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LIMITING TRADE SECRET PROTECTION

INTRODUCTION

The use of trade secret law to protect proprietary assets has a dramatic effect on employment mobility. Employers have a legitimate interest in protecting their assets and usually can protect those assets several ways. The method of protection depends on the type of asset and the importance of the asset. Like patent law and copyright law, trade secret law is a tool to protect proprietary assets.¹ Employers have a right to protect their assets through state trade secret law.² With the increased use of trade secret law, litigation about the scope of trade secret protection has increased. Much of this litigation centers on the conflicts between the employer and the employee.³ The conflict begins, for example, when employer *A* alleges that former employee *X* disclosed proprietary information to employer *B* to the detriment of employer *A*. Employer *A* claims that the information is a trade secret. Employee *X* claims that the information was merely general knowledge and he in fact was never specifically informed that employer *A* claimed the information as a trade secret.

Employees are faced with inequities in light of current trade secret law. Due to the uncertainty in determining the scope of trade secret protection and the difficulty of defining a trade secret, a conflict can arise when an employee tries to distinguish between the general knowledge he acquired during employment and the protected trade secrets of his previous employer. When an employee terminates employment with one employer and

1. Comment, *The Trade Secret Quagmire in Pennsylvania: A Mandate for Statutory Clarification*, 86 DICK. L. REV. 137, 141 (1981) [hereinafter Comment, *Quagmire in Pennsylvania*]. Information, products, and technology will be referred to in this note as assets unless otherwise stated.

2. *Sperry Rand Corp. v. Rothlein*, 241 F. Supp. 549, 564 (D. Conn. 1964).

It is also desirable that established businesses be given reasonable protection against unfair trade practices. . . . If protection . . . is withheld, however, research and development will be impaired, for no employer would be willing to spend large sums on research and development of new ideas, methods and processes, if they can be freely taken and used.

Id. See also *Development-Competitive Torts*, 77 HARV. L. REV. 890, 948 n.6 (1964). "Secrecy may be an attractive alternative even for innovations which probably could be patented; the complexities of the patent system may make protection uncertain, and the business may be depending on the research only to provide an initial competitive advantage." *Id.*

3. Schatzel, *The Trade Secret Dilemma — Employers Beware: Are You Hiring an Employee or an Employee and a Lawsuit?*, 38 U. COLO. L. REV. 311 (1966) (a great percentage of the litigation involving trade secrets is between the employer and the employee).

is hired by another, the employee can sometimes be held liable for the misappropriation of a trade secret. The employee can be held liable if a court determines that the employer has an asset that meets the definition of a protectible trade secret and if the employee disclosed the information to a competing employer.⁴ The uncertainty and discord are compounded by inconsistent court decisions involving trade secrets.⁵

Discord exists between different jurisdictions and within jurisdictions when courts decide the policy, theory, and outcome of trade secret protection.⁶ On a case-by-case basis, various solutions to the problems of trade secret law have developed. Nevertheless, since every state court acts independently, the result has been only a piecemeal adjustment and has resulted in more discord in trade secret law.⁷ For example, every conceivable position has been taken in determining whether a customer list can be considered an asset protectible under trade secret law.⁸

4. See *Cherne Indus. v. Grounds & Assocs.*, 278 N.W.2d 81, 90-91 (Minn. 1979) (employee accused of misappropriating employer's trade secrets).

5. *Rohm & Haas Co. v. Adco Chem. Co.*, 213 U.S.P.Q. (BNA) 723, 751 (D.N.J. 1981), *rev'd on other grounds*, 689 F.2d 424 (3rd Cir. 1982) (courts acknowledge the lack of uniformity and inconsistency in trade secret cases). "There are numerous decisions dealing with the subject, and they are not marked by any discernable consistency. The outcomes appear to depend a great deal on the particular facts and circumstances of each case, and these vary quite widely." *Id.*

6. R. SPANNER, WHO OWNS INNOVATION? 25 (1984) (there is disagreement among courts in the same jurisdiction in determining what standard to apply in trade secret cases). "The judicial definition of a trade secret raises more questions than it answers. And the operational definition is hardly more enlightening, consisting of little more than an enumeration of the factors which courts utilize in deciding what kinds of information are protectable trade secrets." *Id.* at 7.

7. Note, *Balancing Employers' Trade Secret Interests in High-Technology Products Against Employees' Rights and Public Interests in Minnesota*, 69 MINN. L. REV. 984, 991 (1985) [hereinafter Note, *Balancing Interests*]. There could theoretically be fifty different views concerning the standard to apply in trade secret cases. Each state is free to modify and impose its own restrictions and policies concerning trade secrets.

8. There are diverse views as to the scope of trade secret law when applied to customer lists. See, e.g., *Consolidated Brands, Inc. v. Mondy*, 638 F. Supp. 152 (E.D.N.Y. 1986); *Defiance Button Mach. Co. v. C & C Metals Prods. Corp.*, 759 F.2d 1053 (2d Cir.), *cert. denied*, 474 U.S. 844 (1985) (these courts allow customer lists to qualify as trade secrets). *But see* *NCH Corp. v. Broyles*, 563 F. Supp. 142 (E.D. La. 1983), *aff'd in part*, 749 F.2d 247 (5th Cir. 1985); *ISRA Fruit, Ltd. v. Agrexco Agricultural Export Co.*, 631 F. Supp. 984, 990 (S.D.N.Y. 1986) (these courts held that the customer lists did not qualify as trade secrets). "In the context of former employees soliciting customers of a former employer, however, such information does not amount to a trade secret." *Id.* See also *Town & Country House & Home Serv., Inc. v. Newberry*, 3 N.Y.2d 554, 560-61, 147 N.E.2d 724, 727-28, 170 N.Y.S.2d 328, 333-34 (1958); *Leo Silfen, Inc. v. Cream*, 29 N.Y.2d 387, 278 N.E.2d 636, 328 N.Y.S.2d 423 (1972). Generally, customer lists can be protected as trade secrets only where the customers are not "readily ascertainable outside the business as prospective users or consumers of the . . . services or product." *Id.* at 392, 278 N.E.2d at 639, 328 N.Y.S.2d at 427. See generally M. JAGER, TRADE SECRETS LAW HANDBOOK § 3.01 (1984), noting that the Wisconsin Su-

This note will analyze the current state of the ever expanding scope of trade secret law and focus on the conflicts between the employees and employers. Part I will examine the problems, interests, rights, and obligations of employees and employers.⁹ Part II will focus on the causes of decreased employment mobility, namely the uncertainty of the definition and scope of trade secret protection.¹⁰ Part III will examine current trade secret law under the *Restatement of Torts*.¹¹ Part IV will discuss the Uniform Trade Secrets Act's solution to the trade secret controversy.¹² Part V will examine a theoretical model for resolving to the inequities that currently face employees.¹³

I. THE EMPLOYER-EMPLOYEE RELATIONSHIP

Litigation has increased between employers and past employees involving the misappropriation of trade secrets because of the uncertainty in trade secret law. This increase in litigation arose in part because the employer and the employee each have conflicting rights and interests to protect.¹⁴ Fortunately, judges are aware of the clash between both of these legally recognized interests.¹⁵

preme Court held that customer lists could not as a matter of law be considered trade secrets since it would be "contrary to public policy" (citing *Corroon & Black-Rutters & Roberts, Inc. v. Hosch*, 109 Wis. 2d 290, 291, 325 N.W.2d 883, 887 (1982)). The Wisconsin Supreme Court later reaffirmed the *Corroon* decision in *Wisconsin Elec. Power Co. v. Public Serv. Comm'n of Wis.*, 110 Wis. 2d 530, 329 N.W.2d 178 (1983).

9. See *infra* text accompanying notes 14-31.

10. See *infra* text accompanying notes 32-58.

11. See *infra* text accompanying notes 59-122. See also Schuman, *Protecting Customer Information Under Illinois Trade Secret Law*, 70 ILL. B.J. 548, 549 n.19 (1982) (the trade secret section was omitted from the *Restatement (Second) of Torts* since trade secret law was deemed to no longer fall inside traditional tort law).

12. See *infra* text accompanying notes 123-32.

13. See *infra* text accompanying notes 133-97. The proposed theoretical model is at least an important heuristic device and might be a significant theoretical insight into possible modifications of trade secret law. Heuristic is defined as "serving to indicate or point out; stimulating interest as a means of furthering investigation . . . [e]ncouraging a person to learn, discover, understand, or solve problems on his or her own, as by experimenting, evaluating possible answers or solutions, or by trial and error . . ." THE RANDOM HOUSE DICTIONARY OF THE ENGLISH LANGUAGE 898 (2d ed. 1987). For more explanation on the use of model building in this note, see *infra* note 135.

14. Note, *A Balanced Approach to Employer-Employee Trade Secret Disputes in California*, 31 HASTINGS L.J. 671, 673 (1980) [hereinafter Note, *Balanced Approach*]. "When the former employee's knowledge includes information that is a trade secret, however, the former employee's interest in employment mobility and the former employer's interest in protection of the trade secret conflict sharply." *Id.*

15. R. SPANNER, *supra* note 6, at 47. See also Sloan, *Trade Secrets: Real Toads in a Conceptual Garden*, 1 W. ST. L. REV. 113, 115 (1973). There are "competing policies in our law; the right of a business man to be protected against unfair competition stemming from the usurpation of his trade secrets and the right of the individual to the unhampered pursuit of the

A. The Employee's Interests

The employee has valuable interests which if not protected can be diminished under the *Restatement of Torts'* definition of a trade secret.¹⁶ First, reduced employment mobility can occur when an employer threatens the employee that if he resigns and begins working for another corporation, he will be sued since he possesses trade secrets.¹⁷ The employee does not want his intimate knowledge of a previous employer's business to reduce his employment mobility and thereby compromise his ability to earn a living. The employee desires complete control of his personal autonomy in directing his career path.¹⁸ Employment mobility should not be reduced merely because of the employee's knowledge of the current employer's trade secrets.

Second, the employee desires the maximum benefits from the general work experience and does not want unreasonable restraints imposed on him.¹⁹ An employee may resent restrictions on the use of his knowledge that he did not agree to before accepting the employment position.²⁰ Currently, many employees are unaware of their obligation not to disclose certain information since they were not informed that the company regards certain information as a trade secret.²¹ In short, an employee may want to be successful in a growing competitive business, be given responsibility, be given access to technology and proprietary information, but at the same time the employee desires marketability if he decides to change jobs.²²

Finally, when the employee changes jobs, he has an interest in nonprejudicial treatment by future employers. A future employer might be overly cautious in hiring an ex-employee of a competing corporation. Future employers are aware that they too can be held liable if they hire a new employee and the employee discloses the previous employer's trade secrets.²³ In essence, the future employer needs to hire an employee, not a lawsuit. Unfortunately, future employers are justified in these fears due to the un-

occupations and livelihoods for which he is best suited." *Id.* (quoting Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 286, 23 Cal. Rptr. 198, 205 (1962)).

16. See *infra* text accompanying notes 62-66.

17. See R. SPANNER, *supra* note 6, at 47.

18. *Id.* See also *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986) (the court listed several employee interests such as labor mobility, employees' freedom to practice their profession, and promoting free competition).

19. Schatzel, *supra* note 3, at 312.

20. See Robinson, *The Confidence Game: An Approach to the Law About Trade Secrets*, 25 ARIZ. L. REV. 347, 348 (1983).

21. *Id.* "[A]n honest employee . . . may be aware of his obligation to respect his former employer's trade secrets but may have no satisfactory way to distinguish the information he must not disclose and that which he has a right to use." *Id.*

22. See Note, *Balanced Approach*, *supra* note 14, at 673.

23. Robinson, *supra* note 20, at 364.

certainty in trade secret law, and thus, both the employee's and employer's interests are jeopardized.

B The Employer's Interests

The law recognizes not only the interests of the employee, but also the interests of the employer.²⁴ The protection afforded to the employer under trade secret law is uncertain.²⁵ A corporation might invest a substantial amount of capital and time creating an important process, technology, or business information system. Valuable proprietary assets are at stake.²⁶ Although some assets of a corporation may be patentable and others may not, the corporation has a right to rely on trade secret law for protection.²⁷ If an employee discloses these trade secrets to the employer's competitor, the competitor could get an edge in the market. In practice, therefore, the policies of trade secret law are hindered. Certainty in trade secret law would provide incentive for corporate innovation.

If an employee is not restrained from disclosing proprietary information of a previous employer, or if it is possible to steal or hire away a proprietary asset, corporations will have less incentive to innovate new technology.²⁸ An employer has a right to know what products the law will protect. Due to the inefficiencies of state trade secret law, the qualities of a protectible product are unclear.²⁹ This uncertainty causes the employer to be less innovative since he must gamble on whether his product is protected.³⁰ As a result, the employer and the employee must often resort to litigation to determine whether the asset qualifies as a trade secret. Thus, courts are left with the task of trying to balance the conflicting interests, rights, and duties that exist between the employer and the employee.³¹

24. *Sperry Rand Corp. v. Rothlein*, 241 F. Supp. 549, 564 (D. Conn. 1964). One policy of trade secret law is "to protect employers against improper disclosure of information which their employees have received in confidence." *Id.* at 564 (quoting *Allen Mfg. Co. v. Loika*, 145 Conn. 509, 517, 144 A.2d 306, 310 (1958)). See also *Tempo Instruments, Inc. v. Logitek, Inc.*, 229 F. Supp. 1 (E.D.N.Y. 1964).

25. Both the employer and the employee are uncertain about the scope of protection due to the difficulty in deciding what actually is general knowledge. See *infra* text accompanying notes 38-45.

26. Leuzzi, *Process Inventions: Trade Secret or Patent Protection*, 66 J. PAT. OFF. SOC'Y 159, 159 (1984).

27. See sources cited *supra* note 2.

28. Robinson, *supra* note 20, at 348. If the employer's technology can be easily stolen, the employer will have less incentive to innovate.

29. The *Restatement of Torts'* standard in determining trade secret protection is impractical from both the employee's and the employer's perspective. See *infra* text accompanying notes 62-66.

30. Note, *Balancing Interests*, *supra* note 7, at 990.

31. *Fleming Sales Co. v. Bailey*, 611 F. Supp. 507 (N.D. Ill. 1985) (courts try to strike a balance between the employee's and the employer's interests). See also R. ELLIS, TRADE

II. THE REASON FOR THE CONFLICT

The conflict between the employer's and the employee's interest generally culminates in a tort suit. When an employer brings an action against a former employee, it is usually for the misappropriation of a trade secret.³² The employee has a duty "not to use or disclose the employer's confidential information to the employer's detriment."³³ To be successful in a misappropriation action, the plaintiff-employer must prove the following elements:³⁴

(1) Plaintiff is the owner of a trade secret. (2) Plaintiff disclosed the trade secret to defendant . . . (3) Defendant was in a legal relation with reference to plaintiff as a result of which defendant's use or disclosure of the trade secret to plaintiff's detriment is wrongful. (4) Defendant has used or disclosed . . . the trade secret to plaintiff's detriment; or, defendant, who knew or should have known of plaintiff's rights in the trade secret [used or disclosed the trade secret] to plaintiff's detriment.³⁵

Unfortunately, there are two major problems with these elements which result in reduced employment mobility for the employee: the uncertainty in determining the scope of trade secret protection;³⁶ and the lack of any duty

SECRETS § 238-240 (1953).

32. *Cherne Indus., Inc. v. Grounds & Assocs.*, 278 N.W.2d 81 (Minn. 1979) (employer brought misappropriation of trade secret tort suit against employees). Misappropriation is defined as "[t]he act of misappropriating or turning to a wrong purpose; wrong appropriation; a term which does not necessarily mean peculation; although it may mean that. Term may also embrace the taking and use of another's property for sole purpose of capitalizing unfairly on good will and reputation of property owner." BLACK'S LAW DICTIONARY 901 (5th ed. 1979). See also *Peabody v. Norfolk*, 98 Mass. 452 (1868) (the first case to recognize the tort of misappropriation of a trade secret in the United States); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 n.23 (1974).

33. Hutter, *Pursuing Ex-Employees Who Misappropriate Trade Secrets: Pretrial Considerations*, 6 LITIG. 39, 40 (1980). See also R. MILGRIM, 12 BUSINESS ORGANIZATIONS (MB) § 5.02(1) (1987).

34. Cf. *Cherne Indus., Inc. v. Grounds & Assocs.*, 278 N.W.2d 81, 90 (Minn. 1979). The *Cherne* court cites alternative elements for the tort of misappropriation. The elements are: "(1) the protected matter is not generally known or readily ascertainable, (2) it provides a demonstrable competitive advantage, (3) it was gained at expense to the employer, and (4) it is such that the employer intended to keep it confidential." *Id.*

35. *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 811 (E.D. Pa. 1974) (citing the most common element for the tort of misappropriation of a trade secret). See also *Van Prods. Co. v. General Welding and Fabricating Co.*, 419 Pa. 248, 213 A.2d 769 (1965); *Wexler v. Greenberg*, 399 Pa. 569, 160 A.2d 430 (1960); *Macbeth-Evan Glass Co. v. Schnellbach*, 239 Pa. 76, 86 A. 688 (1913). See generally R. MILGRIM, *supra* note 33, § 7.07(1).

36. See *infra* text accompanying notes 38-45. See also R. SPANNER, *supra* note 6, at 7. The pragmatic definition of a trade secret is that which a judge says it is. This perspective is saved from cynicism by the fact that there is little agreement [as to] . . . what should be regarded as a trade secret and under what circumstances it should be protected, and saying a trade secret is merely what a given court says it is is not so far from

of the employer to specifically notify the employee of what product, technology, or information the corporation considers to be trade secrets.³⁷

A. *The Scope of Protection*

The first uncertainty in the tort of misappropriation of a trade secret is determining which assets qualify for trade secret protection. A court begins this inquiry by determining whether the asset is considered general knowledge. A corporation cannot protect general knowledge with trade secret law.³⁸ Accordingly, an employee can transfer to another employer all the general knowledge and skill that he has acquired from a previous employer.³⁹ "A man's aptitude, his skill, his dexterity, his manual and mental ability" does not belong to the employer.⁴⁰ The law does not require the employee's mind to be a "*tabula rasa*."⁴¹ The employee does not need to erase from his mind all the general knowledge that he has learned from the previous employer.⁴²

The problem and uncertainty involved in distinguishing between general knowledge and a trade secret is that the determination depends wholly on the facts and circumstances of each case and is purely a question of fact.⁴³ As one commentator stated, "differentiating between general employee knowledge and skill on the one hand and company proprietary infor-

the truth.

Id. See also Sloan, *supra* note 15, at 123 (calling the definition of a trade secret "far from perfect, hyper-ambiguous").

37. See *infra* text accompanying notes 46-58.

38. *Schulenburg v. Signatrol, Inc.*, 33 Ill. 2d 379, 387, 212 N.E.2d 865, 869 (1965), *cert. denied*, 383 U.S. 959 (1966). "[A]n employee may take with him, at the termination of his employment, general skills and knowledge acquired during his tenure with the former employer. It is equally clear that the same employee may not take with him confidential particularized plans or processes developed by his employer . . ." *Id.*

39. *Id.*

40. *Air Prods. & Chem., Inc. v. Johnson*, 219 U.S.P.Q. (BNA) 458, 463 (Pa. Ct. Com. Pleas 1981). See also R. MILGRIM, *supra* note 33, § 5.02(3).

41. *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*, 166 F. Supp. 250, 278 (S.D. Cal. 1958), *aff'd*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961).

42. *ILG Indus., Inc. v. Scott*, 49 Ill. 2d 88, 93-94, 273 N.E.2d 393, 396 (1971). Manufacturer of industrial fans brought an action against former employees to enjoin those employees from using certain alleged trade secrets. The court held that certain dimensions of manufacturer's industrial fans were unique to the manufacturer. The court found that the drawings containing information and specifications pertaining to the dimensions were trade secrets. *Id.* See also *Smith Oil Corp. v. King Chem. Co.*, 127 Ill. App. 3d 423, 468 N.E.2d 797 (1984); *Spring Steels, Inc. v. Molloy*, 400 Pa. 354, 357-58, 162 A.2d 370, 373 (1960).

43. *Telex Corp. v. Int'l Business Machs. Corp.*, 510 F.2d 894, 928 (10th Cir.), *cert. dismissed*, 423 U.S. 802 (1975). A manufacturer of plug compatible electronic data processing peripheral devices misappropriated trade secrets belonging to IBM by luring IBM's employees away with the promise of greatly increased salaries. The manufacturer used the information brought by the employees to gain "lead time" to manufacturer plug compatible devices. *Id.*

mation on the other can almost be an occult science.”⁴⁴ Therefore, the employee unfairly carries the burden of knowing whether the asset is a trade secret or general knowledge since the employer has no duty to give the employee actual notice of the trade secret.⁴⁵

B. The Lack of Notice

The second uncertainty found in the tort of misappropriation of a trade secret is that the employer has no duty to specifically inform the employee about what the employer considers a trade secret. Various courts reason that actual notice to the employee is not required because the nature of the employer-employee relationship alone puts the employee on notice of the trade secret.⁴⁶ This reasoning seems inequitable because the traditional, legal concept of scienter⁴⁷ requires an individual to be aware of his wrongful actions before liability attaches.⁴⁸

In traditional trade secret cases, courts reason that when an employee enters a confidential relationship with the employer, notice is presumed and is legally sufficient to bind the employee to non-disclosure of the employer's trade secrets.⁴⁹ Theoretically, the employer can bind the employee to this confidential relationship indefinitely because the fiduciary duty survives the termination of employment.⁵⁰ Furthermore, the employee is bound even in the absence of a restrictive covenant or an express agreement not to disclose the employer's trade secrets.⁵¹

44. R. SPANNER, *supra* note 6, at 48.

45. *See infra* text accompanying notes 186-92.

46. *Jerrold-Stephens Co. v. Gustaveson, Inc.*, 138 F. Supp. 11, 15 (W.D. Mo. 1956) (an express contract is unnecessary); R. MILGRIM, *supra* note 33, § 5.02(2) (“[b]ut how does an employee know when information is reposed in him in secret and when it is not?”). *But see* *Shatterproof Glass v. Guardian Glass Co.*, 322 F. Supp. 854 (E.D. Mich. 1970), *aff'd and remanded*, 462 F.2d 1115 (6th Cir. 1972), *cert. denied*, 409 U.S. 1039 (1972) (employees were paid a very low salary and therefore were not considered to be in confidential relations by the employment relationship alone).

47. BLACK'S LAW DICTIONARY 1207 (5th ed. 1979) (defining scienter). “The term is frequently used to signify the defendant's guilty knowledge.” *Id.*

48. *Robinson, supra* note 20, at 378.

49. *Lear Siegler v. Ark-Ell Springs, Inc.*, 569 F.2d 286, 288 (5th Cir. 1978) (duty of employee not to disclose trade secrets is implicit in the employment relationship). *See also* *Thiberg v. Bach*, 107 F. Supp. 639, 642 (D.N.J. 1952), *aff'd*, 203 F.2d 956 (3d Cir. 1953).

50. *See A.H. Emery Co. v. Marcan Prods. Corp.*, 268 F. Supp. 289, 299 (S.D.N.Y. 1967), *aff'd*, 389 F.2d 11 (2d Cir.), *cert. denied*, 393 U.S. 835 (1968) (plaintiff claimed that its former employees misappropriated some of plaintiff's trade secrets to manufacture and sell hydraulic load cells).

51. *Abraham Zion Corp. v. LeBow*, 593 F. Supp. 551, 569 (S.D.N.Y. 1984), *aff'd*, 761 F.2d 93 (2d Cir. 1985) (employee has a fiduciary duty even absent a restrictive covenant). *See also* *Lamdin v. Broadway Surface Advertising Corp.*, 272 N.Y. 133, 5 N.E.2d 66 (1936); *Byrne v. Barrett*, 268 N.Y. 199, 197 N.E. 217 (1935). *But see* *Loral Corp. v. Moyes*, 174 Cal. App. 3d 268, 219 Cal. Rptr. 836 (1985). “An agreement between employer and employee

Permitting the employer to give only an implied notice to the employee seems harsh when one considers that even scholars and judges have a hard time deciding what actually is or is not a trade secret.⁵² Because courts regard a trade secret as an important interest of a company, trade secret law demands only implied notice.⁵³ Since in many employment relations the employer does not require the employee to sign a detailed trade secret agreement, the employee must infer from the circumstances what the employer and the courts might regard as a trade secret.⁵⁴ Consequently, the employee will suffer the consequences of a lawsuit if he does not correctly infer from the circumstances that certain information is protected. The responsibility of knowing whether or not the employer has a trade secret is an unfair burden on the employee.

Placing the burden on the employee to know the existence of a trade secret is improper and inequitable. If litigation on the tort of misappropriation occurs, the court automatically assumes that the employee knew of the trade secret when the court finds, through the factual analysis, that the employer has a valid trade secret.⁵⁵ But even scholars and judges have difficulty determining what is a trade secret; therefore, an employee is likely to have even more difficulty determining what the employer regards as a trade secret.⁵⁶ Furthermore, not all employees will have access to the type of in-

defining a trade secret may not be decisive in determining whether the court will so regard it." *Id.* at 276, 219 Cal. Rptr. at 840.

52. See R. SPANNER, *supra* note 6, at 7.

53. Note, *Trade Secrets, Customer Contacts and the Employer-Employee Relationship*, 37 IND. L.J. 218, 221 (1962). "The courts regard trade secrets as such an important interest of an employer that an injunction will be issued to restrain an employee from wrongful use or disclosure even though the contract of employment contains no restrictive covenant." *Id.* See also *Empire Steam Laundry v. Lozier*, 165 Cal. 95, 99, 130 P. 1180, 1182 (1913).

54. *In re Innovative Const. Sys.*, 793 F.2d 875 (7th Cir. 1986) (the employee is to infer from the circumstances if the employer has a trade secret).

55. This of course presupposed that the employee and the employer had entered into a confidential relationship. However, simply because the employee has entered a confidential relationship does not guarantee that the employee will know with certainty what particular information the employer considers to be trade secrets. Furthermore, the employer may have misplaced reliance that certain information can be protected under trade secret law. See also R. MILGRIM, *supra* note 33, § 4.03.

Those decisions which rely upon the concept of confidential relationship may be divided into two basic approaches which parallel those used when the courts employ implied contract principles. (1) Express recognition of the trade secret owner's property right, in protection of which a court of equity will not permit one who has come to learn the trade secret in a confidential relationship to use or disclose it to the detriment of the owner. (2) Grant of relief upon the basis of confidential relationship without allusion to the property right.

Id.

56. See *supra* text accompanying note 52 (an employee will have even more difficulty than a judge in determining if the employer has a trade secret).

formation needed to assess whether the asset qualifies as a trade secret.⁵⁷ For example, if the employer claims that a certain technology is a trade secret, but the technology is widely known or held by many other companies, the technology will not qualify as a trade secret.⁵⁸ In this case, placing the burden on the employee is inequitable because the information needed to determine whether the particular product qualifies for trade secret protection lies solely within the knowledge of the employer. Therefore, placing the burden on the employee to know the existence of the employer's trade secrets in some instances is inherently inequitable.

III. CURRENT TRADE SECRET LAW

Trade secret law serves several policies. One policy of trade secret law is to protect "against breach of faith and reprehensible means of learning another's secret."⁵⁹ The Supreme Court has stated that such a policy allows for the maintenance of ethics in the commercial world.⁶⁰ Another policy and objective of trade secret law is to encourage invention.⁶¹ Although the various policy objectives of trade secret law are certain, great uncertainty exists regarding the precise definition of a trade secret.

The *Restatement of Torts* and many courts have struggled with determining the appropriate definition of a trade secret.⁶² As one judge con-

57. See Robinson, *supra* note 20, at 377. "It is often very difficult, however, to distinguish information that is a trade secret from information that is not. The prevailing test for making that distinction is concededly one involving difficult judgments about the extent of outside knowledge, and the firm's efforts to develop and safeguard the information." *Id.*

58. See *infra* text accompanying note 66. One of the factors in the definition of a trade secret is "the extent to which the information is known outside of [the employer's] business." Therefore, technology that is widely known outside the business cannot be protected as a trade secret.

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

60. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974).

61. *Id.* See also *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842, 850 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). "[T]he rationale behind state trade secret law is to encourage invention, and to provide innovators with protection for the fruits of their labors." *Id.* Some scholars, however, believe that the encouragement of invention is not a valid purpose of trade secret law. See *Winston Research Corp. v. Minn. Mining & Mfg. Co.*, 350 F.2d 134 (9th Cir. 1965); *Schulenburg, Inc. v. Signatrol, Inc.*, 33 Ill. 2d 379, 212 N.E.2d 865 (1965). See generally R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES* § 14.01 (4th ed. 1982). "[A]ccordingly, state laws which may be designed to protect trade secrets cannot be based on a policy of rewarding or otherwise encouraging the development of secret processes or devices." *Id.*

62. Schatzel, *supra* note 3, at 319. "The term 'trade secret' is ambiguous and there is no universally accepted definition . . ." *Id.* See also *Air Prods. & Chems., Inc. v. Johnson*, 219 U.S.P.Q. (BNA) 458, 462 (Pa. Ct. Com. Pleas 1981). "A precise definition of a trade secret is obviously impossible to formulate, but the *Restatement* again provides factors to be considered in the determination." *Id.* For an excellent analysis attempting to determine the modern definition of a trade secret, see M. JAGAR, *supra* note 8, §§ 3.01(1)-3.04.

ceded, "[t]he concept of a trade secret is extraordinarily difficult to define."⁶³ The *Restatement* also concedes that "[a]n exact definition of a trade secret is not possible."⁶⁴ Instead, the *Restatement*, in defining a trade secret, lists six factors to be considered in the analysis:⁶⁵

- (1) the extent to which the information is known outside of [the employer's] business;
- (2) the extent to which it is known by employees and others involved in his business;
- (3) the extent of measures taken by him to guard the secrecy of the information;
- (4) the value of the information . . . ;
- (5) the amount of effort or money expended by him in developing the information;
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.⁶⁶

The six factors of the *Restatement of Torts* must be met before an asset qualifies for protection under trade secret law.

Of these six factors, secrecy is one of the most important requirements. The secrecy must be beyond the mere privacy with which a business is operated in normal and everyday transactions.⁶⁷ The requirement of secrecy is an important indicator which puts the employee on inquiry notice that the employer considers an item a trade secret.⁶⁸ Additionally, the asset must be

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

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

65. *Id.* The *Restatement of Torts* uses six factors to determine if an item qualifies for trade secret protection. This factoring approach is one of the main reasons why it is difficult for an employee to determine if an employer even has a trade secret.

66. See, e.g., *Smith Oil Corp. v. Viking Chem. Co.*, 127 Ill. App. 3d 423, 468 N.E.2d 797 (1984). The complaint for injunction alleged that defendants possessed customer lists, customer orders, pricing information, cost information, sample formula, product formula, and customer correspondence. *Id.* at 426, 468 N.E.2d at 799. The plaintiff claimed that this material was taken from him without authorization. *Id.* The court then applied the six factors from the *Restatement of Torts* to determine if the plaintiff had a valid trade secret. *Id.* at 427, 468 N.E.2d at 800. The court relied heavily on *ILG Indus. v. Scott*, 49 Ill. 2d 88, 93, 273 N.E.2d 393, 396 (1971). See also *American Wheel & Eng'g Co. v. Dana Molded Prods., Inc.*, 132 Ill. App. 3d 205, 476 N.E.2d 1291 (1985). See generally Klein, *The Technical Trade Secret Quadrangle: A Survey*, 55 NW. U.L. REV. 437 (1960).

67. *Glucol Mfg. Co. v. Schulist*, 239 Mich. 70, 75, 214 N.W. 152, 153 (1927). The plaintiff was an Ohio corporation and was engaged in the manufacturing and selling of adhesives. *Id.* at 72, 214 N.W. at 152. The defendant worked for the plaintiff for a period of time and then started a competing business using the formula he learned from the plaintiff. *Id.* The court then had to determine if the formula was kept secret enough to qualify for protection under trade secret law. *Id.* at 73, 214 N.W. at 153. See also *In re Bolster*, 59 Wash. 655, 656, 110 P. 547, 548 (1910).

68. See *Q-CO Indus., Inc. v. Hoffman*, 625 F. Supp. 608 (S.D.N.Y. 1985). "The rule is only that a substantial element of secrecy must exist and this means so much that except by uses of improper means, there would be difficulty in acquiring the information." *Id.* at 617. See also *A.H. Emery Co. v. Marcan Prods. Corp.*, 389 F.2d 11, 16 (2d Cir.), cert. denied, 393 U.S. 835 (1968).

used continuously in a business to qualify for trade secret protection.⁶⁹ For example, the salary of an employee is not protectible nor is the date on which a new product model is to be made available to the public.⁷⁰ Finally, even if the item is kept secret and used continuously in a business, it will not qualify as a trade secret if it contains matters of "public knowledge,"⁷¹ "general knowledge,"⁷² or "common knowledge."⁷³

Many courts have adopted the *Restatement of Torts*' method of defining a trade secret since the principles are well established.⁷⁴ The *Restatement* states that a trade secret may be a formula, pattern, device, compilation of information, chemical compound, pattern, or customer list.⁷⁵ The *Restatement*, however, points out that this list serves only as an illustration of items that can be protected by trade secret law and is not exclusive.⁷⁶ In

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

70. *Id.*

71. *See* Litton Sys., Inc. v. Sundstrand Corp., 750 F.2d 952, 958 (Fed. Cir. 1984). Litton makes ring laser gyroscopes (RLG) normally formed from a thermal and mechanically stable block of quartz ceramic material. *Id.* at 953. Litton filed a complaint for misappropriation of trade secrets relating to the RLG. *Id.* The court held that "[m]atters of broad public knowledge . . . in an industry cannot constitute confidential information or a trade secret." *Id.* at 958.

72. *See* Aetna Bldg. Maintenance Co. v. West, 39 Cal. 2d 198, 206, 246 P.2d 11, 16 (1952) (general knowledge cannot constitute a trade secret; therefore, methods of janitorial services and procedures for estimating the price of a new contract were held not to be trade secrets).

73. *See* Wiebold Studio, Inc. v. Old World Restorations, Inc., 19 Ohio App. 3d 246, 484 N.E.2d 280 (1985). "Formulas, patterns, devices, or compilations of information of common knowledge do not qualify as trade secrets." *Id.* at 284. *Cf. In re Innovative Constr. Sys.*, 793 F.2d 875 (7th Cir. 1986). The action was for the misappropriation of a formula which was used for simulating brick paneling. The formulas were disclosed to former employees in confidence and under a pledge of secrecy. *Id.* *See also* Fairchild Engine and Airplane Corp. v. Cox, 50 N.Y.S.2d 643 (Sup. Ct. 1944) (common knowledge cannot constitute a trade secret).

74. *See* Colgate-Palmolive Co. v. Carter Prods., 230 F.2d 855, 864 (4th Cir.), *cert. denied*, 352 U.S. 843 (1956). The defendant was unable to develop plaintiff's rising formula for shaving cream, so he hired away from the plaintiff an employee who had worked on the development of the formula and who was in a confidential relationship with the plaintiff. *Id.* For an overview of the various jurisdictions which have cited comment b of section 757 from the *Restatement of Torts*, see R. MILGRIM, *supra* note 33, § 2.01. *See also* Gilburne & Johnson, *Computer Software Protection Available in Trade Secret Law*, Legal Times, Nov. 22, 1982, at 16, col. 1 (most states and all federal jurisdictions use section 757).

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

A trade secret may consist of any formula, pattern; device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.

Id.

76. *Id.* This list is not exclusive. Other assets could conceivably qualify as trade secrets within the *Restatement of Torts*' definition. However, in order to qualify, such an asset must fulfill the six requirements set out in § 757 comment b.

addition, under the *Restatement of Torts* an item need not be patentable to qualify as a protectible trade secret.

Trade secret law protects both patentable and nonpatentable inventions.⁷⁷ Case law suggests that the novelty⁷⁸ and nonobviousness⁷⁹ requirement for patentability of an invention is not essential to protect the asset under trade secret law.⁸⁰ Thus, the state of the art is irrelevant to the existence of a trade secret.⁸¹ The *Restatement* also does not require a product to have these attributes to qualify for trade secret protection because it is not granting an exclusive property right to the owner. Instead, the *Restatement* merely punishes bad faith and wrongful misappropriation.⁸²

Protecting an asset by trade secret law, as opposed to patenting the invention, provides both advantages and disadvantages. One advantage is that trade secret protection lasts for an infinite amount of time.⁸³ Patent law has a specific time limitation. Since there is no time limitation on the amount of protection in trade secret law, some corporations are encouraged to keep their inventions as trade secrets rather than obtaining a patent. Another advantage is that a trade secret can be kept by its owner, who does not need to be the inventor; whereas in patent law, only the inventor can

77. Schatzel, *supra* note 3, at 319. See also *Kamin v. Kuhnau*, 232 Ore. 139, 374 P.2d 912 (1962). The plaintiff perfected a so-called "packer" garbage truck body. Plaintiff communicated the improvements to the defendant in the course of a confidential relationship. The defendant then manufactured and sold them in competition with the plaintiff. Plaintiff then brought a suit against the defendant for the misappropriation of trade secrets. *Id.*

78. See *Jostens, Inc. v. National Computer Sys., Inc.*, 318 N.W.2d 691 (Minn. 1982). "Courts agree that trade secrets lie somewhere on a continuum from what is generally known in a field to what has some degree of uniqueness, although there need not be the degree of novelty or originality required for patent or copyright protection." *Id.* at 698. See also R. MILGRIM, *supra* note 33, § 2.08(2) (novelty is not required to qualify for trade secret protection); *In re Innovative Constr. Sys.*, 793 F.2d 875 (7th Cir. 1986).

79. See *Computer Print Sys., v. Lewis*, 281 Pa. Super. 240, 422 A.2d 148 (1980) (a trade secret does not need to be nonobvious).

80. See also RESTATEMENT OF TORTS § 757 comment b (1939).

81. See, e.g., *Sperry Rand Co. v. Rothlein*, 241 F. Supp. 549 (D. Conn. 1964). "[E]ven if each item were disclosed by the prior art . . . and the [corporation] combined them in a method or process which produced a superior product, it still would have met the standard of a protectible [product]." *Id.* at 560.

82. Root & Blyn, *Abandonment of Common-Law Principles: The North Carolina Trade Secrets Protection Act*, 18 WAKE FOREST L. REV. 823, 844 (1982). See also *Wiebold Studio, Inc. v. Old World Restoration, Inc.*, 19 Ohio App. 3d 246, 484 N.E.2d 280 (1985). "The underlying principles of trade secret law, as noted by Justice Oliver W. Holmes, are not those of property law but the equitable principles of good faith applicable to confidential relationships." *Id.* at 248, 484 N.E.2d at 284.

83. *But see Leuzzi, supra* note 26, at 168. "Although the trade secret route carries the potential for unlimited protection, it has been estimated that, as a practical matter, the average life of a trade secret is a mere three years." *Id.* See also *Jorda, The Rights of the First Inventor-Trade Secret User as Against Those of the Second Inventor-Patentee (Part II)*, 61 J. PAT. OFF. SOC'Y 593 (1979).

obtain a patent.⁸⁴

Although there are advantages in protecting assets by trade secret law rather than patent law, there are also disadvantages. One disadvantage of protecting an invention by trade secret law is that a trade secret can be lost by reverse engineering.⁸⁵ For example, assume that a product is sold to the public and the technology which created the product is protected by trade secret law and held by company X. If company Y buys the product and its engineers discover the technology by analyzing the product, company X can no longer claim that the technology which created the product is a trade secret. If company X had patented the technology, company Y could not destroy company X's interest by reverse engineering. In addition, if a company allows public view of its technology through tours or allows customers to enter all areas of its facility in an unrestricted fashion, the company stands to lose its trade secret protection.⁸⁶ Another disadvantage of protecting an asset through trade secret law is that if the trade secret is used for more than one year in the United States, the invention will not be eligible for patent protection if the inventor later decides to pursue a patent.⁸⁷

Notwithstanding these disadvantages, companies in many instances are choosing to protect their assets through state trade secret law rather than patent law. Although patent law is based on federal statutes, trade secret law developed through the state common law system.⁸⁸ Accordingly, various

84. A. SEIDEL & R. PANITCH, WHAT THE GENERAL PRACTITIONER SHOULD KNOW ABOUT TRADE SECRET AND EMPLOYMENT AGREEMENTS 3 (1973).

85. *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842, 850 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). "Moreover, unlike a patent, a trade secret affords no rights against independent development of the same technology or knowledge by others." *Id.* See, e.g., *Telex Corp. v. Int'l Business Machs. Corp.*, 510 F.2d 894, 929 (10th Cir.), *cert. dismissed*, 423 U.S. 802 (1975) (the court discusses the possibility of reverse engineering on IBM computers). *But see* *ILG Indus., Inc. v. Scott*, 49 Ill. 2d 88, 94, 273 N.E.2d 393, 396 (1971) (some cases hold that the defense of reverse engineering will not work "where such a process is relatively time consuming and expensive"). See also *Schulenburg v. Signatrol, Inc.*, 33 Ill. 2d 379, 386-87, 212 N.E.2d 865, 868 (1965), *cert. denied*, 383 U.S. 959 (1966).

86. See *Cadillac Gage Co. v. Verne Eng'g Corp.*, 203 U.S.P.Q. (BNA) 473, 477 (Mich. Cir. Ct. 1978) (plaintiff gave numerous tours to visitors and prospective customers through all parts of the facility and was therefore not entitled to protection under trade secret law). *Accord* *National Rejectors, Inc. v. Trieman*, 409 S.W.2d 1 (Mo. 1966). See also *Schuman, supra* note 11, at 552. "Trade secret status is denied when the information is generally accessible in open files or widely and openly disseminated to the company's employees." *Id.*

87. A. SEIDEL & R. PANITCH, *supra* note 84, at 3. See also *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986) (patent infringement suit related to an automated apparatus for loading magnetic blank or prerecorded audio or video tapes into closed cassettes).

88. See *Mihalek Corp. v. Mich.*, 595 F. Supp. 903 (E.D. Mich. 1984) (trade secret law is based on the common law of the states). *Accord* *Gilson v. Republic of Ireland*, 606 F. Supp. 38 (D.D.C. 1984), *aff'd*, 787 F.2d 655 (D.C. Cir. 1986); *Permagrain Prods., Inc. v. U.S. Mat & Rubber Co.*, 489 F. Supp. 108 (E.D. Pa. 1980); *Midland-Ross Corp. v. SunBeam Equip.*

state courts determine the extent of the protection. Historically, the state courts have used a variety of legal theories to support their decisions.⁸⁹ The courts have decided cases based on theories of property right,⁹⁰ contract,⁹¹ implied contract,⁹² and breach of confidence.⁹³

Scholarly articles disagree on the issue of whether trade secrets have property qualities.⁹⁴ Some commentators take offense to the notion that

Corp., 316 F. Supp. 171 (W.D. Pa.), *aff'd*, 435 F.2d 159 (3d Cir. 1970). *See also* Schatzel, *supra* note 3, at 314. "Trade secret civil cases are covered by the common law, and judicial attitudes vary from state to state." *Id.*

89. Note, *Protection of Trade Secrets in the Employer-Employee Relationship*, 39 NOTRE DAME LAW. 200, 203 (1964).

90. *See* Glass v. Kottwitz, 297 S.W. 573, 575 (Tex. Ct. App. 1927). "It is well settled that one who has a secret process or formula, even though unpatented, has a property right therein, which, though subject to be lost, should one honestly discover or rightfully come into the possession of a knowledge of the same." *Id.*

91. *See* Fralich v. Despar, 165 Pa. 24, 30 A. 521 (1894). Plaintiff employed the defendant in the manufacture of certain oils and greases. Before the defendant entered such employment, he agreed not to divulge or use any secrets of the business that might be made known to him. The court found that the agreement was read and thoroughly understood by the defendant. The court held that an employee in possession of the secrets of a business under such an agreement has no right to use the secrets for his private use. *Id.*

92. *See* O & W Thum Co. v. Tloczynski, 114 Mich. 149, 155, 72 N.W. 140, 143 (1897). "If it may be stated that the only agreement is an implied one, growing out of oral statements taken in connection with the fact and circumstances surrounding the business . . . we do not think it would make any difference in the principle involved." *Id.* Therefore, the court gave relief to the plaintiff since the process and machinery used by the business were regarded as secrets and were of great value. *Id.*

93. *See* Extrin Foods, Inc. v. Leighton, 202 Misc. 592, 598, 115 N.Y.S.2d 429, 434 (Sup. Ct. 1952).

Even though the contract of hiring contained no express covenant, the individual defendants, by an implied agreement bound themselves not to disclose, reveal or appropriate secret processes or formulae. Liability under these circumstances is predicated on the breach of this duty rather than on the specific property right of the plaintiff.

Id. (citations omitted). *See also* RESTATEMENT (SECOND) OF AGENCY § 395 (1958) (using or disclosing confidential information). *See, e.g.*, Kinnear-Weed Corp. v. Humble Oil & Refining Co., 150 F. Supp. 143, 159 (E.D. Tex. 1956), *aff'd*, 259 F.2d 398 (5th Cir. 1958), *cert. denied*, 361 U.S. 903 (1959).

The essential elements of a cause of action for breach of confidence are (i) possession by the plaintiff of knowledge or information which is not generally known, (ii) communication of this knowledge by the plaintiff to the defendant under an express or implied agreement limiting its use or disclosure by the defendant, and (iii) use or disclosure by the defendant of the knowledge or information so obtained in violation of the confidence, to the injury of the plaintiff.

Id.

94. M. JAGER, *supra* note 8, § 4.01(3). The debate over whether trade secrets have property qualities has covered many decades. Too often the argument is just a fruitless theoretical discussion. Generally courts use two approaches to analyze misappropriation of trade secret cases. The breach of confidence approach focuses on whether a legal violation has occurred. The property approach focuses first on the question of whether a protectible trade secret exists and then determines if there was a misappropriation of that trade secret by an

trade secrets constitute property. For example, Stedman, in his article *Trade Secrets*,⁹⁵ states: "It is, indeed, a strange form of 'property' that disappears when the information it embraces becomes public or others independently make the same discovery, and the protectability of which depends upon the circumstances of disclosure"⁹⁶

The conceptual problem which Stedman addresses should not present a barrier to the assertion that some trade secrets have property qualities. Similar limitations are found in the law of real property. For example, a property right in land can be extinguished or limited in several ways, most notably by adverse possession and prescriptive easement.⁹⁷ A patent also has property qualities; however, these property qualities also "disappear" after seventeen years.⁹⁸

The Supreme Court in *E.I. Du Pont de Nemours Powder Co. v. Masland*,⁹⁹ decided a very influential case involving the question of whether trade secrets have property qualities. In *Masland*, Justice Holmes set forth a starting point test for trade secret litigation. "The property may be denied, but the confidence cannot be, therefore, the starting point is not property or due process of law but that the defendant stood in confidential relation with the plaintiff."¹⁰⁰ Opponents who state that trade secrets do not

employee. *Id.* In spite of this circular debate, scholarly research provides a valuable tool not merely to state in general whether trade secrets have property qualities, but to use the property concept to categorize trade secrets. See also *Ferroline Corp. v. General Aniline & Film Corp.*, 207 F.2d 912 (7th Cir. 1953), *cert. denied*, 347 U.S. 953 (1954). "We are dealing with a type of intellectual property, — in effect, a property right in discovered knowledge." *Id.* at 922. See also *Darsyn Laboratories, Inc. v. Lenox Laboratories, Inc.*, 120 F. Supp. 42 (D.N.J.), *aff'd*, 217 F.2d 648 (3d Cir. 1954), *cert. denied*, 349 U.S. 921 (1955); *Schuster v. Pennsylvania Turnpike Comm'n*, 395 Pa. 441, 453, 149 A.2d 447, 453 (1959). The court defines property to be "practically all valuable rights, the term being indicative and descriptive of every possible interest which a person can have, in any and everything that is the subject of ownership by man" *Id.*

95. Stedman, *Trade Secrets*, 23 OHIO ST. L.J. 4 (1962). For an excellent in-depth analysis on the effect of the *Masland* decision in the debate if trade secrets have property qualities, see R. MILGRIM, *supra* note 33, §§ 1.01-1.02.

96. *Id.* at 21.

97. *Calhoun v. Smith*, 387 So. 2d 821 (Ala. 1980); *Tanner v. Thompson*, 376 So. 2d 697 (Ala. 1980); *Patient v. Stief*, 49 Ill. App. 3d 99, 363 N.E.2d 927 (1977) (a property interest in land can be extinguished by adverse possession).

98. See *infra* note 140.

99. 244 U.S. 100 (1917).

100. *Id.* at 102. See also R. CALLMAN, *supra* note 61, § 14.02.

The value of Justice Holmes' remark is that it reminds us that it is circular to reason that because something is called property it should be protected; when, in fact, it is the policy judgment that something ought to be protected that leads us to call it property in the first place. Thus, we are required to reason from a policy basis, and not allowed to fall into habits of mechanical jurisprudence whereby a mere label (property) automatically implies a legal result (protectible).

Id.

have property qualities regularly cite the *Masland* decision. However, the statement was dictum, not the holding. Furthermore, since *Erie Railroad v. Tompkins*,¹⁰¹ the federal court system must use state substantive law.¹⁰² Therefore, even if one argues that the Supreme Court has held that trade secrets have no property qualities, such an argument is not persuasive because state law, in the absence of federal preemption, controls the question.¹⁰³

State courts are still split on the issue of whether trade secrets have property qualities even years after the *Masland* decision.¹⁰⁴ Some state courts agree with the Supreme Court's *Masland* decision that trade secrets do not have property qualities.¹⁰⁵ In *Northern Petrochemical Co. v. Tomlinson*,¹⁰⁶ the Seventh Circuit addressed the issue of whether trade secrets have property qualities. The court in *Tomlinson* held that trade secrets, unlike patents and copyrights, do not have property dimensions.¹⁰⁷ Instead, the court decided that a suit involving trade secrets should be grounded in tort, with the act of theft as the misfeasance.¹⁰⁸

Many state courts, however, continue to suggest that trade secrets have property qualities despite the *Masland* dictum.¹⁰⁹ As one probes into state

101. 304 U.S. 64 (1938). The liability of a railroad company for injuries to plaintiff caused by the negligent operation of its train depends, in the absence of federal or state statute, upon the unwritten law of the state where the accident occurred. *Id.*

102. *Erie*, 304 U.S. at 71 (a federal court must apply the state law as declared by the highest state court). There are no federal statutes regulating trade secrets. Trade secrets are wholly apart of the individual states' common law and are subject only to state statutes.

103. See also Sloan, *supra* note 15, at 115. "Since the advent of *Erie*, trade secret protection is a matter of state law, existing independently of federal patent and copyright statutes and the common law developed as the result of their application." *Id.*

104. The relief granted often depends on whether a court sees the misappropriation as a theft of employer property or as a violation of a fiduciary relationship. See Swartz, *The Protection of Intangible Interests*, 49 MASS. L.Q. 107, 110 (1964). "Where intangible values are protected because they are named property, the possibility is raised that these interests might more readily become the subject matter on which to base restitutionary recovery." *Id.* Even individual judges have different perspectives and thoughts about whether trade secrets have property qualities. See Franke v. Wiltschek, 209 F.2d 493, 502 (2d Cir. 1953) (salesmen who represented the plaintiff were shown secret manufacturing processes and then afterwards used the information to manufacture a similar product at a lower price). This particular judge and many like him still follow the *Masland* theory.

105. See Wiebold Studio, Inc. v. Old World Restorations, Inc., 19 Ohio App. 3d 246, 484 N.E.2d 280 (1985) (principles of trade secret law should be based on the confidential relationship and not property law).

106. *Northern Petrochemical Co. v. Tomlinson*, 484 F.2d 1057 (7th Cir. 1973).

107. *Id.* at 1060.

108. *Id.*

109. R. MILGRIM, *supra* note 33, § 1.01. "Recognition of trade secrets as property is a basic conceptual step from which important aspects of trade secret law are derived. Although some commentators are reluctant to characterize a trade secret as property, the courts have overwhelmingly supported the property view." *Id.*

substantive law to determine whether trade secrets have property qualities, one finds that apparently many courts have explicitly rejected the Holmes' starting point test in their analysis of whether there was a misappropriation of a trade secret. For example in, *Van Prods. Co. v. General Welding & Fabricating Co.*,¹¹⁰ the court took exception to Holmes' analysis in *Masland* when it stated: "The starting point in every case of this sort is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated."¹¹¹

Historically, courts have understood that trade secrets have property qualities.¹¹² This was clearly stated in *Zotos International, Inc. v. Kennedy*.¹¹³ In the court's analysis of trade secret law, it stated that property interests in trade secrets have been recognized in English and American courts for over a century.¹¹⁴ Accordingly, trade secret law provides for a common law property right in an invention.¹¹⁵

Property qualities also have been found in trade secrets under a constitutional perspective. Some trade secrets may have property qualities and, therefore, are protected by the United States Constitution. In *Ruckelhaus v. Monsanto Co.*,¹¹⁶ the Supreme Court addressed the issue of whether there are property rights in trade secrets which are protected by the takings clause of the fifth amendment. In *Ruckelhaus*, the Environmental Protection Agency required the Monsanto Corporation to submit information about its pesticide. The submitted information would be disclosed to the public upon request. The corporation considered this information a trade secret.¹¹⁷ Monsanto alleged that the provision effected a taking of property without just compensation in violation of the fifth amendment.¹¹⁸ The Court admitted that it had never squarely addressed the applicability of the protection of the fifth amendment as applied to trade secrets.¹¹⁹ However, the

110. 419 Pa. 248, 213 A.2d 769 (1965).

111. *Id.* at 268, 213 A.2d at 780 (the court rejected Holmes' starting point test citing *National Starch Prods., Inc. v. Polymer Indus.*, 273 A.D. 732, 79 N.Y.S.2d. 357 (1948)).

112. See *C.F. Simmons Medicine Co. v. Simmons*, 81 F. 163, 166 (C.C.E.D. Ark. 1897); *O & W Thum Co. v. Tloczynski*, 114 Mich. 149, 72 N.W. 140 (1897) (earlier courts have recognized that trade secrets have property qualities).

113. 460 F. Supp. 268 (D.D.C. 1978). In *Kennedy*, the plaintiff engaged in the sale of cosmetic products regulated by the Food and Drug Administration (FDA). *Id.* at 271. The FDA required a label to appear on the package listing the ingredients of the product. However, the regulation exempted trade secrets. *Id.* at 270. The court had to determine if the plaintiff had a protectible trade secret. *Id.* at 272.

114. *Id.* at 272.

115. A. SEIDEL & R. PANITCH, *supra* note 84, at 1 (implicitly states that inventions not only have statutory property qualities but also a common law basis).

116. 467 U.S. 986 (1984).

117. *Id.* at 993.

118. *Id.* at 1001.

119. *Id.*

Supreme Court held that trade secrets under Missouri law come under the protection of the taking clause of the fifth amendment.¹²⁰ Thus, under a constitutional analysis, some trade secrets may have property qualities.¹²¹

The turmoil in present trade secret law suggests that one obvious solution would be to allow some trade secrets to be considered property and others not.¹²² However, there is nothing in the present body of case law to suggest any standard to determine whether particular trade secrets have property qualities. The current uncertainty of the scope of trade secret protection, however, might be reduced if a standard were used to establish property qualities in particular trade secrets.

IV. THE SOLUTION OF THE UNIFORM TRADE SECRETS ACT

In light of the uncertainty of trade secret law, as governed by the *Restatement of Torts*, several states have looked to the Uniform Trade Secrets Act for guidance.¹²³ This Act attempts to clarify the scope of trade secret

120. *Id.* at 1004.

121. Another test which brings out the reality of property qualities in trade secrets can be seen from a statutory perspective in the way the Internal Revenue Service views trade secrets. In *E.I. Du Pont de Nemours & Co. v. United States*, 288 F.2d 904 (Ct. Cl. 1961), the court addressed the issue of whether trade secrets were property for tax purposes. The court had to determine whether a transfer of a trade secret was a sale for the purpose of determining whether the sale would be taxed as ordinary income or as capital gain. *Id.* at 905. The government conceded that a trade secret is considered property within the meaning of the Internal Revenue Code. *Id.* at 910. However, the plaintiff was not entitled to capital gains treatment not because the trade secret was not considered property, but because the plaintiff could do nothing to prevent subsequent disclosure of the secret. Therefore, it did not fulfill the Internal Revenue Service's definition of a sale. *Id.* at 912. The court then distinguished between the transfer of a patent and that of a trade secret. *Id.* Thus, courts have determined that trade secrets may have property qualities using the common law, the Constitution, and statutory analysis.

122. There are some courts that have found trade secrets to have property qualities and other courts that do not protect trade secrets as property, but instead look to the wrongfulness of the means obtaining the secret. See Note, *Equity-Trade Secrets-Duty of Non-Disclosure Imposed by Fiduciary Relation*, 37 *YALE L.J.* 1154, 1155 (1928). "Many courts grant relief . . . on the basis of the 'property right' theory." *Id.* But see Note, *Injunction-Trade Secret-Knowledge Gained By Fair Means*, 33 *YALE L.J.* 439 (1924). "But, at most, it seems to be qualified property, since . . . where the owner makes no attempt to protect the secret and it comes to the knowledge of one who violated no trust or disclosure, no property in it will be recognized." *Id.* See also Note, *Developments-Competitive Torts*, 77 *HARV. L. REV.* 888, 948, 949 (1964); *Monolith Portland & Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288, 293 (9th Cir. 1969). To date there has never been a resolution of the conflict as to whether trade secrets have property qualities. See *supra* note 94 (the use of the property concept to categorize trade secrets).

123. UNIF. TRADE SECRETS ACT § 1, 14 U.L.A. 537, 541 (1985). Currently twenty states have adopted the Uniform Trade Secrets Act. CAL. CIV. CODE §§ 3426-3426.10 (West Supp. 1988); COLO. REV. STAT. §§ 7-74-101 to -110 (1986); CONN. GEN. STAT. ANN. §§ 35-50 to -58 (West 1987); DEL. CODE ANN. tit. 6, §§ 2001-2009 (Supp. III 1986); 1987 ILL.

protection, but only succeeds in multiplying the problems for employees.¹²⁴ Some of the problems are unique to the Act, but other problems are carried over from the *Restatement*.¹²⁵

A problem which is unique to the Uniform Trade Secrets Act is that the Act expands¹²⁶ the types of assets which can qualify for trade secret protection to include a "formula, pattern, compilation, program, device, method, technique, or process."¹²⁷ The Uniform Trade Secrets Act now protects intangible business "know how."¹²⁸ In addition, the Act no longer requires that an asset be used continuously in the business.¹²⁹ Consequently, under the Uniform Trade Secrets Act, all business information can qualify for protection.¹³⁰ This expanded protection increases the employee's potential liabilities.

The Uniform Trade Secrets Act also creates problems that are not unique, but are carried over from the *Restatement of Torts*. The most obvious problem is that the Act supplies no standard for determining what qual-

LEGIS. SERV. P.A. 85-366 (West) (to be codified at ILL. REV. STAT. ch. 140, paras. 351-359); IND. CODE ANN. §§ 24-2-3-1 to -8 (West Supp. 1987); KAN. STAT. ANN. §§ 60-3320 to -3330 (1983); LA. REV. STAT. ANN. §§ 51:1431 to :1439 (West 1987); ME. REV. STAT. ANN. tit. 10, §§ 1541-1548 (West Supp. 1987); MINN. STAT. ANN. §§ 325C.01-.08 (West 1981 & Supp. 1988); MONT. CODE ANN. §§ 30-14-401 to -409 (1987); NEV. REV. STAT. ANN. §§ 598C.010-.100 (Michie Supp. 1987); N.D. CENT. CODE §§ 47-25.1-01 to -08 (Supp. 1987); OKLA. STAT. ANN. tit. 78, §§ 85-95 (West 1987); OR. REV. STAT. §§ 646.461-.475 (1987); R.I. GEN. LAWS §§ 6-41-1 to -11 (Supp. 1987); VA. CODE ANN. §§ 59.1-336 to -343 (1987); WASH. REV. CODE ANN. §§ 19.108.010-.940 (West 1988); W. VA. CODE §§ 47-22-1 to -10 (1986); WIS. STAT. ANN. § 134.90 (Supp. 1987).

124. See *infra* text accompanying note 131. The Uniform Trade Secrets Act gives no guidance to determine general knowledge while at the same time it expands the list of products that can be protected under trade secret law.

125. *Id.* See also *infra* text accompanying notes 126-31.

126. Comment, *Quagmire in Pennsylvania*, *supra* note 1, at 160.

127. UNIF. TRADE SECRETS ACT § 1, *supra* note 123, at 542. The following elements must be satisfied in order to protect an asset under the Uniform Trade Secrets Act:

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

Id. See also *United Wild Rice, Inc. v. Nelson*, 313 N.W.2d 628, 634 (Minn. 1982).

128. Comment, *Quagmire in Pennsylvania*, *supra* note 1, at 150 n.104. "[K]now-how is defined as a body of unpatented technology useful in making a product to be sold commercially. It includes a complete body of manufacturing information needed by an industrial organization to satisfactorily design, develop, fabricate and produce goods." *Id.* See generally *Worthing, Know-How Misuse: A Potential Weapon for Licensees*, 53 J. PAT. OFF. SOC'Y 177 (1971).

129. UNIF. TRADE SECRETS ACT § 1, *supra* note 123, at 543 (an item does not need to be continuously used in a business to qualify for protection).

130. Klitzke, *The Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277, 287 (1980).

ifies as general knowledge.¹³¹ In addition, the Act still does not require the employer to put the employee on actual notice of the trade secret. The Uniform Trade Secrets Act states:

“Misappropriation” means: . . . (ii) disclosure or use of a trade secret of another without express or implied consent by a person who . . . (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was . . . (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use¹³²

Thus, the employee may never be specifically informed as to what the employer regards as trade secrets. Thus, on one hand, the employee can now be held liable for disclosing a wider variety of protected assets. On the other hand, the employee is given no clear guidance to determine whether the asset can qualify as a protected trade secret of the employer. Therefore, under the Act the employee is further restricted in his employment mobility. Thus, the Uniform Trade Secrets Act is not a satisfactory solution for protecting the employer's interest while increasing employment mobility.

V. A THEORETICAL MODEL TO RESOLVE THE CONFLICT

The problems of trade secret law as viewed from the employee's perspective fit into two categories. First, no viable means are available for the employee to determine whether an asset qualifies for trade secret protection due to the difficulty in distinguishing general knowledge from proprietary information.¹³³ Second, the employer has no duty to give actual notice to the employee as to what the employer considers to be a trade secret.¹³⁴ If the courts divided trade secrets into two categories both of these problems could be resolved.

This note suggests that a theoretical model¹³⁵ could be constructed in

131. *Id.* at 290 (the Uniform Act gives no guidelines to determine whether information is general knowledge or not).

132. UNIF. TRADE SECRETS ACT § 1, *supra* note 123, at 541.

133. *See supra* text accompanying notes 38-45.

134. *See supra* text accompanying notes 46-58.

135. A model is a mental construct useful in making predictions, rather than revealing an ultimate truth. For example, economists use the “model of perfect competition” knowing that this situation really never exists because the model is useful for prediction and control. R. Stith, *Jurisprudence Lecture Notes Topic VI* (1988) (available at Valparaiso University School of Law Library). Models are generally used to predict behavior; the proposed model's purpose is not to predict behavior but to shape behavior.

In addition, a model does not claim to correspond to reality, which means that it does not need to “make sense” or even be consistent with other models. Even though sometimes models are mutually inconsistent, they can each be useful. *Id.* “Models are, moreover, to some extent a simplification of reality. . . . Models, by simplifying reality, thus distort reality.” L. MAYER,

which the items currently protected under the *Restatement of Torts* could be broken down into two separate and distinct categories. Trade secret law has always assumed that only one category of protected assets exist and is simply labeled "trade secrets."¹³⁶ Under this proposed model, each category would have a separate set of requirements that an asset must meet in determining the amount of protection to be granted. In addition, each category would specifically list the duties, rights, and obligations of both the employer and the employee. Distinguishing the different types of protectible assets and breaking those assets down into separate and distinct categories could reduce the uncertainty in trade secret law.

The two categories could be labeled as "property quality" trade secrets and "nonproperty quality" trade secrets. The courts could develop a property quality standard by looking to patent law. By setting a "quasi-patent" property standard, the courts could reorganize trade secret law and reduce the confusion. A quasi-patent analysis could be used to determine whether a trade secret has property qualities. Trade secrets which have property qualities would only require the employer to give implied notice to the employee

COMPARATIVE POLITICAL INQUIRY 52-53 (1972).

On the other hand, a theory claims to be true to the inner logic and unity of phenomena, the order of things. Unlike model builders, theorists have an obligation to be consistent because they want to be faithful to reality in a way which model builders do not. R. Stith, *supra*, at Topic VI.

Theory, in the scientific sense of the concept, is understood to refer to a system of logically related, empirically testable, *lawlike* propositions. Theory, in this sense, thus is based upon both the empirically observable world and upon deductive logic. Theory is not purely empirical in the sense of "the facts speaking for themselves"; but there is a large element of *human creativity* involved in theory construction. . . . [T]heory cannot be held in contradistinction to practice or practicality; theory is, indirectly at least, about practice.

L. MAYER, *supra*, at 48-49. (emphasis added).

"Theoretical model" as used in this note is a hybrid term to describe the various modifications of trade secret law that this note proposes. On the one hand this proposal is a theory because the note tries to maintain an objective underlying consistency and unity with respect to the problems associated with proposing a possible practical solution to decreased employment mobility that currently faces a multitude of employees.

On the other hand, this proposal is termed a model because the ideas in some respect are still tentative. In addition, the proposal is still subject to modifications as the analysis of the theoretical as well as the practical problems of implementation continue. For example, there remain various obstacles to the implementation of this proposal such as applying a "quasi-patent" analysis in determining if a particular trade secret has property qualities. Patent law has developed a complex analysis in defining and determining what exactly is a "substantial advancement over the prior art." Obviously, trade secret law would become more complicated if a "quasi-patent" analysis were grafted into trade law secret law. In addition, if a court determined that a "property quality" trade secret exists, it is debatable whether it could be presumed that the employer would have necessarily surrounded the trade secret with more secrecy precautions thereby making it obvious to the employee that a trade secret exists.

136. RESTATEMENT OF TORTS § 757 comment b (1939). An item is either labeled a trade secret or it is not. There is no effort to distinguish one type of trade secret from another.

and would be protected for an unlimited amount of time. Those trade secrets that do not have property qualities would require the employer to give actual notice to the employee and would be restricted in the length of time that it could be protected. This theoretical model will still protect the employer's interest, but will also protect some long-neglected interests of the employees.

A. Patent Law

An employer may choose to protect his assets by obtaining a patent. Patent protection is premised in article 1, section 8 of the United States Constitution,¹³⁷ and is codified in federal statutes.¹³⁸ Objectives of the patent system include: promoting "the Progress of Science and useful Arts,"¹³⁹ ensuring that the public is unrestricted in obtaining the knowledge contained within the patent,¹⁴⁰ and mandating that inventions placed in the hands of the public cannot be removed.¹⁴¹

Several requirements must be met before a corporation is able to choose to protect its assets under patent law. Title 35 of the United States Code sets out the statutory requirements for patentability.¹⁴² First, only cer-

137. U.S. CONST. art. I, § 8, cl. 8. *See also* W. LOCKHART, Y. KAMISAR & J. CHOPER, CONSTITUTIONAL LAW appendix B (1980). The Constitution grants Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." *Id.*

138. 35 U.S.C. §§ 101-103 (1982). *See* *Gilson v. Republic of Ireland*, 606 F. Supp. 38 (D.D.C. 1984), *aff'd*, 787 F.2d 655 (D.C. Cir. 1986); *Horne v. Adolph Coors Co.*, 684 F.2d 255 (3d Cir. 1982); *Hanes Corp. v. Millard*, 531 F.2d 585 (D.C. Cir. 1976).

139. *See* *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974), where the Supreme Court stated several objectives of the patent system. Harshaw Chemical Co. was an unincorporated division of Kewanee. Over a period of years the company developed certain processes for use in the growth and encapsulation of synthetic crystals for the purification of raw materials, some of which were considered to be trade secrets. The company eventually succeeded for the first time in growing a 17-inch crystal that was useful in the detection of ionizing radiation. A former employee of Harshaw had signed agreements not to disclose the company's trade secrets. The employees were later hired by respondent Bicron which competed with Harshaw in producing crystal. Kewanee brought the action seeking damages for misappropriation of trade secrets. *Id.* at 473.

140. *Id.* at 481. *See also* *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186-87 (1933).

In consideration of its disclosure and the consequent benefit to the community, the patent is granted. An exclusive enjoyment is guaranteed him for seventeen years, but upon the expiration of that period, the knowledge of the invention ensures to the people who are thus enabled without restriction to practice it and profit by its use.

Id.

141. *Kewanee Oil Co.*, 416 U.S. at 481. *See also* *Lear, Inc. v. Adkins*, 395 U.S. 653, 668 (1969). "[F]ederal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent." *Id.*

142. 35 U.S.C. §§ 101-103 (1982).

tain classes of inventions can be patented.¹⁴³ Second, the invention must meet a three-prong test which requires that an invention have novelty, utility, and nonobviousness before it can be patented.¹⁴⁴ Novelty requires that the asset was not used, patented, or described by another.¹⁴⁵ Utility requires that the invention is useful to the public or the corporation.¹⁴⁶ Nonobviousness requires that the difference between the new asset discovered and the prior art is nonobvious to a person with ordinary skills involved in the particular subject matter.¹⁴⁷

The patentee receives several benefits if the requirements for patenting an invention are met. Principally, he receives a monopoly which allows him to exclude others from using, selling, or making the invention.¹⁴⁸ The government grants this monopoly for a period of seventeen years.¹⁴⁹ However, the patentee receives the exclusive protection of the federal patent laws on the condition that he describes the invention in detail which becomes public if and when the patent is granted.¹⁵⁰

143. 35 U.S.C. § 101 (1982). "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." *Id.*

144. *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806 (E.D. Pa. 1974). "Congress has prescribed a three prong test for patentability: novelty, utility and nonobviousness." *Id.* at 808-09. *See also Whitley v. Road Corp.*, 624 F.2d 698 (5th Cir. 1980).

145. 35 U.S.C. § 102 (1982).

A person shall be entitled to a patent unless —

(a) The invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) The invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States

Id. *See Criddlebaugh v. Rudolph*, 131 F.2d 795 (3d Cir. 1942), *cert. denied*, 318 U.S. 779 (1943) ("[a]bsence of novelty automatically denies patentability").

146. *E.I. Du Pont de Nemours & Co. v. Berkley & Co.*, 620 F.2d 1247 (8th Cir. 1980) (only a minimum amount of utility is required).

147. 35 U.S.C. § 103 (1982). The invention must meet the standard of nonobviousness. To determine the factors of nonobviousness see *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966).

In a § 103 obviousness analysis, *Graham* requires that the trier assess certain underlying facts: (1) the scope and content of the prior art, (2) the level of ordinary skill in the art, (3) the differences between the claimed invention and the prior art, and (4) the so-called "secondary consideration."

King Instrument Corp. v. Otari Corp., 767 F.2d 853, 857 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). *See also Atlas Powder Co. v. E.I. Du Pont de Nemours & Co.*, 750 F.2d 1569, 1574 (Fed. Cir. 1984); *NDM Corp. v. Hayes Prods., Inc.*, 641 F.2d 1274, 1277 (9th Cir.), *cert. denied*, 454 U.S. 1123 (1981); *Deering Milliken Research Corp. v. Beaunit Corp.*, 538 F.2d 1022 (4th Cir.), *cert. denied*, 426 U.S. 936 (1976).

148. *Robinson*, *supra* note 20, at 349.

149. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974).

150. *Universal Oil Prods. Co. v. Globe Oil & Refining Co.*, 322 U.S. 471, 484 (1944).

In comparing the protections of patent law to the protections of trade secret law, the policies and objectives of each are important to analyze. This is especially necessary when trying to modify trade secret law, since state trade secret law will be preempted if its objectives clash with the objectives of patent law.¹⁵¹ Similarly, under federal law, trade secret law will be held void if it substantially dissuades individuals from seeking patents when they have a patentable invention.¹⁵²

B. A "Quasi-Patent" Standard

A quasi-patent standard could be used to determine whether certain trade secrets have property qualities.¹⁵³ The elements for this standard could be borrowed from patent law. Some of the requirements for protection under patent law could be applied to trade secret law. A patent is considered property and cannot be taken without due process of law.¹⁵⁴ Recognizing the firm consensus that patents have property qualities, courts have historically analogized the property qualities in a patent to property rights held in land.¹⁵⁵

A patent is considered property because of its unique statutory requirements. The statutory requirements for the patentability of an invention are: novelty, nonobviousness, and utility.¹⁵⁶ In addition, an invention must fall into one of the four statutory subject matter classifications.¹⁵⁷ The determination of whether the invention has novelty, nonobviousness, and utility is wholly separate from the question of whether the invention fits into one of the four statutory classifications.¹⁵⁸ Thus, an invention may fit into one of

"As a reward for inventions and to encourage their disclosure, the United States offers a seventeen-year monopoly to an inventor who refrains from keeping his invention as a trade secret." *Id.*

151. *Kewanee Oil Co.*, 416 U.S. at 480. *See also* *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964).

152. *Kewanee Oil Co.*, 416 U.S. at 489. *See generally* Stern, *A Reexamination of Preemption of State Trade Secret Law After Kewanee*, 42 GEO. WASH. L. REV. 927 (1974).

153. 2 R. CALLMAN, *supra* note 61, § 14.02 (some trade secrets do not have property rights because they fail the uniqueness requirements).

154. *Johnson & Johnson, Inc. v. Wallace A. Erickson & Co.*, 627 F.2d 57, 59 (7th Cir. 1980) (a patent is unequivocally considered property and the owner can not be deprived of it without due process). *See also* *Hobbs v. United States*, 376 F.2d 488, 493 (5th Cir. 1967) (an inventor has a right in his invention which matures into property when patented).

155. *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (property rights apply equally to land as well as to patents).

156. *Andis Clipper Co. v. Oster Corp.*, 481 F. Supp. 1360, 1368 (E.D. Wis. 1979) (to qualify for a patent, the invention must be novel, nonobvious, and useful).

157. *See supra* note 143.

158. *In re Bergy*, 596 F.2d 952, 961 (C.C.P.A.), *vacated in part*, 444 U.S. 924 (1979), *aff'd*, 444 U.S. 1028 (1980) (requirements of novelty and utility are distinct and separate from the question as to whether the invention falls in one of the four statutory classifications). *See*

the four subject matter statutory classes but lack novelty, and therefore may not qualify for patent protection and may not be considered property of the inventor.¹⁵⁹

Novelty, nonobviousness, and utility generally are not required before an invention qualifies for trade secret protection.¹⁶⁰ Various courts have held that the state of the art is irrelevant since the question is not whether the defendant could have learned the information on his own, but whether he obtained the information independently.¹⁶¹ However, variations exist in the use of the state of the art analysis.

Notwithstanding, some courts have analyzed trade secret cases by using a standard which involves looking at the prior art. *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*,¹⁶² is a prime example of the use of a quasi-patent analysis in trade secret law. In determining whether a trade secret existed, the court used a standard called "discovery."¹⁶³ This standard is stricter than the *Restatement of Torts'* standard which does not look at the prior art. However, the discovery standard is not as strict as would be required to

generally 1 E. LIPSCOMB, LIPSCOMB'S WALKER ON PATENTS chs. I-IV (3d ed. 1984).

159. *In re Bergy*, 596 F.2d at 961 (when an invention is not novel it cannot be considered to have property interests).

160. *Computer Print Sys., Inc. v. Lewis*, 281 Pa. Super. 240, 241, 422 A.2d 148, 149 (1980); *Atlantic Wool Combing Co. v. Norfolk Mills, Inc.*, 357 F.2d 866, 869 (1st Cir. 1966); *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 535 n.25 (5th Cir. 1974) (novelty in a patent sense was not required for trade secret protection). See also *Cataphote Corp. v. Hudson*, 444 F.2d 1313 (5th Cir. 1971). In *Hudson*, the plaintiff brought an action against another corporation to enjoin it from using trade secrets that were acquired by hiring away the plaintiff's employee. *Id.* at 1313. The court stated that the novelty requirement of patent law, where there is a substantial advancement over the prior art, is an improper standard for determining whether an item qualifies for protection under trade secret law. *Id.* at 1314. However, the court noted that a minimum novelty was required to show that the asset was not public knowledge. *Id.* at 1316. Novelty, which requires an examination of the prior art, is also not required in order for an invention to qualify as a trade secret under the *Restatement*. RESTATEMENT OF TORTS § 757 comment b (1939).

161. *Root & Blyn*, *supra* note 82, at 838.

162. 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961) (detailed examination of prior art to determine whether a trade secret existed). Sarkes was involved in the manufacture of components for electronic equipment including silicon rectifiers. The complaint alleged that Audio stole Sarkes' trade secrets by conspiring with the past employees of Sarkes. The employees conveyed trade secrets to Audio which gave Audio a competitive edge over Sarkes. *Id.* at 254. See also *A.O. Smith Corp. v. Petroleum Iron Works Co. of Ohio*, 73 F.2d 531, 538-39 (6th Cir. 1934); *Sloan v. Mud Prods., Inc.*, 114 F. Supp. 916, 927 n.41 (N.D. Okla. 1953); *International Indus. v. Warren Petroleum Corp.*, 99 F. Supp. 907, 914 n.12 (D. Del. 1951), *aff'd*, 248 F.2d 696 (3d Cir. 1957), *cert. dismissed*, 355 U.S. 943 (1958).

163. *Sarkes Tarzian*, 166 F. Supp. at 266. "This is but carrying into effect the principle declared many years ago by the Supreme Court of the United States that to constitute a trade secret *there must be discovery.*" *Id.*

patent an invention.¹⁶⁴ The court reasoned that the item must “not occur to persons in the trade with knowledge of the state of the art or which cannot be evolved by those skilled in the art.”¹⁶⁵ The *Sarkes Tarzian* court used this strict standard to narrow the definition of the types of assets that can be protected as trade secrets.¹⁶⁶ Although some courts impose a standard similar to patentability to determine whether trade secret protection should be given, the *Restatement* has rejected the requirement of novelty or inventiveness.¹⁶⁷ The analysis of the prior art to determine patentability can be used as a means of separating trade secrets into two categories.

The analysis used in *Sarkes Tarzian* would not be used to totally disqualify an item from protection, as the court held in that case, but only to limit the amount of protection.¹⁶⁸ Moreover, the analysis would merely determine the trade secret classification of the asset. The classification of the type of trade secret would, in turn, determine the limitations of the asset's protection. Under this model the standard to determine whether a trade secret has property qualities should be based on utility, nonobviousness, and novelty in a patent sense.¹⁶⁹

164. G. ALEXANDER, *COMMERCIAL TORTS* 209 (1973) (citing *Koehring Co. v. E.D. Etnyre & Co.*, 254 F. Supp. 334, 361 (N.D. Ill. 1966)). The court in *Koehring* required the trade secret to at least amount to discovery, looking expressly at the invention's novelty. *Id.* However, other courts have stated that a trade secret need not amount to discovery and can be anticipated in the prior art. Certain courts have even flatly rejected the analysis in *Sarkes Tarzian*. See, e.g., *Droeger v. Welsh Sporting Goods Corp.*, 541 F.2d 790, 793 n.3 (9th Cir. 1976).

165. *Sarkes Tarzian*, 166 F. Supp. at 258.

166. The court in *Sarkes Tarzian* proceeded by citing *Levine v. E.A. Johnson & Co.*, 107 Cal. App. 2d 322, 237 P.2d 309 (1951), stating that this analysis was important to further the policy of preventing the employee from being hindered from seeking gainful and lawful employment. *Id.* at 327, 237 P.2d at 312. See also *Continental Car-Na-Var Corp. v. Moseley*, 24 Cal. 2d 104, 148 P.2d 9 (1944).

Every individual possesses as a form of property, the right to pursue any calling, business or profession he may choose. A former employee has the right to engage in a competitive business for himself and to enter into competition with his former employer, even for the business of those who had formerly been the customers of his former employer, provided such competition is fairly and legally conducted.

Id. at 10, 148 P.2d at 12-13.

167. *Root & Blyn*, *supra* note 82, at 827 (some courts have used the standard of patentability to determine if trade secret protection should be granted). See, e.g., *Morton B. Katz & Assocs. v. Arnold*, 175 Ga. App. 278, 333 S.E.2d 115 (1985) (telemarketing firm did not have a protectible interest in a “script” since it was not “novel” in light of numerous other similar scripts). “Elements essential to recovery for wrongful appropriation or conversion of unpatented or unpatentable ideas or products are that the idea must be novel . . .” *Id.* See also *supra* note 162.

168. *Sarkes Tarzian*, 166 F. Supp. at 280.

169. This model does not require that all trade secrets must be patentable. Instead the property concept is merely being used as a bench mark to categorize trade secrets.

C. *Notice of a Trade Secret*

Distinguishing trade secrets on the basis of having property or non-property qualities would also affect the manner in which employees receive notice. Courts have established two ways in which an employee could be deemed to have entered a confidential relationship; both of these place the employee on notice of trade secrets.¹⁷⁰ The first occurs where an express understanding exists between the employer and the employee as to the confidential nature of the information. The second occurs where the employee can infer the confidential nature of the information from the circumstances.¹⁷¹

Under this model, if a court finds that the trade secret is classified as having "property qualities," an implied notice would be sufficient to hold an employee accountable. Implied notice exists when the employee can infer from the circumstances the possibility that a trade secret exists. When an employer is dealing with a more valuable trade secret, he would take greater precautions to ensure its secrecy. Naturally, the greater precautions taken by the employer to ensure secrecy will be apparent to the employee thereby making it obvious to the employee that a trade secret exists. Accordingly, an implied notice would be sufficient to protect an employer's trade secrets that have property qualities.

Where the employer possesses a "nonproperty quality" trade secret, express notice would be required. The *Restatement of Torts'* requirements for qualification of an asset as a trade secret are minimal. Plus, a broad and vast range of products can fall under trade secret protection in this second category.¹⁷² Therefore, the burden should not be on the employee to identify what the employer considers to be a trade secret.

Courts are becoming more aware of the problem employees face in identifying an employer's trade secrets.¹⁷³ The problem is especially preva-

170. *Future Plastics, Inc. v. Ware Shoal Plastics, Inc.*, 340 F. Supp. 1376 (D.S.C. 1972) (some basic guidelines for giving notice to employees concerning trade secrets). In *Future Plastics*, the plaintiff alleged that the defendant was a former employee who misappropriated trade secrets and other confidential information. In addition, the plaintiff claimed that the defendant was now using those trade secrets in competition with the plaintiff. *Id.* at 1378. The defendant alleged that the items were not trade secrets and that he twice refused to sign a restrictive covenant. *Id.* The court, rejecting the majority view, held that the employer-employee relationship alone is not enough to create a confidential relationship. *Id.* at 1384.

171. *Id.* at 1384.

172. *See supra* notes 75-76.

173. *See Wexler v. Greenberg*, 399 Pa. 569, 576, 160 A.2d 430, 433 (1960).

We must therefore be particularly mindful of any effect our decision in this case might have in disrupting this pattern of employee mobility, both in view of possible restraints upon an individual in the pursuit of his livelihood and the harm to the public in general in forestalling, to any extent widespread technological advances.

lent in those states which have adopted the Uniform Trade Secrets Act. The Act substantially broadens the type of assets that can be protected under trade secret law. Accordingly, some courts have leaned toward the possibility of an actual notice requirement. *Electro-Craft Corp. v. Controlled Motion*¹⁷⁴ is viewed as such a move by the courts.

In *Electro-Craft*, the plaintiff claimed that the defendant copied designs of its motors.¹⁷⁶ The court, in reviewing the secrecy precaution and the notice requirement, stated that the company should have let the employee know "in no uncertain terms" that the item was considered a trade secret.¹⁷⁶ However, the designs were not specifically labeled confidential.¹⁷⁷ The court inferred that the employer's security measures are always inadequate if he has not specifically told the employee that the material is confidential.¹⁷⁸ Therefore, the court found no misappropriation by the employee.¹⁷⁹

Interestingly, *Electro-Craft* was the first decision in Minnesota to apply the Uniform Trade Secrets Act.¹⁸⁰ The Act takes a far more liberal view in protecting a broader range of products than does the *Restatement*. Surprisingly, the *Electro-Craft* court took a very conservative view concerning notice and suggested that something very close to actual notice should be given.¹⁸¹ Other state courts have required actual notice.¹⁸² The notice limitation provides the employee with more assurance that he will not be sued for misappropriation of his past employer's trade secret. Under the proposed model, when the court finds a nonproperty quality trade secret, the employer would have to give actual notice to the employee of the trade secret. Accordingly, the employee's fiduciary duty to the employer would be limited to what the employer specifically identified as a trade secret.

D. Length of Protection

Under this model, distinguishing trade secrets on the basis of having property or nonproperty qualities would also determine the length of time

Id.

174. *Electro-Craft Corp. v. Controlled Motion*, 332 N.W.2d 890 (Minn. 1983).

175. *Id.* at 893.

176. *Id.* at 902.

177. *Id.* at 903.

178. Note, *Balancing Interests*, *supra* note 7, at 1002.

179. *Electro-Craft Corp.*, 332 N.W.2d at 904.

180. *Id.* at 897. Minnesota adopted the Uniform Trade Secrets Act on August 1, 1980. MINN. STAT. ANN. §§ 325C.01-.08 (1981 & Supp. 1988).

181. Note, *Balancing Interests*, *supra* note 7, at 1002.

182. Comment, *Quagmire in Pennsylvania*, *supra* note 1, at 144. "Pennsylvania courts, however, generally require express notice to employees." *Id.* (citing *Jacobson & Co. v. Int'l Env't Corp.*, 427 Pa. 439, 235 A.2d 612 (1967)).

that the protection should be given. All jurisdictions agree that as long as the employer holds an item secret, the law grants protection for an unlimited amount of time.¹⁸³ However, holding an employee to an obligation to a past employer for an unlimited amount of time can reduce his employment mobility.¹⁸⁴ Accordingly, the current unlimited protection should only apply where a "property quality" trade secret is found to exist.

The same standard, however, should not apply when the trade secret is classified as having "nonproperty qualities." Some effort should be made to limit the length of time that these trade secrets are protected. The courts could use a reasonableness standard which would take into account the nature of the particular trade secret, the value of the trade secret, and the degree of competitive edge the trade secret provides the corporation.¹⁸⁵ A court may deviate from the general rule if the employer establishes a sufficient interest in maintaining unlimited secrecy for a nonproperty quality trade secret. However, independent consideration should be given to the employee to maintain indefinite secrecy. In addition, the employer should likewise inform the employee of the unique obligation the employee will be under at the onset of the employment relationship.

E. *Transfer of the Burden*

Currently, an employer actually does not know if he possesses a trade secret until there is a court determination,¹⁸⁶ because a trade secret, unlike a patent, is not registered.¹⁸⁷ Under current trade secret law, the burden to know the existence of the employer's trade secrets is on the employee.¹⁸⁸ This results in increased litigation and decreased employment mobility for the employee. Litigation could be decreased and employment mobility increased if the burden were switched to the employer to inform the employee of the trade secret.

This model would switch the burden of initially knowing the existence

183. See *supra* text accompanying note 83. See generally Comment, *Trade Secrets: How Long Should an Injunction Last?*, 26 U.C.L.A. L. REV. 203 (1978) (trade secret protection can last an infinite amount of time).

184. See *supra* text accompanying notes 16-23.

185. The same factors that the *Restatement* uses to determine if an asset qualifies for trade secret protection also could be used for a non-property quality trade secret to determine if the length of protection should be increased. See *supra* text accompanying note 66. A reasonableness standard would be appropriate in determining the length of time for protection instead of allowing an infinite amount of time as in traditional trade secret law.

186. See *supra* text accompanying note 66 (the court makes a determination as to the existence of a trade secret after the application of the six factors contained in the *Restatement*).

187. See 1 E. LIPSCOMB, *supra* note 158, at 100 (there is no registration system for trade secrets as there is for patents).

188. See *supra* text accompanying notes 45, 54-57.

of a trade secret to the employer because the court would have to apply a two-tier analysis. In the first tier, the court would have to determine whether a trade secret exists. The court would apply the six factors of the *Restatement* in the analysis.¹⁸⁹ If the court makes a finding that the technology was general knowledge or was readily attainable,¹⁹⁰ no protection would exist under trade secret law. Also, if the court finds that the technology was not readily attainable, protection would still be denied if there were not enough safeguards to ensure secrecy. In the second tier, the court would apply the "quasi-patent" standard analysis to determine whether the trade secret has property qualities.¹⁹¹

The following example will illustrate how the analysis of this two-tier model would affect the employer's burden. Assume that employer *A* alleges that a former employee *X* disclosed a trade secret to employer *B* to the detriment of employer *A*. Also assume that when the misappropriation action went to trial, the court found that indeed employer *A* possessed a trade secret, thus satisfying the first tier of the analysis. Furthermore, assume that, in the second tier of the analysis, the court finds that the trade secret can be classified as a "nonproperty quality" trade secret. The court must now determine whether employer *A* gave employee *X* actual notice of the trade secret. If employer *A* failed to give employee *X* actual notice, no action for misappropriation would exist. As a practical matter, the employer will specifically inform its employees as to which assets the corporation considers trade secrets rather than taking the risk of a court finding a "non-property quality" trade secret.

The requirement of actual notice will cause an employer to evaluate his assets and to consider carefully whether he has real trade secrets. Under current trade secret law, no incentive exists for an employer to evaluate his assets on a regular basis.¹⁹² Employers apparently want the protection of trade secret law and consider the protection a valuable tool in protecting proprietary assets, but employers do not think it is important to have a record of the assets the company considers trade secrets.

F. *The Use of Restrictive Covenants*

Trade secret law should not protect the additional items added under

189. See *supra* text accompanying note 66.

190. See *supra* notes 38-44 and accompanying text (if an invention is readily attainable it will not qualify for protection under trade secret law).

191. See *supra* text accompanying notes 153-69 (a "quasi-patent" standard to determine if a trade secret has property qualities).

192. There would be an incentive for the employer to evaluate his assets on a regular basis if trade secret protection were only granted if actual notice of the trade secret was given to the employee. See *supra* text accompanying notes 49-54.

the Uniform Trade Secrets Act. If "know how" is to be protected, this note proposes that such protection be provided not under trade secret law, but under contract law through the use of restrictive covenants. The use of restrictive covenants involves a body of law that is separate and distinct from trade secret law.¹⁹³ With the rapid growth of technology, an employee cannot be held liable for every piece of business information with which he comes in contact. However, if an employer uses a restrictive covenant and specifically states what is to be held confidential, the information should be protected, thereby eliminating the current state of confusion.

The use of restrictive covenants could be used effectively by companies and might eliminate the burden on the courts. Although courts disfavor covenants not to compete because they excessively restrict an employee,¹⁹⁴ most courts will allow a narrowly tailored restrictive covenant if it is reasonable in length, duration, and geography.¹⁹⁵ Companies should not be allowed to have employees sign a general, open-ended contract or agreement which simply states that the employee is not to disclose the employer's trade secrets.¹⁹⁶ By requiring each protected piece of information to be expressly stipulated in the contract, employers will be forced to regularly evaluate their assets, and employees will be completely aware of which assets the employer considers confidential.¹⁹⁷

VI. CONCLUSION

The interests of the employee and the employer often come into direct conflict. The courts should use reasonable means and methods to protect the employer's proprietary assets. However, an employer's interest in protecting his investments should be subordinated to an employee's interest in the free transferability of acquired skills.¹⁹⁸ Courts should favor the "free spirit of

193. See *Chandler v. Washington Toll Bridge Auth.*, 17 Wash. 2d 591, 600, 137 P.2d 97, 101 (1943) (the existence of a contract may also affect the approach used by the court in awarding injunctive relief).

194. *Consolidated Brands, Inc. v. Mondy*, 638 F. Supp. 152 (E.D.N.Y. 1986) (courts disfavor covenants not to compete since it reduces employment mobility).

195. *Jacobson & Co. v. Int'l Env't Corp.*, 427 Pa. 439, 235 A.2d 612 (1967) (a restrictive covenant must be reasonable in length, time, and geography). See also *Sigma Chem. Co. v. Harris*, 794 F.2d 371 (8th Cir. 1986).

196. See CAL. BUS. & PROF. CODE § 16600 (West 1987). In various jurisdictions, employment contracts have been held invalid. For example, under section 16600 of the California Business & Professional Code, "every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void." *Id.* See also Note, *Balanced Approach*, *supra* note 14, at 673 n.12.

197. *Robinson*, *supra* note 20, at 388. "In short, there is nothing novel about firms evaluating the information they use, claiming some but not all of it as their trade secrets. It may be more expensive but the individual firm must make a business decision as to whether the added expense is justified." *Id.*

198. Comment, *Trade Secret Developed by Employee in the Course of Authorized Re-*

competition"¹⁹⁹ instead of employment bondage and decreased mobility. In addition, the courts should recognize that restraints on employment mobility could seriously restrict the rate of technological innovation in the United States.²⁰⁰

In the past, trade secret law was basically employer biased.²⁰¹ Understandably, deciding whether to protect the employer's or the employee's interest is difficult. Sometimes a simple balancing approach cannot be taken without favoring either the employer or the employee. Currently, trade secret law appears to unfairly favor the employer's interests. The balance of interests should be reassessed to equally consider the employee's interests in today's changing and competitive society.²⁰²

The proposed theoretical model establishes two categories of trade secrets. These two categories could be labeled as "property quality" trade secrets and "nonproperty quality" trade secrets. To determine whether a trade secret has property qualities, a "quasi-patent" analysis could be used. Trade secrets that have property qualities would only require that the employer give implied notice to the employee, and the trade secrets would be protected for an unlimited amount of time. Those trade secrets that do not have property qualities would require that the employer give actual notice to the employee and would be restricted in the length of time that it could be protected. By instituting these modifications in trade secret law, the em-

search May Be Used in Competing with Former Employer, 74 HARV. L. REV. 1473, 1473 (1961) [hereinafter Comment, *Competing with Former Employer*].

199. *Spring Steels, Inc. v. Molloy*, 400 Pa. 354, 362, 162 A.2d 370, 374 (1960).

200. *Spanner, Trade Secrets Versus Technological Innovation*, 87 TECH. REV. 12, 12 (1984).

201. *See By-Buk Co. v. Printed Cellophane Tape Co.*, 163 Cal. App. 2d 157, 161, 329 P.2d 147, 151 (1958).

It is sufficient if from the circumstances of the case and the relation of the parties as employer and employee an agreement to that effect may be implied from the confidential relation. In fact, it is said in the case of an employee such an obligation exists in the absence of any stipulation to the contrary.

Id.

202. Comment, *Quagmire in Pennsylvania*, *supra* note 1, at 149. Referring to *Wexler v. Greenberg*, 399 Pa. 569, 160 A.2d 430 (1960): "[T]he *Wexler* court apparently denied relief solely on the policy consideration that the right of employee mobility was superior to the right of an owner to maintain proprietary secrets." *Id.* *See also* Comment, *Competing with Former Employer*, *supra* note 198, at 1475. Also referring to *Wexler*:

Award of an injunction . . . would unduly restrict the employee in the free exercise of his profession. Since the knowledge of a skilled chemist is probably not readily allocable to the specific tasks he has performed, but is acquired from his entire employment experience, it may be that enjoining him from disclosing anything about a number of formulas he has developed would substantially lessen his employability by other firms in the same field.

Id.

ployer's interests will be adequately protected and the employee will be less restricted in his employment mobility.

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