 1011.
\textsuperscript{193} W. Collins, \textit{supra} note 18, at 88.
\textsuperscript{194} "The theory of economic justice underlying American capitalism has tended to emphasize contribution to society, along with merit and hard work, as the basis of distribution." W. Hoffman & J. Moore, \textit{supra} note 25, at 14.
\textsuperscript{195} "The Western notions of property law ... presuppose a view of property expressed most forcefully by Locke: that individuals have a right to what they have made, joined their labor to, or worked to wrest from nature ..." S. Bok, \textit{supra} note 181, at 143.
\textsuperscript{196} \textit{See supra} notes 20 & 29.
\textsuperscript{197} 83 A.D.2d 505, 441 N.Y.S.2d 88 (1981).
doubt." 198

Evaluating the moral right to trade secrets as private property is not easy, particularly since private ownership of the means of production distinguishes capitalism. Is it then necessarily fair that certain people have an exclusive right of ownership just because they are the first to effectively manifest a new idea, process, thought, or information; take possession of chattels; or even settle the land? 199

To attempt an answer suggests employing the tools of the ethicist. In this connection, the moralist offers several methods of judging behavior.

Ownership of trade secrets viewed from a utilitarian perspective promotes individual freedom to "create," rewards initiative and risk-taking, and results in the efficient production of goods, thereby increasing the productivity of society to the benefit of all. To expend money, time, and effort, only to have a claim denied might be harmful because others would see no reason for such expenditure. Negatively, however, protection of the trade secret as property can be exploitive both in the transaction surrounding its creation and in its use.

The deontologists might formalize the claim by stating that the work product belongs to its creator to a reasonable extent, provided that in creating and holding exclusive rights to the trade secret one respects the rights of others as human beings. The deontologists would further police this claim by inquiring how the trade secret was taken from another. This inquiry will be addressed in the section on conduct and relationships.

E. The Bottom Line

Legally, trade secret eligibility is likely to be acknowledged in technical-scientific cases, but only occasionally acknowledged in other business information cases. To sum up these arguments, a utilitarian might balance the good effects flowing from legal protection of trade secrets against the bad. The following chart outlines the good and bad effects:

198. Id. at 506, 441 N.Y.S.2d at 90 (Silverman, J., dissenting) (quoting In re Lorenz, 305 F.2d 875, 878 (C.C.P.A. 1962)).
199. W. Collins, supra note 18, at 95.
GOOD EFFECTS

The public is:
* the limited direct beneficiary of additional information
* encouraged to seek new information for reward of exclusivity
* benefited by potential further improvements by claimants.

The claimant is:
* the beneficiary of property rights
* able to keep information to himself or herself
* able to build a successful business
* rewarded financially
* able to provide employment to others
* encouraged to search for further improvements on his or her trade secret.

BAD EFFECTS

The public is:
* barred from free use of the information by directly using it
* prevented from building on this information for further advancement
* unable to protect itself from any adverse effects
* subject to the claimant's misuse of his or her advantageous position by -thwarting competition -over-charging -keeping information as to the secret's ill effects on society.

The claimant is:
* expending money, time and effort for no reward
* not motivated to further develop where an advantage is lacking.

Ethically evaluating the examined cases of the past eleven years demonstrates these points. Even technical and scientific ideas that result in a product or service that benefits health or the environment or merely advances technology are justified as eligible ethically for trade secret status, provided there is a net gain to society. The bad effects of granting trade secret status are substantial, however, and paradoxically include the tendency to retard the advancement of science. The property argument acknowledges these pros and cons and assists the claimant in this country, but whether it fully satisfies ethical demands is doubtful. Included in this doubt is human nature regarding monopolies, the “water runs to the sea” complaint.

Arguably, technical and scientific ideas are likely candidates to be shared with others because their claim to exclusivity is marginal.
except for the great cost and effort some claimants expend developing them. Interestingly, courts do not make investing large amounts of money and effort a necessity for trade secret eligibility. The fairness of an appropriation is not decided on the issue of eligibility, but on the conduct of the parties in regard to the securing and taking.

In a sense, the technical-scientific ideas here labeled product innovation have a stronger ethical claim to eligibility based on the deprivation to society argument. The chocolate chip cookies, electronic games, and toy robots of the world, which bring a certain but ethically questionable richness to life, hardly embody ideas that society demands to know freely. So, too, with customer lists. These lists develop business and do not directly diminish society. Further, the property argument appeals nicely here for such lists are created after some expenditures of time, money, and effort.

Reconciling legal theory with ethical theory is not possible using this approach. Customer list cases do not have the best eligibility record, but some agreement exists in the general business information cases. The law does not favor protecting business information, and the ethicist has a similar view. Perhaps the fuzziness of the ideas seeking protection gives both examiners a problem. Notice that only in the elaborate computer program cases, which packaged or logically structured ideas, did the law find an identifiable, and therefore protectable, mass with which to work. Further, the ethicist also has trouble with a legal rule that denies the portability of personal skills developed through employment with the claimant's company.

IV. CONDUCT OF THE PARTIES

A. Introduction

If our ethical analysis of trade secrets as protectable rights has produced a mixed judgment in which some types of ideas have a reasonable claim to protection and others only a weak one, the inquiry into how parties struggle over claims to secrets should bear clear ethical markings. After all, evaluating human conduct is the business of ethics, and trade secret cases supposedly promote commercial morality. Unfortunately, this expectation is not cleanly realized.

Courts frequently engage the fairness issue when reviewing the specific conduct of the parties in trade secret cases. But they do so without a unified approach to the underlying fairness of the situation. Instead, the judicial tendency is to employ legal characteriza-
tions that short-circuit the necessary inquiry into the facts of the matter.

Courts often resolve trade secret cases on the basis of conduct, searching for a confidential relationship, security measures by the claimant, and evidence that independent discovery or reverse engineering are not involved. Of course, the general ethical standard of "improper conduct" might be, but rarely is, employed. *E.I. DuPont deNemours & Co. v. Christopher*, in which aerial spying on a competitor's trade secret was held to be "improper" conduct,\(^{200}\) is one of the few cases probing the dimensions of this standard.\(^{201}\)

The specific legal elements used by the courts do not exactly pursue the fairness issues under examination here. Confidentiality and the notion of security have formalistic connotations that tempt lawyers and judges to beg certain ethical questions. These two principles, as well as the role of independent discovery and reverse engineering, merit close analysis.

**B. Elements Testing Conduct**

1. **Confidentiality.**—A review of trade secret decisions shows that the courts devote little argument to whether an express or implied agreement creates a confidential relationship. The confidential relationship, however, dominates much of the judicial discussion. It is appropriate, therefore, to see whether confidentiality loses something when directed toward trade secret law rather than to its more traditional applications.

At law, a confidential relationship is tantamount to a fiduciary relationship that emerges when parties in certain transactions do not deal on an equal footing.\(^{202}\) In practice, the relationship often is characterized as one party having an "overmastering influence" or the other party having "weakness, dependence or trust."\(^{203}\)

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\(^{200}\) 431 F.2d 1012, 1016 (5th Cir. 1970), cert. denied, 400 U.S. 1024, reh'g denied, 401 U.S. 967 (1971). For additional discussion of the case, see supra text accompanying notes 3 & 4.

\(^{201}\) Id. at 1014-17.

\(^{202}\) Black's Law Dictionary 270 (5th ed. 1979); 15A C.J.S. Confidential, at 351, 355 (1967) and cases cited therein. Corpus Juris Secundum presents a broad definition of confidentiality, including ample support for the proposition that the legal application of the confidentiality doctrine is akin to imposing fiduciary responsibility. Id. Although not all courts agree, references to other interpretations of confidentiality create an impression of circular reasoning. In any event, imposing the obligations inherent in the confidentiality doctrine to trade secret cases has been an indelicate maneuver by the courts.

\(^{203}\) Black's Law Dictionary 270 (5th ed. 1979). See also 15A C.J.S. Confidential, at 351, 355-56 (1967) and cases cited therein. These black letter law citations, basic
the relationship exists, the court places a legal obligation on the dominant party to deal with the other in utmost good faith. This relationship, foreign to the “arm’s length transaction,” is a judicially created burden intended to police over-reaching not otherwise remediable by fraud or duress actions. Undue influence cases are prominent beneficiaries of the confidentiality doctrine. These cases deal with domineering salespersons, aggressive sons who rule their mothers, and daughters who dictate to their fathers. Yet, in each case, a factual determination of the actual relationship is necessary. Courts closely scrutinize contracts entered into by parties in a confidential relationship and find them voidable unless affirmatively shown to be fair and voluntary in nature. In effect, this is not inconsistent with the ethical definition of a contract.

though they may be, offer a much clearer summation than cases that deal with the problem.

204. 15A C.J.S. Confidential, at 351, 352 (1967) and cases cited therein. As to joint venturers, Judge Cardozo described the obligation as “[n]ot honesty alone, but the punctilio of an honor the most sensitive.” Meinhard v. Salmon, 249 N.Y. 458, 463, 164 N.E. 545, 546 (1928) (Cardozo, J., concurring).

205. 15A C.J.S. Confidential (1967) and cases cited therein.


208. Tretheway v. Tretheway, 16 Cal. 2d 133, 104 P.2d 1033 (Cal. 1940).

209. Confidential relationships are not patently self-revealing. A nasty person, for example, could be the underdog needing protection. This point interestingly was made in Hoffman v. Rickell, 191 Md. 591, 62 A.2d 597 (1948), in which the court carefully reviewed, but upheld, a conveyance between a parent and child. “King Lear was a querulous old man but has not, on that account, been regarded as fair game for his daughters.” Id. at 602, 62 A.2d at 601 (Markell, J., concurring).

210. See Restatement (Second) of Contracts § 173 comment b (1979) (“In addition to assuring itself that the parties were placed on an equal footing, a court will inquire into the fairness of the resulting agreement . . . . The contract is voidable unless it is shown to be on fair terms in the light of the circumstances at the time of its making.”). Section 173 provides:

If a fiduciary makes a contract with his beneficiary relating to matters within the scope of the fiduciary relation, the contract is voidable by the beneficiary, unless

(a) it is on fair terms, and

(b) all parties beneficially interested assent with full understanding of their legal rights and of all relevant facts that the fiduciary knows or should know.

Id. § 173.

211. “A contract is an agreement between two or more persons by which a right is transferred and an obligation is created in one or more parties . . . . Ethics usually restricts itself to considering some features of the natural law. . . .” W. Collins, supra note 18, at 100-01. These include factors that would create suspicion as to the genuineness of the agreement, such as “substantial error,” misrepresentation resulting in substantial error, and fear resulting in an unfair transaction. Id.
In trade secret doctrine, however, the courts have adopted a different vision of a confidential relationship.212 Only the alleged misappropriator apparently qualifies as the dominant party in most decisions. The obligations of the confidential relationship seem to flow in only one direction, from the owner to the receiver of the information. Courts express scant concern about the fairness of the bargain and direct little attention to the potential for over-reaching and the possibility of undue influence on the part of the employer.

Trade secret decisions, then, rarely consider the “balance of power” in the employment relationship that the traditional confidentiality doctrine contemplates.213 Indeed, deciding when and how a confidential relationship is conceived gives the courts little trouble. Courts examine an employment agreement only to ascertain whether an offer and acceptance took place. If a “confidentiality or non-disclosure” clause is present, courts almost automatically stamp the situation with a label of “fiduciary relationship.”214 In effect, as when defining pornography, judges appear to have few reservations about their ability to swiftly recognize a confidential relationship “when they see it.”215

If the courts are serious when they talk about commercial morality in trade secret decisions, the agreement creating “confidentiality” is appropriate for review, requiring concern over the quality of the consent and the balancing between employer demands and employee independence. The circumstances surrounding the creation of the employment relationship, the reliance on any implied obligations, and the effect of security are all factors in the fairness matrix. Although confidentiality is decisive in judicial balancing, it may be disguising the core issue, which is fair notice to another that serious rights are being claimed.

212. See Restatement of Torts § 757 comment j (1939) (addressing the obligations of a confidential relationship, in which the examples of principal and agent, partners, and joint venturers are used).

213. As one leading commentator noted, “When protection of trade secrets is afforded by operation of law, the favorite judicial rubric upon which the decisional coat is hung is the existence of a confidential relationship.” 1 R. Milgrim, supra note 7, § 4.03, at 4-16.1. See, e.g., Burten v. Milton Bradley Co., 592 F. Supp. 1021, 1030-36 (D.R.I. 1984), rev’d, 763 F.2d 461 (1st Cir. 1985).

214. See 1 R. Milgrim, supra note 7, § 4.03, at 4-24 (“[T]he courts can refer to the employer-employee relationship almost uniformly as being one of confidence. . . . ”). Milgrim goes on to posit that employers do not fare well in obtaining injunctive relief upon this basis; this is especially true in the customer list cases. Id. The authors disagree with this finding and suggest that customer list cases represent an eligibility problem for the courts.

Proposing that legal notice does not amount to fair notice goes too far, but that very possibility arises in trade secret cases. Legally, notice may be defined as "knowledge brought home to a party in a prescribed form." Notice, both legal and "fair," is fundamental to a fair bargain. Trade secret cases provide an interesting battleground over whether legal notice fulfills the expectations of equitable notice, which requires clear and particular announcement of the existence and the dimensions of an alleged trade secret, usually prior to exposing the claimed secret. The ethical notions of promised secrets and secrets of trust are appropriate to our study. A new employee who enters into a confidentiality agreement likely would be charged with a secret of trust, for the promise of secrecy precedes the confidence. The pledge of secrecy obtained at an exit interview, however, is in the nature of a promised secret, which arises after the promisor already has learned the information. Ethically, the secret of trust binds the promisor more stringently.

Interestingly, this point found tentative legal approval in RTE Corp. v. Coatings, Inc., involving a supplier who became privy to the claimant's secret for improving the qualities of an inertia welded connector. The claimant attempted to argue confidentiality based on an "agreement" established through the passage of business


217. The law approves a "legal" notice as sufficient in many situations. Constructive notice, for example, is legally permissible and serves practical and ethical ends. The degree of fairness is lowered, however, in other situations. A "constructive" notice of a trade secret by security procedures or other inferential behavior seems a fragile way to reach the mind, and acceptance, of the other party. The Uniform Commercial Code proposes what appears to be an ethical form of notice consistent with the fair contract the Code drafters sought to encourage:

A person has "notice" of a fact when (a) he has actual knowledge of it; or (b) he has received a notice or notification of it; or (c) from all the facts and circumstances known to him at the time in question he has reason to know that it exists. A person "knows" or has "knowledge" of a fact when he has actual knowledge of it. . . .  

218. The RESTATEMENT OF TORTS treats the situation in which a secret is learned from a third person without notice as a secret, and states that the third person breaches a duty to another by disclosing it. See RESTATEMENT OF TORTS § 758 (1939). In that case, one "is not liable to the other for a disclosure or use of the secret prior to receipt of such notice." Id. None of the reviewed cases referred to this provision, raising the possibility that courts do not seriously consider disclosure under these circumstances to be an issue.

219. W. COLLINS, supra note 18, at 87.
220. Id. at 86.
221. Id. at 87.
222. 84 Wis. 2d 105, 267 N.W.2d 226 (1978).
forms, always a tricky maneuver. The agreement, if indeed reached legally, was in any event achieved after the disclosure of the secret—an ethicist's promised secret. The claimant lost the case, the court ruling that disclosure alone does not impose a confidential relationship. If disclosure alone to an outside party is neither equitable nor legal notice, what in addition to disclosure is sufficient to justify confidentiality?

An equitable notice should be timely; that is, given before disclosing the secret and under such circumstances that the party notified has fair options. And there is the rub. Notifying an outside party, someone dealing at arm's length as in RTE Corp., is quite a different situation from where an employee is brought on board. The cases examined reflect an analysis that is a mix of ideas regarding employees, security, and agreements with no sure course toward understanding. Two basic judicial routes to resolving the dispute, however, dominate the cases. Some parties point to a written agreement; others point to security measures adopted to protect the secret, from which an implied secrecy agreement should be imputed.

Consider the situation in which an individual, usually an employee or a contractor, contributes to or has access to a company's trade secrets. The employer obtains an agreement to surrender any interest in the secret as well as a promise not to reveal it. This individual subsequently decides to go elsewhere to seek his or her fortune working for a competitor or in business for himself or herself. The claimant of the secret sues to restrain disclosure or use of the secret information based on the original agreement and the ensuing "confidential relationship."

As noted, the agreement argument is persuasive and legally effective. In Eastern Marble Products Corp. v. Roman Marble Inc., for example, the secret concerned a process for making two-tone cultured marble sinks. The employee signed a nondisclosure agree-
ment as a condition of employment in the processing plant of the business. When he later joined a competing business, the court indicated that the agreement effectively may have barred the employee from revealing the secret, even though he had signed while a minor. So, too, with the agreement in American Can Co. v. Mansukhani. There, an employee chemist and ink specialist helped to develop jet inks used to print upon certain surfaces without contact. The employee signed a confidentiality agreement at the commencement of his employment that the court held binding when he started his own jet ink business. The employee substantially contributed to the creation of the secret, a factor that some judges, unlike moralists, do not honor.

When courts widen their scrutiny of fairness, they express concern for the subsequent ability of an individual to earn a living based upon skills developed while under the obligations of the agreement. While this is not a sophisticated inquiry, it at least represents an attempt to examine the equitable nature of an agreement. For example, although the ex-employee in FMC Corp. v. Taiwan Tainan Giant Industrial Co. had been terminated two years earlier, the court enjoined him and his new employer, a competitor in the insecticide business, from using information relating to the manufacture and the marketing of the claimant's product. The court set an expedited trial schedule in order to minimize the adverse effects of the action upon the claimant's ability to earn a living.

The disappointing thing, however, is that in nearly every case examined, reliance upon an express and timely agreement resulted in a decision for the claimant. The courts signal that a signed

228. Id. at 840, 364 N.E.2d at 802.
229. Id. at 841, 364 N.E.2d at 803. The court, however, did not find it necessary to decide this issue. Instead, it based its decision on the employee's common-law duty not to disclose the information. Id.
230. 216 U.S.P.Q. (BNA) 1094 (E.D. Wis.), aff'd, 728 F.2d 818 (7th Cir. 1982) (permanent injunction prohibiting defendants from selling jet inks developed while employed by plaintiff). The permanent injunction subsequently was clarified to cover "any of those commercial jet ink formulas developed for specific customers" while the defendant was employed by the plaintiff. American Can Co. v. Mansukhani, 742 F.2d 314, 318 (7th Cir. 1984) (reversing a preliminary injunction issued by the district court in subsequent proceedings).
231. 216 U.S.P.Q. (BNA) at 1096.
232. Id. at 1098.
233. Id. at 1097.
234. 730 F.2d 61 (2d Cir. 1984).
235. Id. at 63.
236. Id. at 64.
237. An exception is Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890,
agreement is legal notice of a claimed trade secret that will be subsequently protected; they engage in little analysis of whether the bargain was "fair."

"Fair bargains" exist when there is a genuine understanding of the transactions as well as an underlying reasonableness. The parties must stand on relatively equal footing; each must refrain from using fraud, power, passion, or ignorance to bring about an agreement that otherwise would be rejected. To examine the exact language of a trade secrecy agreement is not helpful, and few courts do. A sameness to them suggests the "adhesion contract," which gives warning but permits no negotiation over terms or their consequences. Adhesion contracts have a better legal reputation than an ethical analysis would accord them. Therefore, courts can hardly be blamed for not monitoring commercial behavior as they routinely honor adhesion clauses in employment contracts. The real issue is whether an express agreement governing an unpredictable future relationship should be binding on every signer without more. Unfortunately, the case opinions do not raise this issue in any helpful way, but some results shock the reader into recognizing its importance.

903 (Minn. 1983) (the court found a broad secrecy agreement ineffective in the face of lax security measures to protect the secret).

238. A contract is truly fair when both sides are free and conscious of the implications of their acts. Freedom does not imply that the contracting parties are overjoyed, but that their agreement is reasonable. The agreement is not reasonable, and there is no true freedom if one or both sides have used fraud, power, passion, or ignorance to bring about an agreement which would have been otherwise rejected.

T. GARETT, supra note 18, at 55.

239. Id.

240. For a generous supply of contractual form and analysis, see Robison, supra note 5, at 385-88.


242. As early as 1943, Kessler offered a powerful plea for judicial review of contracts of adhesion, which has not been heeded. Perhaps trade secret cases provide the appropriate vehicle for beginning that long overdue process. In order to do so, however, "courts [must] become fully aware of their emotional attitude with regard to freedom of contract... They prefer to convince themselves and the community that legal certainty and 'sound principles' of contract law should not be sacrificed to dictates of justice or social desirability. Such discussions are hardly profitable." Id. at 637.

243. Judicial discomfort over the reviewed "bargain of the parties" was indicated in Electro-Craft Corp., 332 N.W.2d 890, and Milton Bradley, 763 F.2d 461. The trial and appellate courts' opinions in Milton Bradley provided particular insight into this problem. See infra notes 244-251 and accompanying text.
Burten v. Milton Bradley Co.\(^ {244}\) highlights the dilemma that can arise when contract principles govern the tenets underlying the fair bargain. There, two inventors developed the scheme and mechanism for an electronic board game, which they submitted to a game company for consideration. As a routine part of demonstrating their idea, the inventors signed an agreement waiving any claim to "any relationship" with the company.\(^ {245}\) The company subsequently marketed a game substantially similar to theirs. The court found that the evidence established "the existence of an industry-wide custom . . . to maintain the secrecy of ideas submitted by outside inventors and to use the innovations only if royalties were paid. . . . [Further,] not only did [Milton Bradley] adhere to this custom [but it also] fostered such an understanding with outside inventors."\(^ {246}\) While the court painted a vivid characterization of the "imbalance of power" inherent in this situation,\(^ {247}\) it found the inventors had no right to recovery.\(^ {248}\) The express agreement governed. Not surprisingly, this decision was reversed on appeal and the jury verdict reinstated.\(^ {249}\) The basis for reversal, however, was a formalistic legal deficiency in the wording of the agreement.\(^ {250}\) The appellate court gave no attention at all to the fairness of the bargain or the demands of commercial morality.\(^ {251}\)

\(^{244}\) 592 F. Supp. 1021 (D.R.I. 1984), rev'd, 763 F.2d 461 (1st Cir. 1985).

\(^{245}\) 592 F. Supp. at 1026.

\(^{246}\) Id. at 1027.

\(^{247}\) [The plaintiff inventors] seem at first blush to have been wronged: the defendant used the plaintiffs' idea, profited handsomely, and eschewed compensation. And the defendant, a large and relatively unsympathetic corporation, simultaneously preyed upon and benefited from, on the one hand, a tacit understanding that it would hold plaintiffs' submission secret, and would afford due compensation for its use; and on the second hand, from the insulation provided by its disclosure record form. The essence of that amalgam from the plaintiffs' viewpoint is that [Milton Bradley] offers an ersatz carrot while clutching behind its corporate back an authentic stick: it leads inventors to believe that it will keep their suggestions private and use only ideas for which it pays, but requires the inventors to waive virtually all rights of action against [Milton Bradley], leaving them defenseless should [Milton Bradley] decide to swing the club.

But, the equities are not so one-sided. . . . If manufacturers such as [Milton Bradley] could not safeguard themselves against such forays, they might well have to curtail submissions from independent inventors . . . .

\(^{248}\) Id. at 1031.

\(^{249}\) Id. at 1037.

\(^{249}\) Burten v. Milton Bradley Co., 763 F.2d 461 (1st Cir. 1985).

\(^{250}\) The court found the agreement ambiguous. Id. at 466.

\(^{251}\) In this regard, the district court articulated the problem as follows:

There remains, withal, a persistent hint of inequity. [Milton Bradley's] methodology may well be seen as an insidious form of gameplay, constructed
If the contract is the key to trade secret protection, consider the situation today in the high technology industry. Companies on the leading edge of electronic research commonly employ consultants. Consultants are "hired guns," and their loyalty is temporal. The company demands a confidentiality nondisclosure agreement. The successful consultants refuse on the pardonable grounds that they would be out of business if they agreed to such a broad undertaking. On the other hand, the company's employees wonder why they must surrender their complete rights in matters they are working on for the company. But many sign when first employed, thereby creating the automatic "confidential" relationship.

It is important to note an analytic knot in this strand of our "agreement" analysis. While courts are indifferent to notice in the sense of ensuring a fair bargain before the revelation of proprietary information, they are most serious about the nature of the trade secret itself. Courts police the employment/secrecy bargain for fairness by scrutinizing security measures, albeit in a somewhat circular fashion. Courts can be peculiarly sensitive to "what" is being revealed. And here analytical confusion reigns as courts enlist the aid of confidentiality in reviewing the security factor, which appears to assume a notice function.

Electro-Craft Corp. v. Controlled Motion, Inc. highlights this judicial exercise. In Electro-Craft, the express agreement of confidentiality was ineffective because the nature of the secret, servo motors, was not highlighted to the appropriator-employee. One could rationalize this result on the lack of equitable notice, except for the naiveté one would have to impute to the taker, a sophisticated engineer. The kind examiner more likely would support the result on the total fairness of adhesion contracts generally, rather than a specific lack of notice of the propriety claim.

to trap the unwary; but it is equally consistent with the belt and suspenders approach of a commercial enterprise determined to protect its flanks in all events. The choice between these conflicting interpretations of the defendant's motives is not, however, a legally significant one. Short of fraud or specific statutory prohibitions, the marketplace is the best, indeed the only, arbiter of such practices.

592 F. Supp. at 1037.
252. See, e.g., Rototron Corp. v. Lake Shore Burial Vault Co., 553 F. Supp. 691, 699 (E.D. Wis. 1982), aff'd, 712 F.2d 1214 (7th Cir. 1983) (finding a confidential relationship to exist, but ruling that the alleged secret failed to pass the threshold question of whether there was an eligible secret).
253. 332 N.W.2d 890 (Minn. 1983).
254. Id. at 903.
2. Security.—Despite the fact that commercial firms frequently enter into agreements reserving "proprietary information," in many instances there is no such agreement, thereby relegating the claimant to attempt protection of his or her claim by unilateral behavior. The primary method suggested by trade secret law is to practice security. Whether security is a route to confidentiality or whether its presence simply and directly creates the right to protection is not clear. From a fairness point of view, we characterize security as a form of equitable notice of both the claimant's proprietary posture and the nature and dimensions of the secret. Security in some firms is a very expensive matter. It may not always be money and effort well spent, but from a legal point of view its absence is fatal to the claim.\textsuperscript{255} The money and effort is not well spent when one understands that most trade secrets can be exposed by only moderate effort. Security is necessary, however, because the law says it is.

What purpose does security serve? Ideally, security suggests two things: the material to be kept secret must have a clear identity; it also must be available only on a "need to know" basis.\textsuperscript{256} A warning that all manufacturing processes are proprietary, though practiced by many firms, by itself does not create a confidential relationship nor settle the security issue. In fact, that is not security, but is instead a prudent business practice. For example, in some firms a manufacturing unit is isolated from other parts of the plant, with doors locked and blinking red lights throughout warning that the area is restricted to authorized personnel only. This arrangement is legally effective, but only to the extent that it identifies just what part of the process is indeed a trade secret. Such also would be considered fair notice.

Of course, one cannot boldly announce warnings about security and then allow the material to be available to a broader audience. For example, in \textit{McKay v. Communispond, Inc.},\textsuperscript{257} an employer's program for teaching business executives to enhance their presentation skills was the subject of a claimed trade secret. The company's general counsel lectured employees on the secrecy of the material.\textsuperscript{258}

\textsuperscript{255} The security analysis seems to flow from the \textit{RESTATEMENT'S} emphasis on secrecy: "A substantial element of secrecy must exist, so that, except by use of improper means, there would be difficulty in acquiring the information." \textit{RESTATEMENT OF TORTS} § 757 comment b (1939).

\textsuperscript{256} See, e.g., Valco Cincinnati, Inc. v. N&D Machining Serv., Inc., 24 Ohio St. 3d 41, 47, 492 N.E.2d 814, 819 (1986); see generally Hickory Specialties, Inc. v. B&L Laboratories, Inc., 592 S.W.2d 583 (Tenn. App. 1979).

\textsuperscript{257} 581 F. Supp. 801 (S.D.N.Y. 1983).

\textsuperscript{258} Id. at 803.
The claimant, however, already had published much of the case program. Obviously, disclosure cannot be repaired by contrary security measures.

The case decisions instruct that excellent security carries the claimant to victory. Whether this is true because security gives notice of the proprietary claim, identifies the nature and character of the secret, or just satisfies the legal ritual demanded by trade secret law is uncertain. The intention here is not to judge the legal reason, but to speculate on the ethical values of the legal requirement. Extensive security sends two messages to the outsider: the claimant not only makes a firm statement of the proprietary claim, but also identifies the nature and character of the particular secret. Through this unilateral statement, the declarant stakes his or her equitable claim and warns others to continue in the relationship only under burden of this claim.

This is not to say that security is exclusively a legal notice issue, particularly where there is an outright intent to take another's property. In Valco Cincinnati, Inc. v. N&D Machining Service, Inc., for example, a long-time employee of the company set up a business and contracted to supply certain parts to the employer. To that end, the company gave plans and specifications to the former employee, who subsequently marketed an identical product at a lower price. The former employee primarily grounded his defense on the fact that he had refused to sign a nondisclosure agreement and that the company had not taken reasonable measures to ensure the secrecy of its process. As to the latter point, the Supreme Court of Ohio catalogued the claimant's "reasonable and active" steps to secure trade secrets, which included: locking devices, a receptionist to screen visitors, a buzzer lock system on the door to the processing area, prohibiting the general public and competitors access to the plant, limiting the availability of drawings to only those suppliers and employees with actual need, marking documents with proprietary stamps, and routinely shredding outdated documents. The court found these efforts sufficient and, pointing to the defendant's bad intent, affirmed the entry of a permanent injunction.
On the whole, however, trade secrets claimants have not been particularly successful when their security practices are questioned. Perhaps companies in the litigated cases employed only marginal security measures, but the laxness practiced or ignorance entertained by the companies is somewhat surprising. Though many courts mention security, only seven cases were decided on security issues.

What manifests sufficient security? In Hickory Specialties, Inc. v. B&L Laboratories, Inc.,266 the liquid smoke case, the company did not instruct the employees as to secrecy, but the court held that a fence and gate locked at night together with signs indicating restricted admittance were sufficient security, particularly where only those with a need to know were privy to the entire process.267 The security for the chocolate chip cookie recipe also was adequate where the company kept the recipe in the company safe, broke the formula down into baking ingredients, and kept the gross weights of bulk ingredients on separate cards.268 The charged appropriator was the safety officer who was not entrusted with the ingredient cards.269

In cases such as the brick panel decision, however, the security doctrine hangs uneasily. The facts of In re Innovative Construction Systems, Inc.270 reveal a manufacturing business with no formal agreement regarding secrecy or nondisclosure, no security personnel employed, a plant unlocked during business hours, suppliers and others not denied entry into the manufacturing areas, and no exit interviews of departing employees. The company kept the formula for simulated brick paneling in a notebook in the plant manager's office out of view, but also posted part of it in the relevant manufacturing area.271 Wisconsin law requires that claimed trade secrets be disclosed to the employee in confidence and be kept genuinely secret from others in the industry.272 The evidence revealed that the plant layout was security conscious,273 but that nearly the entire workforce was involved in some way in the production process.274 The Seventh Circuit, in reversing the lower court and affirming the

266. 592 S.W.2d 583 (Tenn. App. 1979).
267. Id. at 587.
269. Id.
270. 793 F.2d 875 (7th Cir. 1986).
271. Id. at 884-85.
272. Id. at 883.
273. Id. at 885.
274. 793 F.2d at 883.
jury verdict for the claimant, deemed the modest security measures sufficient to support a verdict in the claimant’s favor. The court noted that the jury must assess “the size and nature of [the] business, the cost to it of additional measures, and the degree to which such measures would decrease the risk of disclosure. What may be reasonable measures in one context may not necessarily be so in another.” While one can find fault with the standards employed, as to fairness the court seemed to say the company notified the employees of the secret and its character and to that extent appropriation was improper.

The courts in thirteen cases ruled that security was ineffective; in seven of them, security was determinative of the claimant’s cause. Those seven cases provide an interesting insight into security as equitable notice of the claim.

In *Electro-Craft Corp. v. Controlled Motion, Inc.*, for example, the Minnesota Supreme Court reversed the trial court’s finding of a misappropriation on the grounds that the employer had not maintained reasonable security measures. Unimpressed by the general secrecy agreement signed at the commencement of employment and exit interviews in which the company pointed out secret information, the court was equally unconvinced of the adequacy of security. Guarded entrances and signs restricting access to certain plant areas were not enough; the court frowned upon the failure to mark documents as confidential and the ease with which employees and visitors could move through the premises. While recognizing that industrial espionage did not permeate this industry, the court questioned the adequacy of the means used to “signal . . . that certain information . . . should not be disclosed.” No doubt the employees were well aware of the secret nature of the information. The court’s analysis, fraught with concern for legalisms, imposes obliga-

275. *Id.* at 886.
276. *Id.* at 884.
278. 332 N.W.2d 890 (Minn. 1983).
279. *Id.* at 901.
280. *Id.* at 901-03.
281. *Id.* at 902 (footnote omitted).
tions that exceed the demands of fair notice of an employer's claim to trade secrets.

As in Electro-Craft, a company manifested an intent to maintain the secrecy of a process for manufacturing fuel nozzle seals for jet engines in *Junkunc v. S.J. Advanced Technology & Manufacturing Corp.* \(^{282}\) The company kept files concerning the process in a locked cabinet in an office subject to restricted access and each employee worked on one manufacturing step without knowing anything about the other steps. \(^{283}\) Only five people, the family members of the business, knew the entire complex process. \(^{284}\) Nevertheless, citing conflicting evidence concerning segregation of the process in the plant and the failure to mark certain documents as confidential, the court held that the trial court did not err in finding security inadequate to afford protection of the secret. \(^{285}\) The fatal error here flowed from the failure of family members to reach a specific secrecy agreement among themselves, leaving them no remedy against a renegade from their ranks who opened a competing concern. \(^{286}\)

Finally, consider the result in *Defiance Button Machine Co. v. C&C Metal Products Corp.* \(^{287}\) in which a company inadvertently left confidential data in the memory of a computer sold to a competitor. Although the company had taken security efforts such as keeping relevant computer discs in a locked room, the competitor might have been able to access the customer lists using source books in its possession. \(^{288}\) Certainly the competitor knew that the information was considered secret. Nevertheless, the competitor hired a former employee to extract the information, which the court felt was permissible given the inadequacy of efforts to keep the secret. \(^{289}\)

These cases raise the obvious question: Would a lay observer

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283. Id. at 119, 498 N.E.2d at 1183.
284. Id.
285. Id. at 119-20, 498 N.E.2d at 1183.
286. 149 Ill. App. 3d at 120, 498 N.E.2d at 1184. *But see* SI Handling Sys., Inc. v. Heisley, 658 F. Supp. 362, 370-71 (E.D. Pa. 1986) (denying defendant's motion for summary judgment in trade secret litigation and rationalizing that "[t]his Court is at a loss to understand why [under applicable Pennsylvania law] it should be necessary for [plaintiff] to have executed a confidentiality agreement through which it obligates itself to nondisclosure of its own trade secrets.").
288. Id. at 1063-64.
289. Id. at 1064. *But see* B.C. Ziegler & Co. v. Ehren, 141 Wis. 2d 19, 414 N.W.2d 48 (Wis. Ct. App. 1987), where scrap paper containing confidential customer information was mistakenly delivered to a scrap dealer by the plaintiff's employees. In enjoining the use of the information by a subsequent purchaser in a competing business, the court
doubt whether the takers of the secret had fair notice of claim? Four other cases simply recite that, because no security measures were taken, no protection could be given. But does the fact that a temporary employment agency leaves information in unlocked files in a public reception area without labeling the files confidential permit employees to take the information? In Gordon Employment, Inc. v. Jewell, as in American Wheel & Engineering Co. v. Dana Molded Products, Inc., Palin Manufacturing Co. v. Water Technology, Inc., and Delta Filter Corp. v. Morin, the simple lack of security was fatal to a trade secret claim.

Courts do not frame their examination of security in terms of equitable notice, but evaluating commercial morality without recognizing the presence of such notice is difficult. The circular reasoning that embraces questions of public availability, adequate security, and implied confidentiality might be avoided by reducing the issue to one single inquiry: Was equitable notice met so that reasonable people would know of the existence of a claimed trade secret? Perhaps the analytic confusion concerning application of trade secret law in instances where there is no specific agreement would be lessened if the courts used principles of fairness and reasonableness, as they so often do in other legal contexts.

3. Independent Discovery and Reverse Engineering.—Finally, consider the situation in which the claimant loses legal rights to the secret due to "independent discovery" or reverse engineering. Let us first examine independent discovery. At law, trade secret protection is not granted when the idea was independently developed as a result of research, creative thinking, or use of readily available information, usually described as ideas "in the public domain." This is simply illustrated in cases such as Shumann v. IPCO Hospital Supply Corp., where the court held a device used for anchoring artificial teeth to be in the public domain. The motive of the alleged taker played no negative role in deciding the equities once the court was satisfied that the claimant publicly disclosed the device before reve-

notated that accident or employee negligence would not negate trade secret protection where it otherwise would attach. Id. at 29-31, 414 N.W.2d at 53.

290. 356 N.W.2d 738 (Minn. App. 1984).
295. Id. at 1060, 418 N.E.2d at 166.
lation to the alleged taker. These, of course, are not clean-cut independent discovery cases, but fall into that group where the idea coincides with the appearance of a former employee or contractor of the claimant. Simply stated, the inventory of ideas in the public domain is generally enriched by reason of movement and a finding of inadequate security, which is a form of implied public disclosure.

Of course, the truly independent discovery of an idea raises no fairness issues, unlike situations where public disclosure results from a failure in security. But the independent discovery defense is not easily established morally because the cases generally reveal no complete “independence” in the discovery. What distinguishable mass of information retains its identity when others have access to parts of it? Look at two similar cases with different results.

In *Jostens, Inc. v. National Computer Systems, Inc.* the issue was a computer system used to design and manufacture school rings. The claimant charged that its former employees misappropriated data used by a competing firm. The claimant acknowledged that its program used readily available hardware, but argued that its “customization” efforts were unique. In *Rohm & Haas v. ADCO Chemical Co.*, a paint formula was the object of attention. The former employee convinced the trial court that the paint formula was a product of his general knowledge and the skill and certain elements known in the trade. In *Jostens* the claimant lost, the court noting that the assembly of the system did not require substantial research or experimentation, but rather was the result of applying general skill and knowledge of commonly available components to perform the desired function. Further, combined with some breakdown in security, the independent thinker won. Yet in *Rohm & Haas*, the appellate court overruled the trial court, pointing out that even though each and every element of the claimant’s process was known to the industry, the combination may be a secret if it produces a superior paint product and others have been unable to duplicate the formula. Apparently, then, completely independent discovery either is rarely seen or cases depending on such a defense are to be

296. *Id.*
297. 318 N.W.2d 691 (Minn. 1982).
298. *Id.* at 694.
300. *Id.* at 753.
301. 318 N.W.2d at 699.
302. The court found the claimant did not establish a policy of secrecy. *Id.* at 702.
303. 689 F.2d at 433.
judged on other grounds. From a fairness point of view, reconciling the contrary results in these two cases is difficult.

But in those cases raising reverse engineering as a defense, the ethical issue is more clear. In trade secret law, reverse engineering is simply the legally permissible duplication of a product by analyzing its component parts. For example, a clever detective in a chemist's garment can expose a soft drink formula. Thus, the courts will not protect the underlying secret formula from a competitor who can discover the secret by inspection, disassembly, chemical analysis, and the like. The rationale is that, in order to qualify for protection in the first place, a trade secret is presumably not "readily disclosed by the product itself." Rather, the products should be the "fruits of the use of a trade secret," which arguably may include, according to recent cases, specifications for a machine or tolerances for parts of an industrial drill used to make holes for explosives. The law permits one, by reverse engineering, to peel away or remove eligibility from a trade secret. In effect, the courts overlook the conduct involved once the conduct has reached its goal, assuming that the conduct did not involve overt theft or "improper means." The problem is that "improper means" closely tracks existing legal theories, such as the boundaries of trespass law. Simply illustrated, if a company stores a machine on its property, a thief who takes the machine and discovers its secrets by reverse engineering is clearly an illegal misappropriator. But the cases are not so simply constructed. Observe the famous case of E.I. du Pont de Nemours & Co. v. Christopher, where the legal trespass was absent and gave the court some difficulty in labeling an "unethical

306. Id.
309. RESTATEMENT OF TORTS § 757 (1939). The RESTATEMENT gives a few examples of "improper means" and states that "in general they are means which fall below the generally accepted standards of commercial morality and reasonable conduct." Id. comment f. Nowhere, however, is improper means specifically defined, leaving courts to construct a standard according to their own view of law and fairness.
310. Id.
311. 431 F.2d 1012 (5th Cir. 1970), cert. denied, 400 U.S. 1024, reh'g denied, 401 U.S. 967 (1971).
312. This point is implicit in the opinion, the court noting that the argument was
trespass."  

Recall the aerial spy's argument that the airspace above the claimant's plant was federally regulated, a no-man's land, and therefore no trespass occurred. The court disregarded the niceties of trespass law, instead taking the fair or moral position that it was "bad show" to fly over another's plant and photograph its secrets. One might almost call such behavior an "equitable or moral trespass," which espouses a higher standard than the law sometimes demands.

Is reverse engineering a fair defense to trade secret appropriation? Perhaps one major support for the doctrine is that it responds to practical concerns, such as the difficulties of proof inherent in determining to what extent reverse engineering assisted "independent" research. But that practical ground must be considered against the potential for evil flowing from the free use of reverse engineering. Remember, many of the technological and scientific secrets are garnered after great expenditure of time, money, and effort. Courts relate to this in language such as "reverse engineering is but one facet of the calculus of reasonableness. . . . In conformity with our emphasis on commercial morality . . . 'defendants should not be permitted a competitive advantage from their normal costs of invention and duplication.' "

made, then saying no more on the point before deciding the case on other grounds. Id. at 1014.

313. The court referred to the "unethical trespass" as obtaining trade secret information by "improper means" (quoting and explicitly adopting the language of the Restatement of Torts § 757 comment f, at 10 (1939)). 431 F.2d at 1016.

314. 431 F.2d at 1016.

315. See supra note 312.

316. The court's phrasing is particularly enlightening as to the extent it relied on fairness or morality:

To require DuPont to put a roof on the unfinished plant to guard its secret [during construction of the plant] would impose an enormous expense to prevent nothing more than a school boy's trick. We introduce here no new or radical ethic since our ethos has never given moral sanction to piracy. The market place must not deviate from our mores. We should not require a person or corporation to take unreasonable precautions to prevent another from doing that which he ought not do in the first place. Clearly . . . one of [the] commandments [of what is commercially improper] does say "thou shalt not appropriate a trade secret through deviousness under circumstances in which countervailing defenses are not reasonably available."

431 F.2d at 1016-17.

317. The distinction is made between a physical device and a process. The device is more easily reverse engineered, while processes many times are quite difficult to identify. Whether this difference should be honored is questionable when one moves beyond practical considerations as an element in ethical analysis. See Robison, supra note 5, at 351, where the difficulty in practice is described.

As a shortcut to innovation, reverse engineering appears unattractive when raising fairness issues. But some rather bad effects are not so obvious. The result in the key lock case adds a new possibility of evil effects. *Chicago Lock Co. v. Fanberg* involved a claimant that manufactured and sold a particularly secure tubular lock for which duplicate keys were available only at the written request of the registered owner. Otherwise, the owner of the lock would be required to have the lock picked and the tumbler configuration or key code duplicated, a costly process. Enter the entrepreneur. This party obtained a list of these key codes by advertising in trade journals and then published this list in a manual available to the general public. The lock manufacturer sued to enjoin publication of the manual.

In approving this entrepreneurial conduct, the court reasoned that the defendants simply had taken reverse engineering a step further. It found that since buying and deciphering the key codes for all the locks would have been permissible, the question came down to whether advertising for the combination was "improper conduct." Apparently raising no issues of fairness, the court ruled that in the absence of a "confidential relationship" the behavior was legally proper. A simple balancing of the equities in the case would have included some consideration of the very reason for the secret: to provide security to those who bought the lock. If reverse engineering authorizes the destruction of the value of the secret itself, the rational underpinnings for reverse engineering, particularly in a case such as this, are difficult to see.

Given approval in legal theory, only trespass cases expose reverse engineering to a fairness test. An excellent example of this occurred in *Elnickey Enterprises v. Spotlight Presents, Inc.* There the originator of "Rodney," an electronic robot-entertainer who had appeared on television and at trade shows, sued his former sales representative who marketed "Walter Ego," a robot-entertainer, also appearing at trade shows. A control panel containing joy sticks regulated the motion of Rodney's head and body through an

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319. 676 F.2d 400 (9th Cir. 1982).
320. *Id.* at 402.
321. *Id.* at 404.
322. *Id.*
323. 676 F.2d at 405.
325. *Id.* at 856.
FM radio signal.\textsuperscript{326} The defendant duplicated the robot by observing video tapes of Rodney's performance and by employing a mechanic to look inside him.\textsuperscript{327} This look was obtained, said the court, by stealth.\textsuperscript{328} Therefore, although a reasonably skilled person should have been able to construct a Rodney solely from observing video tape or a live performance, the court ruled against the appropriators. "This case cannot be judged by what might have been. [The defendants] wilfully stole the trade secret; it was arguably unnecessary to do so. But, having done so, the defendant cannot defeat plaintiff's right to relief simply because he could have reached the same honestly."\textsuperscript{329} In effect, the court condemned the "charade" used by the defendants to get a good look at Rodney's innards.\textsuperscript{330}

But reverse engineering is unevenly applied in judicial decision-making. It also is employed as a theoretical defense akin to the public domain argument, and as a timing device in fashioning a remedy. Its theoretical use is found in the defendant's legal argument that the product involves no secrets because its ingredients are easily discovered. The argument rests upon the proposition that appropriation of readily available information is not commercially unethical. Courts accepted this type of reasoning in \textit{Permagrain Products, Inc. v. U.S. Mat & Rubber Co.},\textsuperscript{331} where disassembly and application of a solvent easily separated the component parts of vinyl-laminated wood, and in \textit{Colony Corp. of America v. Crown Glass Corp.},\textsuperscript{332} where the defendant convinced the court that it could have copied the plaintiff's claimed secret design from the product itself, a glass candle jar. This is the other side of the public information concept; that is, a secret is not a secret if we all know or can easily discover it.

Courts are not always comfortable with this theoretical approach and point to the unfair savings of time, money and effort that may accrue to the taker.\textsuperscript{333} In \textit{Syntex Ophthalmics, Inc. v. Novicky}, the trial court entered a twenty-year injunction against a former employee's use of trade secret information based upon testimony that it took "in excess of 20 man-years and in excess of one million dol-

\begin{itemize}
\item \textsuperscript{326} \textit{Id.}
\item \textsuperscript{327} \textit{Id.} at 857-58.
\item \textsuperscript{328} 213 U.S.P.Q. (BNA) at 860, 863.
\item \textsuperscript{329} \textit{Id.} at 863.
\item \textsuperscript{330} \textit{Id.}
\item \textsuperscript{331} 489 F. Supp. 108 (E.D. Pa. 1980).
\item \textsuperscript{332} 102 Ill. App. 3d 647, 430 N.E.2d 225 (1981).
\item \textsuperscript{333} \textit{Curtiss-Wright Corp.}, 381 Mass. at 10, 407 N.E.2d at 326.
\end{itemize}
lars” to develop the process. But on remand, the court modified the penalty to comport with evidence concerning the time it would take to reverse engineer the process. So, too, in Anaconda Co. v. Metric Tool & Die Corp., the time to reverse engineer a misappropriated trade secret formed the duration of a preliminary injunction. Improper behavior can be bridled only to the extent that the competitive process itself protects the secret.

V. Ethical and Legal Profile

The legal definition of a trade secret is very undiscriminating and allows nearly all business ideas to qualify. Yet the value to society and the concomitant detriment flowing from such a rule are not equal when examined against broad public policy. The protection of a simple secret such as a customer list, for example, is relatively harmless to society. The gatherer who has expended effort and money to create the list can make a valid ethical claim.

Paradoxically, the case decisions do not reflect a large measure of legal support for this view. In the twenty-two identifiable customer list cases, seventy-three percent were denied protection, generally on grounds that the information was public knowledge and therefore was not eligible. Other general information fared only slightly better, but in the technical-scientific decisions where the ideas gathered took significant time, money, and effort, the claimants succeeded in nearly one-half of the cases. Yet in ruling on eligibility courts rarely commented on the time, money, and effort expended. The courts also did not evaluate the commercial or public value of the idea seeking protection, an important ethical consideration under both the deontological and utilitarian approaches.

Once past the eligibility issue, courts apply certain legal tests to decide trade secret cases. Here questions concerning the fairness, or ethics, of the situation arise. Three concepts hold the judicial mind captive: confidentiality, security, and reverse engineering. These concepts frequently divert the court from dealing in a fair way with trade secret cases. The judicial vehicles of confidentiality, se-

335. 767 F.2d at 902.
curity, and reverse engineering do not materially assist courts in monitoring commercial morality.

The "confidentiality doctrine" is judicially biased and lethally administered in favor of an employer and fails a basic test of fairness or ethics. To inquire no further than whether a signature appears on a nondisclosure agreement is hardly sufficient as the ethical evaluation of a bargain. This practice forfeits any inquiry into relevant issues of over-reaching flowing from the traditional litmus test of power, passion, and ignorance forming the basic tenets of a fair agreement.

Even the judicial handling of security, that dominant theme in trade secret cases, is puzzling. Courts minutely examine the ways in which the company treated its "secrets," and an ultimate finding that the security was sufficient substitutes for the missing nondisclosure agreement and the resulting "confidentiality." Simply put, security practices unilaterally impose a burden on the auditor and viewer. The ethical puzzle reveals itself when the court decides inadequate security measures were taken to protect the secret. If, for example, the claimant "just misses" in proving security, has the claimant forfeited his or her claim? May the employee now freely steal it? The cases say yes. From a public policy view, however, this conclusion is questionable.

If, as is argued here, the function of security is to provide equitable notice of a claim, is not the issue simply whether the potential taker was aware of the proprietary claim and its particular identity? The deontologist, whose judgments are formed by reference to principles of duty, probably would seek just that information. The utilitarian, however, is not that quick to decide and would ask for other uses of security. Security does have another potential function: it attempts to prevent secrets from becoming public knowledge and thereby flowing into the public domain. Most companies keep their business essentially private, but not necessarily legally secure. The ethical issue should be squarely recognized: a review of the cases leaves little doubt that the alleged taker had notice of the proprietary claim and its nature. To determine theft on the degree of security seems a poor public policy, using an otherwise technical element to perform an equitable function. The courts might be more effective if they resisted the temptation to employ the security doctrine as a surrogate for an otherwise meaningful communication with those exposed to the secret.

Finally, one must consider whether reverse engineering is an example of appropriate commercial morality. Does it seem fair that
simply the expense and effort of back-tracking by chemical analysis or other methods is sufficient currency for taking another’s effort which resulted in a trade secret? Unless one accepts the premise that ideas cannot be even temporarily claimed by another, the ethical underpinning of the doctrine of reverse engineering is weak. Some cases can be morally justified on the practical grounds that the legal system need not make any attempt to police the unpolicable. Perhaps that explains judicial approval of the practice, although the cases provide little express evidence of such a consideration. The doctrine of reverse engineering has been accepted without comment, and, sadly, without analysis. If one considers the fairness of permitting protection of an idea that is difficult to copy while denying it to one that is simple, however, genuine questions arise. The cases do not focus on the time, money, and effort at risk in a reverse engineering situation. Instead, courts choose to let the market forces prevail except, on occasion, when an offensive type of trespass facilitated the taking.

Are trade secret questions resolved along lines of commercial morality? Does the proverbial judicial hunch entertain a strong component of an intention to do right to society and the parties? The tentative answer to these questions is that the somewhat mechanistic application of the trade secret rules inartfully polices commercial morality and fails to produce fair or ethical results in many cases. Courts pay little attention to the search for the “good person” in trade secret disputes as they do, for example, in equity cases. The reason for this may be that the legal elements of a cause of action for trade secret appropriation do not deliver practical ethical guidelines for the courts if their goal is to enforce commercial morality.

VI. Conclusion

Can one steal trade secrets ethically? Given the complicated nature of the concept and the struggle among competing and highly legitimate policy interests, it would seem so. The decisions of the past eleven years reveal no serious search for the fairness between the contestants for the use of those business ideas called trade secrets. The judicial opinions determine trade secret cases by certain mechanisms that affect the fairness question: first, applying legal rules which decree ideas of a technical or scientific nature almost always are properly protectable, while other ideas are generally wanting; second, the existence of a confidentiality principle or doctrine, which unabashedly honors contracts of adhesion, unen-
cumbered by any judicial examination as to the fairness of the bar-

gain; third, the dominance of a highly technical but critical test of

security, which performs the dual function of defining the secret and

providing a form of unilateral notice of one's claim to a trade secret,

but seems to possess no ethical component in its application; and,

finally, applying the remarkable doctrine called reverse engineering,

which authorizes taking where the claimant is unlucky enough to

have developed a business idea discoverable by back-tracking.

Therefore, trade secret cases exhibit no major theme of fairness

as is advertised in many judicial opinions. Rather, they record a ju-

dicial product that results from applying legal principles ill-suited

for monitoring commercial reality. This is especially true when

dealing with a set of complex social issues such as surround the pro-

tection of trade secrets.

If courts wish to further honesty and fair dealing in this area,

the mechanistic elements used to determine appropriation claims

should be given secondary importance. Confidentiality, for exam-

ple, cannot be based on contract principles alone. Nor can secrecy

be measured accurately by predetermined external manifestations.

Instead, courts should be encouraged to police fairness and morality

as they have for centuries, through equity. The combination of un-

derstood principles, the maxims of equity, and judicial experience

offer the appropriate environment for a trade secret law that pur-

ports to monitor morality.