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## No Liability for the Wrongful Death of Unborn Children -- The Florida Legislature Refuses to Protect the Unborn

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# FLORIDA'S UNIFORM TRADE SECRETS ACT

SUSAN C. MILLER

*“There is a legal crescendo among employers throughout this country who appropriately contend that they are the risk-takers in the commercial world; and that, having accumulated trade secrets while facing and surmounting those risks, they should be protected from employees to whom they have entrusted their hard-earned secrets.”*<sup>1</sup>

**I**N THIS age of fast-breaking technological advances, where vast sums of money are spent on research and development, it is essential that the state provide the business community adequate and uniform protection from the theft of valuable ideas.<sup>2</sup> For too long businesses have been left to fight their way through the legal intricacies of trade secret law. The law in this area has often been nebulous, leaving a business uncertain whether it had a remedy for the unjust misappropriation of its valuable trade secrets.<sup>3</sup> In an effort to confront this problem and to help businesses deal more effectively with industrial espionage<sup>4</sup> and pirating of trade secrets, the Florida Legislature enacted the Florida Uniform Trade Secrets Act (UTSA).<sup>5</sup> The Uniform Trade Secrets Act is the work product of the National Uni-

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1. *Fortune Personnel Agency v. Sun Tech Inc.*, 423 So. 2d 545 (Fla. 4th DCA 1982) (citing Note, *Protection of Trade Secrets in Florida: Are Present Remedies Adequate?*, 24 U. FLA. L. REV. 721 (1972)).

2. See generally Note, *Protection of Trade Secrets in Florida: Are Present Remedies Adequate?*, 24 U. FLA. L. REV. 721 (1972).

3. See Comment, *Theft of Trade Secrets: The Need for a Statutory Solution*, 120 U. PA. L. REV. 378, 378-81 (1971).

4. See generally 12 R. MILGRIM, BUSINESS ORGANIZATIONS § 5.05 (1986).

5. Ch. 88-254, § 1-9, 1988 Fla. Laws 1377 (codified at FLA. STAT. §§ 688.001-.009 (Supp. 1988)). On May 17, 1988 the Florida House of Representatives passed Representative Canady's, Dem., Lakeland, House Bill 91 with 111 yeas and no nays. FLA. H.R. JOUR. 508 (Reg. Sess. May 17, 1988). The bill was passed with the original language, no amendments, as introduced by Representative Canady. On June 1, 1988, the Florida Senate substituted House Bill 91 for Senate Bill 233 proposed by Senator Grant, Dem., Tampa, and passed it with 35 yeas and no nays. FLA. S. JOUR. 707-08 (Reg. Sess. June 1, 1988). On July 5, 1988, Governor Martinez signed House Bill 91, ch. 88-254, 1988 Fla. Laws 1377, into law. The Uniform Trade Secrets Act had been previously introduced in the House Commerce Committee in 1980 at the request of Mr. Jon Shebel, a business lobbyist. However, Proposed Committee Bill 80-15 never passed out of committee.

form Law Commissioners,<sup>6</sup> who took basic common law trade secret principles and incorporated them into a workable piece of legislation.<sup>7</sup> Currently twenty-five states, including Florida,<sup>8</sup> have adopted the UTSA in an attempt to settle the conflicting aspects of trade secret law, to give courts guidance in misappropriation of information cases, and to bring uniformity to trade secret law. It has been said that "the parameters of trade secret protection generally defy precise identification."<sup>9</sup> The need to identify these parameters supports the adoption of the Florida Uniform Trade Secrets Act.

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6. Uniform acts such as the UTSA are the products of a unique organization that has been working for the improvement of state laws since 1892. The National Conference of Commissioners on Uniform State Laws represent state government and the legal profession with more than 300 practicing lawyers, judges, law professors and government officials serving as Uniform Law Commissioners. They work to encourage the free flow of goods, credit and services, full economic growth, and uniformity. Uniform Law Comm'rs press release pamphlet (on file, *Florida State University Law Review*). In Florida, there are three members of the National Conference of Commissioners on Uniform State Laws. These unpaid members encourage the adoption of Uniform Acts. The three Florida Commissioners recommended two Uniform Acts for Adoption in Florida in the 1988 legislative session and both were adopted. Telephone interview with Henry Kittleson, Florida member of the National Conference of Commissioners on Uniform State Laws (July 1988). Specifically, these were the Uniform Trade Secrets Act, ch. 88-254, §§ 1-9, 1988 Fla. Laws 1377 (codified at FLA. STAT. §§ 688.01-09 (Supp. 1988)), and the Uniform Statutory Rule Against Perpetuities, ch. 88-40, 1988 Fla. Laws 277 (codified at FLA. STAT. § 689.225 (Supp. 1988)).

7. UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS, 14 U.L.A. 329, 330-31 (Supp. 1988) [hereinafter UTSA]. The UTSA was adopted by the National Conference in 1979; five amendments were incorporated on the recommendation of the American Bar Association's Patent, Trademark and Copyright Law Section in 1985. The Florida UTSA includes the 1985 amendments to the UTSA. The specific amendments are not further addressed in this Comment. However, the author has treated the UTSA with the 1985 amendments as a whole throughout.

8. **Alaska:** 1988 Alaska Sess. Laws 103 (to be codified at ALASKA STAT. § 45.50.910 to .945); **Arkansas:** ARK. STAT. ANN. §§ 4-75-601 to -607 (1987); **California:** CAL. CIV. CODE § 3426 (West Supp. 1988); **Colorado:** COLO. REV. STAT. § 7-74 (1986); **Connecticut:** CONN. GEN. STAT. ANN. §§ 35-50 to -58 (West 1987); **Delaware:** DEL. CODE ANN. tit. 6, §§ 2001-2009 (Supp. 1986); **Florida:** Ch. 88-254, § 1-9, 1988 Fla. Laws 1377 (codified at FLA. STAT. §§ 688.001-.009 (Supp. 1988)); **Idaho:** IDAHO CODE §§ 48-801 to -807 (Supp. 1988); **Illinois:** ILL. ANN. STAT. ch. 140, paras. 351-359 (Smith-Hurd Supp. 1988); **Indiana:** IND. CODE ANN. §§ 24-2-3-1 to -8 (Burns Supp. 1988); **Kansas:** KAN. STAT. ANN. §§ 60.3320-.3330 (1983); **Louisiana:** LA. REV. STAT. ANN. §§ 51:1431-1439 (West 1987); **Maine:** ME. REV. STAT. ANN. tit. 10, §§ 1541-1548 (Supp. 1987); **Minnesota:** MINN. STAT. ANN. §§ 325C.01-.08 (West 1981 & Supp. 1988); **Montana:** MONT. CODE ANN. §§ 30-14-401 to -409 (1987); **Nevada:** NEV. REV. STAT. ANN. §§ 600A.010-.100 (Michie Supp. 1987); **North Dakota:** N.D. CENT. CODE §§ 47-25.1-01 to -08 (Supp. 1987); **Oklahoma:** OKLA. STAT. ANN. tit. 78, §§ 85-95 (West 1987); **Oregon:** OR. REV. STAT. § 646.475 (1987); **Rhode Island:** R.I. GEN. LAWS §§ 6-41-1 to -11 (Supp. 1987); **South Dakota:** S.D. CODIFIED LAWS ANN. §§ 37-29-1 to -11 (Supp. 1988); **Virginia:** VA. CODE ANN. §§ 59.1-336 to -343 (1987); **Washington:** WASH. REV. CODE ANN. §§ 19.108.010-.940 (Supp. 1988); **West Virginia:** W. VA. CODE §§ 47-22-1 to -10 (1986); **Wisconsin:** WIS. STAT. ANN. § 134.90 (West Supp. 1987); North Carolina enacted a similar statute, N.C. GEN. STAT. §§ 66-152 to -157 (Supp. 1981), however, it differs from common law and the UTSA by deleting the bad faith requirement.

9. Klitzke, *The Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277, 284 n.37 (1980) (provides a comprehensive coverage of the UTSA and additional background information).

The purpose of this Comment is to examine Florida's newly enacted UTSA and to discuss what effect it may have on existing case law and statutory regulations. This will be done through a section-by-section analysis of the statute. The relationship between common law principles and the law in jurisdictions which have already enacted the uniform act will be analyzed. Finally, throughout this Comment the underlying ethical considerations presented by the UTSA will be addressed. It will be shown that the primary purpose of the Act is to preserve standards of commercial ethics and promote fairness in the litigation of trade secret misappropriations while creating uniformity among the states.

### I. BACKGROUND

Much of present-day trade secret law is summarized in the *Restatement of Torts*.<sup>10</sup> The principles therein are the most often used in deciding trade secret cases.<sup>11</sup> Of course, the *Restatement* is not the law and as such its precepts may or may not be adopted.<sup>12</sup> Moreover, the *Restatement* itself is meaningless unless it is read in conjunction with the comments which supplement each of its sections. Another problem with the *Restatement* is that:

the second edition of the *Restatement of Torts*, published in 1979, deleted all provisions relating to trade secrets. It was the opinion of the American Law Institute that trade regulation law, of which the law of trade secrets was a part, had developed into an independent body of law no longer based primarily upon tort principles.<sup>13</sup>

It was the opinion of the American Law Institute that trade secrets were now to be considered part of property law rather than tort law.<sup>14</sup> Into the void left by the *Restatement's* abandonment of trade secret law, the National Uniform Law Commissioners introduced the UTSA. The UTSA maintains the basic principles of trade secret law while preserving its distinction from the laws governing patents and copyrights.<sup>15</sup>

Patent and trade secret protection are sought for many of the same reasons. The primary principle behind both fields of law is that in

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10. RESTATEMENT OF TORTS § 757 (1939).

11. Klitzke, *supra* note 9, at 278 (citing 12 R. MILGRIM, BUSINESS ORGANIZATIONS § 2.01 (1978)).

12. See Klitzke, *supra* note 9, at 283.

13. *Id.*

14. *Id.*

15. 9A Z. CAVITCH, BUSINESS ORGANIZATIONS § 232.02 (1986).

each case an owner desires to secure legally his valuable information from misappropriation or use by another who would gain an unfair economic advantage. A patent is a federal monopoly which gives a right to exclude others from making, using, or selling some item.<sup>16</sup> Once a patent is issued, the composition of the information is exposed to the public by publication. Until the information is protected by patent law, the applicant relies on trade secret law for protection from misappropriation of his property. However, once the patent is issued there is no longer a trade secret remedy, since a trade secret must not be common knowledge. The general policy difference between the two is that patent policy is designed to encourage public disclosure of innovations, thus promoting additional development,<sup>17</sup> while trade secret law keeps the composition of the information secret.<sup>18</sup> As stated in the *Restatement of Torts*, the policy behind protecting trade secrets "is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. The protection is merely against breach of faith and reprehensible means of learning another's secret."<sup>19</sup> The positive right to secure a secret is valuable, especially since the protection offered by patent law can be highly inadequate. For example, in manufacturing computer components the secret element may be outdated long before a patent can be issued. This leaves trade secret law as the only realistic protection available.<sup>20</sup>

Other differences between the two further increase the desirability of having a separate body of trade secret law. A patent right is generally granted for seventeen years, while a trade secret can be perpetual.<sup>21</sup> Additionally, patents require a showing of novelty; the UTSA does away with this specific qualification for trade secrets.<sup>22</sup> The reli-

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16. See generally Ropski & Kline, *A Primer on Intellectual Property Rights: The Basics of Patents, Trademarks, Copyrights, Trade Secrets and Related Rights*, 50 ALB. L. REV. 405, 411 (1986).

17. *Id.* at 430.

18. *Id.* See generally Annotation, *Disclosure of Trade Secret as Abandonment of Secrecy*, 92 A.L.R.3d 138 (1982) (disclosure of secret information results in abandonment of the trade secret).

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

20. See generally Comment, *supra* note 3.

21. See *Coca-Cola Bottling Co. v. Coca-Cola Co.*, 269 F. 796 (D. Del. 1920) (secret process for cola syrup is property and may be protected indefinitely).

22. However, some novelty is required or else a secret would not be a secret. Furthermore, new variations on widely used processes cannot be trade secrets. *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890 (Minn. 1983). See, e.g., *Pressure Science, Inc. v. Kramer*, 413 F. Supp. 618 (D. Conn. 1976) (no trade secret where others in industry used same process to manufacture metal seals and could easily reproduce seals); *Jostens, Inc. v. National Computer Sys.*, 318 N.W.2d 691 (Minn. 1982) (computer system not secret where it merely combined known subsystems). Cf. *Forest Laboratories, Inc. v. Pillsbury Co.*, 452 F.2d 621 (7th Cir. 1971) (process of tempering effervescent tablets, by leaving in dry room for 24 to 48 hours before packaging, was a trade secret).

ance on trade secret law could prove to be less costly and time consuming, since patent fees do not have to be paid and the application process is avoided. One of the vital distinctions between patent, trade secret, and copyright protection<sup>23</sup> is that trade secret law is the only type of intellectual property protection which extends to ideas. In view of the limitations of patent and copyright protection, many businesses are electing to protect their commercially valuable information by relying solely on trade secret law.<sup>24</sup>

While both patent and copyright law are governed by federal law, trade secret protection is purely a state protected right. The path was cleared for the states to enact trade secret protection laws when the United States Supreme Court, in *Kewanee Oil Co. v. Bicron Corp.*, held that federal patent law does not preempt such state laws.<sup>25</sup>

## II. FLORIDA'S NEW UNIFORM TRADE SECRETS ACT

The UTSA gives a trade secret owner the right to protection from the misappropriation of trade secrets. While this right has previously existed under common law,<sup>26</sup> the courts were allowed to exercise great discretion in defining trade secret law. A laxity of direction occurred from the many different forms of a cause of action available for trade secret protection. Liability under common law arises from contract rights, property rights, or a violation of a fiduciary relationship.<sup>27</sup> The UTSA combines these into one cause of action.<sup>28</sup> In addition to providing one cause of action, the UTSA provides for damages and injunctions,<sup>29</sup> a statute of limitations,<sup>30</sup> and attorney's fees.<sup>31</sup> These

23. Copyright protection is of a similar nature as patent law. However, copyright protection extends only to tangible items which by their very nature are not secret. See Klitzke, *supra* note 9, at 289 (discussing qualification requirements under the Patent Act for a trade secret owner and an inventor).

Essentially, anyone has the right to the same trade secret if they developed the information by independent means, therefore, the use of the secret will not be limited. Whereas under patent law the holder of the patent has the exclusive right of use.

24. See *Micro Plus, Inc. v. Forte Data Sys., Inc.*, 484 So. 2d 1340, 1342 n.1 (Fla. 4th DCA 1986) (per curiam) ("Research and development in the industry are such that patents and trademarks, because they require considerable time to obtain, are not feasible and not readily used to protect proprietary information.") (finding of fact in lower court's order).

25. 416 U.S. 470, 491 (1974). Section 559.94, Florida Statutes, was held preempted by federal patent law under the supremacy clause. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 515 So. 2d 220 (Fla. 1987) (also discusses relationship between federal patent law and Florida trade secret law), *cert. granted*, 108 S. Ct. 1727 (1988).

26. See RESTATEMENT OF TORTS § 757 (1939).

27. See Comment, *supra* note 3, at 383.

28. Ch. 88-254, § 8, 1988 Fla. Laws 1377, 1379-80 (codified at FLA. STAT. § 688.008 (Supp. 1988)).

29. *Id.* § 3, 1988 Fla. Laws at 1379 (codified at FLA. STAT. § 688.003 (Supp. 1988)).

30. *Id.* § 7, 1988 Fla. Laws at 1379 (codified at FLA. STAT. § 688.007 (Supp. 1988)).

31. *Id.* § 5, 1988 Fla. Laws at 1379 (codified at FLA. STAT. § 688.005 (Supp. 1988)).

provisions elevate the UTSA to a pragmatic and workable statute by providing specific guidelines.

Since twenty-five states have enacted the UTSA,<sup>32</sup> Florida should benefit from interpretations of the UTSA by these other jurisdictions. This is especially true since the intent behind the uniform law is to provide uniformity among states in trade secret law. The first state to enact the UTSA was Minnesota,<sup>33</sup> whose supreme court has determined that the UTSA more or less embodies their common law definition of a trade secret.<sup>34</sup> Cavitch has noted that the UTSA and the common law "are in harmony, and both can be cited in support of the same result."<sup>35</sup> Since Florida common law does not conflict with the UTSA, Florida courts should reach the same result as courts have in Minnesota.

### A. Definitions

The keystone of the UTSA is its definition section. The definition of a "trade secret" requires the information to be secret and to have been used in one's trade or business. The policy behind the statute—deterrence of unethical business practices—is embodied in the definition of "improper means," which gives examples of misappropriations which violate prevailing notions of commercial fair play and integrity.

#### 1. Trade Secrets

The UTSA sets forth three main components as the bases of the trade secret definition. First, a trade secret must be information; second, it must have actual or potential independent economic value based on its secrecy; and finally, it must be reasonably maintained in secret.<sup>36</sup> This definition closely follows the *Restatement*, but is more

32. See *supra* note 8.

33. Z. CAVITCH, *supra* note 15, § 232.02[3].

34. *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 899 (Minn. 1983).

35. Z. CAVITCH, *supra* note 15, § 232.02[3]. Cavitch notes that the Minnesota Court, in *Aries Information Sys., Inc. v. Pacific Management Sys. Corp.*, 366 N.W.2d 366 (Minn. App. 1985), cites both the Minnesota version of the UTSA, MINN. STAT. §§ 325C.01-.08 (1980) and *Jostens, Inc. v. National Computer Sys., Inc.*, 318 N.W.2d 691 (Minn. 1982) (a pre-UTSA decision that referred to the UTSA).

36. The UTSA defines a trade secret as follows:

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

(a) 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

(b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

UTSA, *supra* note 7, § 1(4). See also ch. 88-254, § 2(4), 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002(4) (Supp. 1988)).

inclusive by providing for programs, methods, and techniques within the definition of a trade secret.<sup>37</sup> Florida courts should be amenable to the UTSA's definition of a trade secret since the courts have accepted a broad range of items as trade secrets,<sup>38</sup> including chemical formulas,<sup>39</sup> business information,<sup>40</sup> designs,<sup>41</sup> machinery,<sup>42</sup> manufacturing

37. Compare RESTATEMENT OF TORTS § 757 comment b (1939) with Ch. 88-254, § 1(4), 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.001(4) (Supp. 1988)). Cf. *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 898 (Minn. 1983) (citing *Cherne Indus., Inc. v. Grounds & Assoc., Inc.*, 278 N.W.2d 81 (Minn. 1979)).

38. *Bert Lane Co. v. International Indus.*, 84 So. 2d 5, 7 (Fla. 1955); *Lee v. Cercoa, Inc.*, 433 So. 2d 1, 2 (Fla. 4th DCA 1983), *rev. denied*, 444 So. 2d 417 (Fla. 1984); *Demit of Venez., C.A. v. Electronic Water Sys., Inc.*, 547 F. Supp. 850 (S.D. Fla. 1982) (federal courts in Florida have looked to § 757 of the RESTATEMENT OF TORTS (1939)); *Keystone Plastics, Inc. v. C & P Plastics, Inc.*, 340 F. Supp. 55 (S.D. Fla. 1972) (trade secrets were defined as the *Restatement* sets forth). Section 757 of the RESTATEMENT OF TORTS (1939) provides that:

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if

- (a) he discovered the secret by improper means, or
- (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or
- (c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or
- (d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.

RESTATEMENT OF TORTS § 757 (1939)

Comment b is a frequently cited authority with respect to defining a trade secret. This comment enunciates the following six factors to be considered when determining whether a plaintiff's information is a trade secret:

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

*Id.* comment b.

39. See *Sun Crete, Inc. v. Sundeck Prods., Inc.*, 452 So. 2d 973 (Fla. 4th DCA 1984) (chemical formula for covering concrete surfaces); *Dotolo v. Schouten*, 426 So. 2d 1013 (Fla. 2d DCA 1983) (citrus-based pet products).

40. *General Hotel & Restaurant Supply Corp. v. Skipper*, 514 So. 2d 1158 (Fla. 2d DCA 1987) (certain documents may be a trade secret); *Freedom Newspapers, Inc. v. Egly*, 507 So. 2d 1180 (Fla. 2d DCA 1987) (citing *Standard & Poor's Corp. v. Commodity Exch., Inc.*, 538 F. Supp. 1063 (S.D.N.Y.) (statistical information that was difficult and costly to develop), *aff'd*, 683 F.2d 704 (2d Cir. 1982)); *Orkin Exterminating Co. v. Truly Nolen, Inc.*, 117 So. 2d 419 (Fla. 3d DCA) (business methods and prices), *cert. denied*, 120 So. 2d 619 (Fla. 1960).

41. *Aerosonic Corp. v. Trodyne Corp.*, 402 F.2d 223 (5th Cir. 1968) (design for helicopter blade mechanism); *Bert Lane Co. v. International Indus.*, 84 So. 2d 5 (Fla. 1955) (design of carousel); *Toyota Motor Co. v. Moll*, 391 So. 2d 282 (Fla. 4th DCA 1980) (car design).

42. *Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232 (Fla. 3d DCA 1960) (machinery for the manufacture of polyurethane foam). See also *Keystone Plastics, Inc. v. C & P Plastics, Inc.*, 506 F.2d 960 (5th Cir. 1975) (polypropylene bristles); *Biodynamic Technologies, Inc.*



processes,<sup>43</sup> and customer lists.<sup>44</sup> The UTSA provides a uniform set of guidelines to follow in determining whether a trade secret exists.<sup>45</sup>

Other jurisdictions which have enacted the UTSA have traditionally followed the common law test for a trade secret;<sup>46</sup> however, this is done with the caveat that the language of the UTSA must be followed to the extent that it modifies or clarifies the common law.<sup>47</sup> Therefore, under the UTSA, Florida's definition of a trade secret should remain viable.<sup>48</sup> Some Florida cases have more precisely detailed the traditional common law definition.<sup>49</sup> For example, in *Sun Crete, Inc. v. Sundeck Products, Inc.*,<sup>50</sup> the court held that a trade secret is more than a chemical formula. "A trade secret is a plan or process, tool, mechanism or compound. It includes a unique combination of otherwise known components, if the combination differs materially from other methods known in the trade."<sup>51</sup> Florida case law should not be

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v. Chattanooga Corp., 644 F. Supp. 607 (S.D. Fla. 1986) (orthopedic continuous passive motion device); *Demit of Venez., C.A. v. Electronic Water Sys., Inc.*, 547 F. Supp. 850 (S.D. Fla. 1982) (electromagnetic water treatment).

43. *Lee v. Cercoa, Inc.*, 433 So. 2d 1 (Fla. 4th DCA 1983) (manufacturing process for glass polishing compound), *rev. denied*, 444 So. 2d 417 (Fla. 1984).

44. *Braman Motors, Inc. v. Ward*, 479 So. 2d 225 (Fla. 3d DCA 1985) (Rolls Royce customer service list may be a trade secret); *Unistar Corp. v. Child*, 415 So. 2d 733 (Fla. 3d DCA 1982) (list of financial planners interested in selling diamonds, where the list was a distillation of a larger list, reflecting considerable effort, knowledge, time, and expense is a trade secret); *Erik Elec. Co. v. Elliot*, 375 So. 2d 1136 (Fla. 3d DCA 1979) (light bulb customer list that was the product of employer's method of great distillation, presented a prima facie case when employee after taking list took over large portion of employer's trade); *Inland Rubber Corp. v. Helman*, 237 So. 2d 291 (Fla. 1st DCA 1970) (tire customer list is a trade secret when it is confidential information and when a great expense had been occurred in procuring the list initially). *Cf. Pure Foods, Inc. v. Sir Sirloin, Inc.*, 84 So. 2d 51 (Fla. 1955) (wholesaler's food customer list not trade secret where list was easily obtainable from classified telephone directories); *Keel v. Quality Medical Sys.*, 515 So. 2d 337 (Fla. 3d DCA 1987) (customer information was not confidential); *Blackstone v. Dade City Osteopathic Clinic*, 511 So. 2d 1050 (Fla. 2d DCA 1987) (list of patients treated by doctor is not a trade secret); *Fish v. Adams*, 401 So. 2d 843 (Fla. 5th DCA 1981) (employee may take list that he himself has developed); *Renpak, Inc. v. Oppenheimer*, 104 So. 2d 642 (Fla. 2d DCA 1958) (customer list of a wholesaler of hotel supplies and variety store merchandise is not a trade secret since it contained readily ascertainable information).

45. See generally Note, *supra* note 2.

46. See Z. CAVITCH, *supra* note 15, § 233.02 (listing jurisdictions that recognize the RESTATEMENT OF TORTS (1939)). Five of the listed states—Connecticut, Illinois, Minnesota, Oklahoma, and Wisconsin—have adopted the UTSA.

47. *Electro-Craft Corp. v. Controlled Motion, Inc.* 332 N.W.2d 890, 898 (Minn. 1983).

48. In *Lee v. Cercoa*, 433 So. 2d 1 (Fla. 4th DCA 1983), the court cited 2 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES section 51.1, at 349-50 (3rd ed. 1967) and the RESTATEMENT OF TORTS, section 757, comment b (1939) as the source of a trade secret definition.

49. See *Sun Crete, Inc. v. Sundeck Prods., Inc.*, 452 So. 2d 973, 975 (Fla. 4th DCA 1984).

50. 452 So. 2d 973 (Fla. 4th DCA 1984).

51. *Id.* at 975 (citing 2 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES, § 14.07 (4th ed. 1982)).

overturned by enactment of the UTSA and may be relied upon for construing the definition of "trade secrets" as used in the UTSA.

In the UTSA definition of a trade secret, several departures from the *Restatement* are notable. Whereas the *Restatement* lists formula, pattern, device or compilation of information,<sup>52</sup> the UTSA adds program, method, and technique to the list.<sup>53</sup> "Program" was added to include computer programs,<sup>54</sup> and "method and technique" extend the definition to include the concept of "know-how."<sup>55</sup> Know-how is the knowledge that is gained by an employee during the course of his employment.<sup>56</sup> However, the definition of know-how does not include general knowledge that was not given in a confidential manner, nor does it include knowledge gained in the normal course of business.<sup>57</sup>

This distinction between know-how and general knowledge is demonstrated in *Renpak, Inc. v. Oppenheimer*.<sup>58</sup> An employee made plans to establish a competing business using the employer's customer list. The court found that since there was no confidential relationship and the list was comprised of a readily ascertainable class, there was no trade secret. Here the employees's skill and knowledge were defined as "assets gained by an employee which are transferable to his future use in business and in life and which become a part of his own mental equipment. It is impossible to leave them behind so long as they exist within the mind of the employee."<sup>59</sup> As a result of the fine distinction between employee know-how and the misappropriation of a trade secret, no definite standard has been established to guide employers or employees.

One factor which may help with this distinction is the nature of the relationship between the parties. To find a misappropriation of know-how, the courts look for a breach of a confidential relationship.<sup>60</sup> An

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

53. Ch. 88-254, § 1(4), 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.001(4) (Supp. 1988)).

54. See *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518 (5th Cir. 1974); *Com-Share, Inc. v. Computer Complex, Inc.*, 338 F. Supp 1229 (E.D. Mich. 1971) (computer program found to be a trade secret), *aff'd per curiam*, 458 F.2d 1341 (6th Cir. 1972).

55. UTSA, *supra* note 7, § 1 comment.

56. *Cf. Foster & Co. v. Snodgrass*, 333 So. 2d 521 (Fla. 2d DCA 1976) (employee's knowledge gained during his experience as a hardware salesman, while not a trade secret was, by virtue of a noncompetitive agreement, found to be of value).

57. See generally *Z. CAVITCH*, *supra* note 15, § 233.04. Florida cases look for a confidential relationship or a noncompetitive agreement. See *Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232 (Fla. 3d DCA 1960).

58. 104 So. 2d 642 (Fla. 2d DCA 1958).

59. *Id.* at 645.

60. *Z. CAVITCH*, *supra* note 15, § 233.02 (citing *Chomerics, Inc. v. Ehrreich*, 12 Mass. App. Ct. 1, 421 N.E.2d 453 (1981)). *Cf. Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232

example of this may be found in *Chomerics, Inc. v. Ehrreich*,<sup>61</sup> in which the defendant was a founder, officer, and director of the plaintiff corporation. The defendant, as part of his job, helped develop electrically-conductive plastics for the electronic industry. The results of his experiments were kept in locked notebooks, although the company did not consider the results to be valuable. The defendant left the company and after the time required in his non-competition agreement, became co-founder and principal of a research and consulting firm. At this point, the plaintiff alleged that the defendant misappropriated some of its "concepts." The court held that the defendant had only taken the knowledge of possibilities and goals gained as part of his overall experience as a scientist.<sup>62</sup> The information acquired had never been treated as secret; therefore, the knowledge was not a secret.

The *Restatement* only offers a type of template through which facts are squeezed to press out an equitable remedy. The UTSA overcomes this haphazard method by setting forth certain elements that must be met before a cause of action may be found.<sup>63</sup> If the plaintiff can substantiate all factors provided for in the statute, then the fine line distinction becomes less blurred and future trade secret litigants will have guidance on how to proceed in trade secret litigation.

Arguments that were persuasive to courts under the common law trade secret cases should carry over into the reasoning of UTSA cases. However, there are aspects of the new law that will enlarge the scope of the existing common law. For a secret to be protected under prior Florida law, it had to have actual economic value. The UTSA expands the definition to include secrets that have potential economic value.<sup>64</sup> Klitzke explains that "[i]nformation regarding a future manufacturing process may have no present commercial value and yet have economic value, as where time and effort have been expended in its development."<sup>65</sup> Additionally, under the *Restatement*, a trade secret had to be in continuous use in the operation of the business.<sup>66</sup> Under the UTSA,

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(Fla. 3d DCA 1960) (court held that the employee's knowledge of the trade secrets from the previous firm would be so entwined with his new employment as to render ineffective an injunction directed only toward a prevention of disclosure of trade secrets; therefore, a restraining injunction on employment would be upheld until all facts were brought forth in trial).

61. 12 Mass. App. Ct. 1, 421 N.E.2d 453 (1981).

62. *Id.* at 9-10, 421 N.E.2d at 458-59.

63. Ch. 88-254, § 2, 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002 (Supp. 1988)).

64. *Id.* § 2(4)(a), 1988 Fla. Laws at 1378 (codified at FLA. STAT. § 688.002(4)(a) (Supp. 1988)).

65. Klitzke, *supra* note 9, at 289.

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

a single event is protected. The UTSA further extends protection where the employer has not yet put the trade secret to use.<sup>67</sup> This includes negative information, such as information which is the result of expensive and time consuming research which proved that a certain process will not work.<sup>68</sup>

Another difference between the UTSA and the *Restatement* definition of a trade secret is that a "customer list" is not found in the UTSA definition but is specifically mentioned in the comments to the *Restatement*.<sup>69</sup> However, Florida common law has more than adequately interpreted this area of the law and these well-reasoned opinions should be followed in spite of the omission in the UTSA. To illustrate, in *Unistar Corp. v. Child*<sup>70</sup> the employer, Unistar, was in the business of selling investment grade diamonds and gemstones through financial planners. Over a period of three years Unistar amassed a list of 4,200 planners by screening some 12,000 known planners and spending \$800,000 in advertising, attending conventions, and conducting training programs. From the 4,200, only 1,850 financial planners were actually signed on as dealers, and of those only 274 actually sold Unistar's diamonds. When employees left the company and started a competing business, Unistar's sales fell by eighty-four percent. The former employees never denied that they used Unistar's customer list. They argued that the list was available to the public and therefore not a trade secret. The court found that the list was a reflection of considerable effort, knowledge, time, and expense and therefore was properly qualified as a trade secret.<sup>71</sup> The court explicitly stated that "[t]he law will import into every contract of employment a prohibition against the use of a trade secret by the employee for his own benefit, to the detriment of his employer, if the secret was acquired by the employee in the course of his employment."<sup>72</sup> Thus, a customer list will be considered a trade secret if it can be shown that a great deal of time and money went into the compilation of the list.

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67. UTSA, *supra* note 7, § 1 comment.

68. *Id.* (citing *Telex Corp. v. IBM Corp.*, 510 F.2d 894 (10th Cir.) (per curiam) (liability imposed for developmental cost savings with respect to product not marketed), *cert. dismissed*, 423 U.S. 802 (1975)).

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

70. 415 So. 2d 733 (Fla. 3d DCA 1982).

71. *Id.* at 734.

72. *Id.* See also *Kozuch v. Cra-Mar Video Center, Inc.*, 478 N.E.2d 110 (Ind. Ct. App. 1985) (names of purchasers of video hardware and purchasers of memberships were considered trade secrets since not generally known to competitors). Cf. *Aerosonic Corp. v. Trodyne Corp.*, 402 F.2d 223 (5th Cir. 1968) (employee's knowledge of the employer's customers normally not a trade secret).

However, a customer list is not a trade secret if the customers are members of a readily ascertainable class.<sup>73</sup>

The UTSA also addresses the secrecy requirement for trade secrets: information generally known within the industry is not a trade secret.<sup>74</sup> The statutory language, "not being generally known to, and not being readily ascertainable by proper means by, other persons,"<sup>75</sup> does not mean trade secret rights are only lost if the general public knows the information.<sup>76</sup> Instead, the UTSA focuses on those who can acquire an economic benefit from the trade secret.<sup>77</sup> "A method of casting metal, for example, may be unknown to the general public but readily known within the foundry industry,"<sup>78</sup> and thus would be considered generally known and not a trade secret.

The last major requirement for a trade secret is that reasonable efforts must have been taken to maintain the secrecy of a trade secret. The rights to a trade secret have been found to be extinguished when a company discloses its trade secret to someone not obligated to protect the confidentiality of such information.<sup>79</sup> However, the trade secret owner is not required to protect against unanticipated, undetectable or unpreventable methods of discovery.<sup>80</sup> "The efforts required to maintain secrecy are those 'reasonable under the circumstances.'"<sup>81</sup> For example, in *E.I. duPont deNemours & Co. v. Christopher*,<sup>82</sup> while the plaintiff's chemical plant was being built, the defendants flew over the site and took aerial photographs. A skilled engineer could determine the secret process for making methanol from these photographs.<sup>83</sup> The

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73. *Pure Foods, Inc. v. Sir Sirloin, Inc.*, 84 So. 2d 51 (Fla. 1955); *Repak, Inc. v. Oppenheimer*, 104 So. 2d 642 (Fla. 2d DCA 1958).

74. Ch. 88-254, § 2(4)(a), 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002(4)(a) (Supp. 1988)). The criteria for what is generally known is not always easily ascertainable. In *Pressure Science, Inc. v. Kramer*, 413 F. Supp. 618 (D. Conn. 1976), the court applied trade secret law adopted from the *Restatement* to find that although the plaintiff honestly believed that its manufacturing methods were unique and secret, they had in fact been utilized by or were known to companies in the industry for many years.

75. *Id.* § 2(4)(a), 1988 Fla. Laws at 1378 (codified at FLA. STAT. § 688.002(4)(a) (Supp. 1988)).

76. *See generally* *Engineered Mechanical Servs., Inc. v. Langlois*, 464 So. 2d 329 (La. Ct. App. 1984) (a trade secret cannot be a process or procedure which is a matter of public knowledge).

77. UTSA, *supra* note 7, § 1 comment.

78. *Id.*

79. *Eli Lilly & Co. v. EPA*, 615 F. Supp. 811, 820 (S.D. Ind. 1985).

80. *Aries Information Sys., Inc. v. Pacific Management Sys. Corp.*, 366 N.W.2d 366, 368 (Minn. Ct. App. 1985).

81. UTSA, *supra* note 7, § 1 comment.

82. 431 F.2d 1012 (5th Cir.), *cert. denied*, 400 U.S. 1024 (1970). The drafters of the UTSA relied on this case as an example of reasonable efforts to maintain secrecy. UTSA, *supra* note 7, § 1 comment.

83. *Christopher*, 431 F.2d at 1013-14.

court recognized this as a misappropriation of a trade secret that was reasonably protected.<sup>84</sup> The company was not required to first build a cover for the whole plant and then begin the actual building. The company had taken measures against observation on the ground; therefore, it had done what was reasonable under the circumstances. The UTSA will not change Florida law in this regard because Florida common law already recognizes that trade secrets must be reasonably safeguarded.<sup>85</sup>

In summary, under the UTSA, there are three main requirements which must be met before the information will be regarded as a trade secret. It must be information, it must have actual or potential independent economic value, and it must be reasonably maintained in secret. As a guide to determining whether these various requirements are met, the UTSA list of examples should not be construed as being exclusive. As already noted, in Florida a customer list has been included within the definition of a trade secret. Although not specifically listed in the UTSA, a customer list should be included in the broad term "information."

If a trade secret is found, the next step in the analysis is to determine if there has been a misappropriation. The trade secret must have been misappropriated in an unethical manner.

## 2. Misappropriation

In *Kewanee Oil Co. v. Bicron Corp.*, the United States Supreme Court noted that one of the main policies behind trade secret law is "the maintenance of standards of commercial ethics."<sup>86</sup> In carrying forth this banner of moral rectitude, the UTSA centers its cause of action around the definitions of "improper means" and "misappropriation."

Under common law, a trade secret misappropriation case sounded in tort, contract or both.<sup>87</sup> The UTSA simplifies the process so that only one cause of action is necessary under trade secret misappropriation.<sup>88</sup> This is important since under common law "[d]ifferent ap-

84. *Id.* at 1016-17.

85. *See Lee v. Cercoa, Inc.*, 433 So. 2d 1 (Fla. 4th DCA 1983), *rev. denied*, 444 So. 2d 417 (1984).

86. 416 U.S. 470, 481 (1974). *See also* UTSA, *supra* note 7, § 1 comment.

87. Z. CAVITCH, *supra* note 15, § 235.01.

88. *See id.* "Misappropriation" is defined by the UTSA as:

(a) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(b) Disclosure or use of a trade secret of another without express or implied consent by a person who:

proaches attached to tort and contract actions for misappropriations.<sup>89</sup> For example, the statute of limitations in a tort action may differ from that in a contract action.<sup>90</sup> Under the UTSA, neither tort nor contract law provides a cause of action; instead a cause of action is brought directly under the UTSA.<sup>91</sup>

Both the *Restatement*<sup>92</sup> and the UTSA<sup>93</sup> require that the acquisition of the trade secret be by improper means, that is, either some kind of taking or wrongful disclosure of the trade secret. Under the UTSA, the definition of improper means begins the misappropriation analysis with a two pronged approach. To be an improper means, the information must be obtained either (1) by wrongful means or (2) through a breach of a duty to maintain secrecy.<sup>94</sup> Both of these issues should be examined by the court when determining if there has been a misappropriation.

Two additional requirements are set forth under the misappropriation section. These requirements are that the trade secret be misappropriated by one who: (1) knows or has reason to know that the information was gained by improper means,<sup>95</sup> or (2) obtains the trade secret through accident or mistake.<sup>96</sup> The first issue is self-explanatory. The owner is given relief in the second situation only when his conduct does not constitute a failure of efforts that are reasonable

1. Used improper means to acquire knowledge of the trade secret; or
2. At the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was:
  - a. Derived from or through a person who had utilized improper means to acquire it;
  - b. Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
  - c. Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

3. Before a material change of his position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

UTSA, *supra* note 7, § 1. *See also* ch. 88-254, § 2, 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002 (Supp. 1988)).

89. Klitzke, *supra* note 9, at 296. *See generally* R. MILGRIM, *supra* note 4, §§ 3.01-.05 (protection of trade secrets by contract).

90. Klitzke, *supra* note 9, at 296 n.93; R. MILGRIM, *supra* note 4, § 4.01.

91. The UTSA specifically exempts contractual remedies whether or not based upon misappropriation of a trade secret. Ch. 88-254, § 8, 1988 Fla. Laws 1377, 1379-80 (codified at FLA. STAT. § 688.008 (Supp. 1988)).

92. RESTATEMENT OF TORTS § 757(a) (1939) ("One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by improper means . . .").

93. Ch. 88-254, § 2, 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002 (Supp. 1988)).

94. *Id.*

95. *Id.*

96. *Id.*

under the circumstances to maintain its secrecy<sup>97</sup> and the misappropriating party has not materially changed positions before becoming aware that the information is a trade secret.<sup>98</sup> Here, the UTSA parallels the *Restatement* which maintains that it is the improper means of obtaining the secret that makes it wrongful.<sup>99</sup>

The UTSA<sup>100</sup> and the *Restatement*<sup>101</sup> both impose liability for continuing to use information after discovering that the information is really a trade secret. However, one important difference is that the UTSA does not give absolute immunity to all third parties who have paid for the information in good faith as does the *Restatement*. Under the UTSA, liability is imposed on anyone—even one who obtained the information in good faith—who continues to use the information after learning that the information is a trade secret.<sup>102</sup> Additionally, a third party is liable if he knows or has reason to know that the information was obtained by improper means.<sup>103</sup> This extends to the situation in which the second appropriator knows that the misappropriator had a duty to maintain the secrecy.<sup>104</sup>

The *Restatement* is not binding on the courts, therefore, they could pick and choose which elements listed in the *Restatement* would be used in determining if there were to be liability.<sup>105</sup> However, in bringing an action under the UTSA all elements must be met.<sup>106</sup> For example, in *College Life Insurance v. Austin*,<sup>107</sup> the court correctly held that since the information failed one of the elements, the analysis should go no further.

To recapitulate, under the UTSA the standards for determining misappropriation are set forth: A defendant is liable if (1) he used improper means to gain access to the information; (2) he used a trade

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97. UTSA, *supra* note 7, § 1 comment.

98. Klitzke, *supra* note 9, at 300.

99. See RESTATEMENT OF TORTS § 758 comment b (1939).

100. Ch. 88-254, § 2(2)(b)(2), 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002(2)(b)(2) (Supp. 1988)).

101. RESTATEMENT OF TORTS § 758 comment b (1939).

102. Klitzke, *supra* note 9, at 300.

103. UTSA, *supra* note 7, § 2 comment.

104. Ch. 88-254, § 2, 1988 Fla. Laws 1377, 1378 (codified at FLA. STAT. § 688.002 (Supp. 1988)).

105. See Comment, *The Secret's Out: California's Adoption of the Uniform Trade Secrets Act—Effects on the Employer-Employee Relationship*, 20 LOY. L.A.L. REV. 1167, 1220 n.254 (1987). The author cites *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890 (Minn. 1983), which quotes *Jostens, Inc. v. National Computer Sys. Inc.*, 318 N.W.2d 691, 701 (Minn. 1982), as stating “[w]e recognize that the confidential relationship is also a prerequisite to an action for misappropriation.”

106. *Id.* at 1220 (citing *College Life Ins. v. Austin*, 466 N.E.2d 738 (Ind. 1984)).

107. 466 N.E.2d 738 (Ind. 1984) (court found no trade secret to protect).



secret that was given to him in a confidential relationship; (3) while on notice of a possible trade secret, he obtained the information from a third person who acquired it through improper means or the breach of a duty; or (4) after receiving the information by accident or mistake, he continued using the information after learning that it was a trade secret. One caveat is that in order for the trade secret owner to recover damages, a good faith appropriator must not have materially changed his position in reliance on the information.<sup>108</sup>

### 3. *Improper Means*

The definition of improper means is actually a list of included actions: "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means."<sup>109</sup> Improper means are those actions which fall below the customarily accepted standards of commercial morality and reasonable conduct.

As illustrated in *E.I. duPont deNemours & Co. v. Christopher*,<sup>110</sup> "improper means" incorporates more than merely illegal behavior. It is certainly not illegal to fly around and take pictures; however, the underlying intent of the action was to gain an economic benefit from the efforts of another.<sup>111</sup> The *Restatement*<sup>112</sup> and the UTSA establish a standard of ethical business practices which the business community is required to uphold.

The UTSA list of improper means is not to be considered as all inclusive. Indeed, the drafters of the UTSA specifically point out that "[a] complete catalogue of improper means is not possible."<sup>113</sup> To counterbalance the incompleteness of the definition, the Commission-

108. Ch. 88-254, § 4(1), 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.004(1) (Supp. 1988)).

109. *Id.*, § 2(1), 1988 Fla. Laws at 1378 (codified at FLA. STAT. § 688.002(1) (Supp. 1988)).

110. 431 F.2d 1012 (5th Cir.), *cert. denied*, 400 U.S. 1024 (1970).

111. *Id.*

112. "Improper means" is a concept taken directly from the RESTATEMENT OF TORTS, section 757 (1939). See also RESTATEMENT OF TORTS § 758 comment b (1939) (parenthetical omitted):

The mere use of another's trade secret is not of itself tortious. It is the improper means involved in his discovery of the secret that makes its use wrongful. If these means disclose no misconduct on his own part, but only mistake or misconduct by others in disclosing the secret, he is not chargeable with that mistake or misconduct unless he has notice of it.

*Id.*

113. UTSA, *supra* note 7, § 1 comment (quoting RESTATEMENT OF TORTS § 757 comment f (1939)).

ers included a catalog of "proper means."<sup>114</sup> Proper means of discovery may be made through independent invention, reverse engineering and any other fair and honest means.<sup>115</sup> The term "improper means" as developed in the UTSA is a synthesis of the *Restatement*. The UTSA does not greatly change the common law precepts of improper means and misappropriation as already developed. Additionally, since Florida case law is sparse on this direct point, other jurisdictions' constructions of the uniform law may aid in the interpretation of Florida's statute.

After establishing that the information is indeed a trade secret and that it has been misappropriated, the next concern of the plaintiff is to receive relief. Under the UTSA, both injunctive relief and damages may be awarded.

### B. Remedies

Under the UTSA, a trade secret owner may be granted both equitable and legal relief.<sup>116</sup> The UTSA should simplify litigation in the area of remedies. Under the common law, many of these types of cases would resolve the issues of damages and liability in bifurcated trials, that will be unnecessary under the UTSA, since the causes of action as found in common law are combined.<sup>117</sup>

#### 1. Injunctive Relief

Damages may be awarded when there has been a wrongful use of the owner's trade secret. However, damages are often hard to prove, so the only type of relief available may be an injunction.<sup>118</sup> Additionally, money damages may not compensate for all harm arising from

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114. *Id.* "Proper means" include:

1. Discovery by independent invention;
2. Discovery by "reverse engineering," that is, by starting with the known product and working backward to find the method by which it was developed. The acquisition of the known product must, of course, also be by a fair and honest means, such as purchase of the item on the open market for reverse engineering to be lawful;
3. Discovery under a license from the owner of the trade secret;
4. Observation of the item in public use or on public display;
5. Obtaining the trade secret from published literature.

115. *Id.*

116. Ch. 88-254, §§ 3-4, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. §§ 688.003-.004 (Supp. 1988)).

117. See 12B R. MILGRIM, BUSINESS ORGANIZATIONS § 7.08(3)(a) (1986).

118. See *Miller Mechanical, Inc. v. Ruth*, 300 So. 2d 11 (Fla. 1974) ("It is precisely because damages are so difficult to show that injunctive relief becomes a favored remedy.").

the violation.<sup>119</sup> For example, in *Chessick Clinic, P.A. v. Jones*,<sup>120</sup> the plaintiff had lost profits and goodwill as a result of the defendant's wrongful competition, but no remedy existed at law because this type of harm was considered too speculative to measure in dollars and cents. The only realistic remedy available was an injunction.<sup>121</sup> The UTSA adopts the theory that an injunction may be granted for the duration of time it would have taken the defendant to discover the trade secrets through any other lawful means.<sup>122</sup> Florida follows this principle.<sup>123</sup>

To obtain a preliminary injunction under Florida common law, the plaintiff must show that irreparable harm will occur if the injunction is not given and that there is no adequate remedy except injunctive relief.<sup>124</sup> However, this standard of relief is less stringent than it may at first appear. Irreparable harm is presumed where the cause of action involves a wrongful interference with a business relationship, as most trade secret cases do.<sup>125</sup> Furthermore, the standard of relief for a permanent injunction is met when all the elements for a trade secret misappropriation are found.<sup>126</sup>

Injunctive relief under the UTSA follows the same pattern,<sup>127</sup> but the categories of relief are streamlined to require that the plaintiff demonstrate only a reasonable likelihood of success, or that the actual or threatened injury to the plaintiff outweighs the threatened harm that the grant of an injunction may inflict on the defendants.<sup>128</sup> Also,

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119. *Capraro v. Lanier Business Prods., Inc.*, 445 So. 2d 719 (Fla. 4th DCA 1984) (breach of contract may not leave adequate remedy except injunctive relief in case of an employee contract which contains a covenant not to compete).

120. 367 So. 2d 1028 (Fla. 2d DCA 1979).

121. *Id.* It is worth noting that under Florida law a plaintiff is required to put up bond for temporary injunctions. See FLA. R. Crv. P. 1.610(b). See also *Barnett v. Bacardi*, 394 So. 2d 1108 (Fla. 3d DCA 1981).

122. UTSA, *supra* note 7, § 1 comment (citing *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471 (9th Cir. 1974)).

123. See *Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232 (Fla. 3d DCA 1960).

124. See *Unistar Corp. v. Child*, 415 So. 2d 733 (Fla. 3d DCA 1982). See also *Capraro v. Lanier Business Prods., Inc.*, 445 So. 2d 719 (Fla. 4th DCA 1984).

125. See *Dotolo v. Schouten*, 426 So. 2d 1013 (Fla. 2d DCA 1983) (injunctive relief granted). Implicit in the holding was the recognition that irreparable injury may be presumed in cases involving wrongful interference with a business relationship; it need not be alleged or proven in order to receive a preliminary injunction.

126. See *Lee v. Cercoa, Inc.*, 433 So. 2d 1 (Fla. 4th DCA 1983).

127. See, e.g., *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890 (Minn. 1983) (without a proven trade secret there is no cause of action, even if the defendants' actions were wrongful).

128. See *Kozuch v. Cra-Mar Video Center, Inc.*, 478 N.E.2d 110, 113-14 (Ind. Ct. App. 1985) (citing *College Life Ins. Co. of Am. v. Austin*, 466 N.E.2d 738 (Ind. Ct. App. 1984) (plaintiff met all factors necessary for an injunction)). The Indiana Legislature intended to serve the public interest by giving protection to trade secrets which are valuable assets to any business.

the plaintiff must show that by granting the injunction the public interest would be served.<sup>129</sup>

These categories do not conflict with Florida law, since in *Silvers v. Dis-Com Securities, Inc.*,<sup>130</sup> the court set forth similar requirements as necessary for injunctive relief.<sup>131</sup> Where a statute specifically provides for injunctive relief, Florida courts have found that if the proof supports the skeletal allegations of a cause of action, temporary or emergency injunctive relief will be granted.<sup>132</sup> This is particularly true where most or all of the harm may be done long before a final judgment is entered.<sup>133</sup>

A primary consideration in granting injunctive relief is the determination of the length of time the injunction should be enforced. There are two schools of thought. First, that the injunction should last for the length of time it would have taken the misappropriator to have discovered the information by ethical means.<sup>134</sup> Second, that the court should have the power to issue a punitive perpetual injunction,<sup>135</sup> based on the unethical nature of the theft.<sup>136</sup> The Commissioners lean toward the first position.<sup>137</sup> The UTSA maintains the principle "that an injunction should last for as long as is necessary, but no longer than is necessary, to eliminate the commercial advantage or 'lead time' with respect to good faith competitors that a person has obtained through misappropriation."<sup>138</sup> In other words, the injunction should terminate at the time when any advantage gained by the misappropriator is lost because the trade secret has become known to good faith competitors.<sup>139</sup>

129. *Id.*

130. 403 So. 2d 1133 (Fla. 4th DCA 1981).

131. *Id.* at 1136 (citing *Contemporary Interiors, Inc. v. Four Marks, Inc.*, 384 So. 2d 734, 735 (Fla. 4th DCA 1980)).

132. *Silvers v. Dis-Com Sec., Inc.*, 403 So. 2d 1133, 1137 (Fla. 4th DCA 1981).

133. *Id.*

134. See Z. CAVITCH, *supra* note 15, § 232.02[2].

135. *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204 (Tex. Civ. App. 1973).

136. See Z. CAVITCH, *supra* note 15, § 232.02[2].

137. The UTSA defines this important remedy:

Injunctive relief:

(1) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.

UTSA, *supra* note 7, § 3. See also ch. 88-254, § 3, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.003 (Supp. 1988)).

138. UTSA, *supra* note 7, § 2 comment.

139. *Id.* See also *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471 (9th Cir. 1974) (injunction granted only for time it took for good faith competitors to discover trade secret though reverse engineering or independent development).

Florida courts have also held that the common law injunction is of a temporary character and is subject to dissolution or continuance as the circumstances and facts indicate or require.<sup>140</sup> The court in *Aerosonic Corp. v. Trodyne Corp.* stated that an injunction "should never be broader than is necessary to secure to the injured party, without injustice to the adversary, relief warranted by the circumstances of the particular case."<sup>141</sup> Additionally, Florida courts have held that an injunction in the case of a misappropriation by an ex-employee only requires the ex-employee to cease from using the trade secret—while allowing him to continue using any know-how that is his rightful property.<sup>142</sup>

The injunctions discussed above are all of a prohibitive nature; they seek to maintain rather than alter the status quo between the parties. This is accomplished by requiring either an affirmative or negative action on the part of the defendant to protect the trade secret. The UTSA provides an alternative to these types of prohibitive injunctions, when equity would otherwise not be served.<sup>143</sup> If the court should determine that any prohibition of future use would be unreasonable, the court may condition future use on payment of a royalty.<sup>144</sup> The royalty referred to in this section must be distinguished from the royalty referred to in the damages section. Here, the royalty regulates a misappropriator's future conduct and is granted only in exceptional circumstances.<sup>145</sup> In the damages section, the award is for a misappropriator's past conduct and may be awarded as a general option.<sup>146</sup> Furthermore, injunctive relief will ordinarily preclude a monetary award for a period in which the injunction is effective.<sup>147</sup>

One exceptional circumstance warranting an injunctive royalty is an overriding public interest that makes an injunction inappropriate.<sup>148</sup> In

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140. *Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232 (Fla. 3d DCA 1960).

141. 402 F.2d 223 (5th Cir. 1968) (quoting *Florida Peach Orchards, Inc. v. State*, 190 So. 2d 796 (Fla. 1st DCA 1966)).

142. *See Inland Rubber Corp. v. Helman*, 237 So. 2d 291 (Fla. 1st DCA 1970) (quoting *Renpak, Inc. v. Oppenheimer*, 104 So. 2d 642 (Fla. 2d DCA 1958)).

143. The second part of the injunction section of the UTSA provides:

(2) In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited. Exceptional circumstances include, but are not limited to, a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.

USTA, *supra* note 7, § 2(b). *See also* ch. 88-254, § 3(2), 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.003(2) (Supp. 1988)).

144. *Id.*

145. *See* UTSA, *supra* note 7, § 3 comment.

146. *Id.*

147. *Id.*

148. *Id.* § 2 comment.

*Republic Aviation Corp. v. Schenk*,<sup>149</sup> for example, the court would not grant an injunction prohibiting the misappropriator from supplying aircraft weapons control systems when to do so would have endangered military personnel in Vietnam. The overriding public interest called for allowing the misappropriator to continue using the trade secret. Thus the only type of relief available to the owner of the trade secret was the granting of a royalty. However, the royalty is permitted only in situations where the misappropriator has obtained a competitive advantage.<sup>150</sup>

Another exceptional circumstance is a good faith third-party's reliance on the innocently acquired information.<sup>151</sup> The court may decide that restraining future use of the trade secret is unwarranted, and a royalty would act as a more equitable remedy to all parties.<sup>152</sup> The UTSA is basically consistent with the *Restatement* in this regard, except that the UTSA rejects absolute immunity for good faith purchasers of a trade secret misappropriated by another.<sup>153</sup>

In addition to prohibitive injunctions and royalty injunctions, the UTSA allows the court to grant affirmative relief, in the form a mandatory injunction.<sup>154</sup> This type of injunction may require that the misappropriator return the fruits of the misappropriation which may include such items as blueprints, photographs, recordings, or machines.<sup>155</sup>

## 2. Damages

The UTSA allows damages to be based on actual loss and unjust enrichment or a reasonable royalty.<sup>156</sup> Actual damages for trade secret

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149. 152 U.S.P.Q. 830, 834-35 (N.Y. Sup. Ct. 1967) (cited in UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS, 14 U.L.A. 337 (Supp. 1988)).

150. UTSA, *supra* note 7, § 2 comment.

151. *Id.*

152. *See id.*

153. Compare RESTATEMENT OF TORTS § 758(b) (1939) with UTSA, *supra* note 7, § 2 comment.

154. Ch. 88-254, § 3(3), 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.003(3) (Supp. 1988)).

155. UTSA, *supra* note 7, § 2 comment.

156. The UTSA provides that:

(1) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled to recover damages for misappropriation. Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

UTSA, *supra* note 7, § 3. *See also* ch. 88-254, § 4, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.004 (Supp. 1988)).

misappropriation are only recoverable for the period in which the trade secret was protected and for any time period in which the misappropriator will retain an advantage over good faith competitors because of the misappropriation.<sup>157</sup> However, damages may only be awarded to the extent that the defendant has not changed his position in reliance on a trade secret acquired in good faith, without reason to know of the misappropriation.<sup>158</sup> Additionally, a claim for net profits and actual damages can be merged with a claim for injunctive relief, "but, if both claims are granted, the injunctive relief ordinarily will preclude a monetary award for a period in which the injunction is effective."<sup>159</sup> In other words, a plaintiff is not allowed double recovery.

Under common law, courts in Florida have looked at a number of methods for computing damages including assessments based on the benefit of the misappropriation to the defendant and the effects of the misappropriation on the plaintiff's profits.<sup>160</sup> In *Demit of Venezuela, C.A. v. Electronic Water Systems, Inc.*,<sup>161</sup> the defendant was employed as a salesman selling an electronic water treatment system. As one of his jobs, he purchased the chemicals for the system. Although the defendant was never explicitly told that he was being given the secret formula, he was on notice that his employer kept the formula as a closely held secret. The defendant left his job after signing a dissolution agreement in which he agreed not to manufacture water treatment equipment or use or reveal any of the employer's confidential material. However, within three months of leaving, the defendant was producing a water treatment system. The court found that the defendant had misappropriated a legal trade secret.<sup>162</sup> In assessing damages, it appeared more logical to the court to base the remedy on a fair assessment of the benefit of the trade secret to the defendant since the defendant's financial records provided an indication of the trade secret's value.<sup>163</sup> Thus, a reasonable royalty was the most fair and equi-

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157. UTSA, *supra* note 7, § 3 comment.

158. *See id.* (citing *Conmar Prods. Corp. v. Universal Slide Fastener Co.*, 172 F.2d 1950 (2d Cir. 1949)). The Commissioners cited *Conmar* as an example where no relief was granted: the defendant innocently committed \$40,000 to develop the trade secret prior to notification of misappropriation. However, Milgrim points out that in relying on *Conmar*, the Commissioners overlooked the significance of the issuance of a patent disclosing the trade secret. R. MILGRIM, *supra* note 4, at A-13 n.21.

159. UTSA, *supra* note 7, § 3 comment.

160. *Demit of Venez., C.A. v. Electronic Water Sys., Inc.*, 547 F. Supp. 850, 854 (S.D. Fla. 1982).

161. *Id.* at 850.

162. *Id.* at 853.

163. *Id.* at 854.

table standard for assessing damages.<sup>164</sup> Additionally, injunctive relief was given to halt the unauthorized use of the trade secret.<sup>165</sup>

The UTSA provides no guidance on how to compute the exact figures involved in granting a royalty. In *Demit of Venezuela, C.A.*, there were adequate financial records which provided insight into the trade secret's value; however, this is not always the case and the courts may need further guidance. "To adopt a reasonable royalty as the measure of damages is to adopt and interpret, as well as may be, the fiction that a license was to be granted at the time of beginning the infringement, and then to determine what the license price should have been."<sup>166</sup> "Reasonable royalty" means more than just a percentage of the actual profits; it means "[t]he actual value of what has been appropriated."<sup>167</sup> When even this cannot be determined, courts have been forced to fall back on a reasonable estimate of the value of the trade secret.<sup>168</sup>

A court may award exemplary damages in addition to actual damages if the misappropriation was willful and malicious.<sup>169</sup> This award may not exceed twice the amount of the initial recovery.<sup>170</sup> If provable damages are insignificant, an award under this section will not provide a sufficient deterrent, especially if the defendant is deep-pocketed.<sup>171</sup> One commentator has suggested eliminating the cap "where actual damages are relatively small, and the circumstances warrant disproportionate exemplary damages to serve as a meaningful economic deterrent."<sup>172</sup> This is a good suggestion and one the Florida Legislature should consider.

### C. Attorney's Fees

In addition to compensating remedies, attorney's fees are allowed to deter willful and malicious misappropriation, specious claims of misappropriation, and frivolous litigation. The UTSA provides: "If a claim of misappropriation is made in bad faith, a motion to terminate

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164. *Id.* (using the standard described in *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 536-38 (5th Cir. 1974)).

165. *Id.*

166. *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 537 (5th Cir. 1974) (quoting *Egry Register Co. v. Standard Register Co.*, 23 F.2d 438, 443 (6th Cir. 1928)).

167. *Id.* (quoting *Vitro Corp. of Am. v. Hall Chem. Co.*, 292 F.2d 678, 683 (6th Cir. 1961)).

168. *Id.*

169. Ch. 88-254, § 4(2), 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.004(2) (Supp. 1988)).

170. *Id.*

171. See R. MILGRIM, *supra* note 4, at A-13 n.1 (appendix).

172. *Id.* at A-12 n.20.



an injunction is made or resisted in bad faith, or willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party."<sup>173</sup> In general, attorney's fees are considered punitive, with the essential triggering element for the award being bad faith on the part of the unsuccessful litigant.<sup>174</sup>

There has been much litigation in Florida concerning the awarding of attorney's fees in trade secret litigation and this will prove helpful in dealing with the UTSA. Moreover, Florida case law sets up excellent guidelines for determining the amount to be awarded as a reasonable attorney's fee while the UTSA lacks these guidelines. In *Alston v. Sundeck Products, Inc.*,<sup>175</sup> the court recognized that the fixed fee of the attorney's contract should be considered as a factor in determining the amount to be awarded, as this will usually constitute the best evidence of the reasonable value of the attorney's service. The court relied on *Florida Patient's Compensation Fund v. Rowe*<sup>176</sup> for the formula for determining an award of reasonable attorney's fees when the prevailing party is entitled by statute to such fees. The formula uses the criteria set forth in The Florida Bar Code of Professional Responsibility.<sup>177</sup>

The attorney's fees provision of the UTSA helps balance the equation between plaintiff and defendant. This is done by encouraging the plaintiff to consider more carefully the likelihood of success, while allowing the defendant to consider how he wants to proceed once a complaint is filed.<sup>178</sup>

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173. Ch. 88-254, § 5, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.005 (Supp. 1988)). See also UTSA, *supra* note 7, § 4 comment.

174. See *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471 (9th Cir. 1974) (no attorney's fees awarded when plaintiff did not act in bad faith).

175. 498 So. 2d 493 (Fla. 4th DCA 1986).

176. 472 So. 2d 1145 (Fla. 1985).

177. See *id.* at 1150. THE FLORIDA CODE OF PROFESSIONAL RESPONSIBILITY, DR 2-106(b) provides the following criteria:

- (1) The time and labor required, the novelty and difficulty of the question involved, and the skill requisite to perform the legal service properly.
- (2) The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the lawyer.
- (3) The fee customarily charged in the locality for similar legal service.
- (4) The amount involved and the results obtained.
- (5) The time limitations imposed by the client or by the circumstances.
- (6) The nature and length of the professional relationship with the client.
- (7) The experience, reputation, and ability of the lawyer or lawyers performing the services.
- (8) Whether the fee is fixed or contingent.

178. See *id.* at 1149.

### D. Preservation of Secrecy

The UTSA provides the court with broad authority to protect trade secrets before, during, and after the trial.<sup>179</sup> The intent is to provide reasonable assurances of secrecy so that meritorious trade secret litigation is not chilled.<sup>180</sup> Florida's evidence code also protects litigants' trade secrets from disclosure by granting the owner of the trade secret a privilege to refuse to disclose the trade secret if doing so will not conceal fraud or cause an injustice.<sup>181</sup>

### E. Statute of Limitations

The UTSA's statute of limitations provision eliminates some of the confusion found in trade secret law in three respects. First, it specifies a time limitation for initiating suit; second, it defines when a cause of action accrues; and third, it provides a rule for continuing violations. Under prior common law, an action for misappropriation could be brought either in tort or in contract, which would also affect the applicable statute of limitations.<sup>182</sup> Under the UTSA, all actions for misappropriation of a trade secret must be brought within three years.<sup>183</sup>

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179. The pertinent section states:

In an action under this act, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.

UTSA, *supra* note 7, § 5. See also ch. 88-254, § 6, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.006 (Supp. 1988)).

180. UTSA, *supra* note 7, § 5 comment.

181. FLA. STAT. § 90.506 (1987) provides:

A person has a privilege to refuse to disclose, and to prevent other persons from disclosing, a trade secret owned by him if the allowance of the privilege will not conceal fraud or otherwise work injustice. When the court directs disclosure, it shall take the protective measures that the interests of the holder of the privilege, the interests of the parties, and the furtherance of justice require. The privilege may be claimed by the person or his agent or employee.

Under this section of the Florida Statutes there has been much litigation dealing with pretrial procedures, and these cases present adequate guidelines for the implementation of the UTSA. See *e.g.* Eastern Cement Corp. v. Department of Envtl. Reg., 512 So. 2d 264 (Fla. 1st DCA 1987); General Hotel & Restaurant Supply Corp. v. Skipper, 514 So. 2d 1158 (Fla. 2d DCA 1987); Freedom Newspapers, Inc. v. Egly, 507 So. 2d 1180 (Fla. 2d DCA 1987); Fortune Personnel Agency, Inc. v. Sun Tech Inc., 423 So. 2d 545 (Fla. 4th DCA 1982); East Colonial Refuse Serv. v. Velocci, 416 So. 2d 1276 (Fla. 5th DCA 1982); Becker Metals Corp. v. West Fla. Scrap Metals, 407 So. 2d 380 (Fla. 1st DCA 1981).

182. Klitzke, *supra* note 9, at 306-07.

183. Ch. 88-254, § 7, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.007 (Supp. 1988)). This section provides that "[a]n action for misappropriation must be brought within 3 years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim."

The time for bringing such an action runs from the time the misappropriation is discovered or should have been discovered.<sup>184</sup> This standard provides certainty for the trade secret owner who has knowledge of a misappropriation. As for a trade secret owner without actual knowledge, "[i]f objectively reasonable notice of misappropriation exists, three years is sufficient time to vindicate one's legal rights," according to the drafters of the UTSA.<sup>185</sup>

The question whether each use of a misappropriated trade secret is a new violation or whether the first use of a misappropriated trade secret constitutes the violation has been resolved by the UTSA. Prior to the UTSA, there had been a conflict of authority in other jurisdictions,<sup>186</sup> but Florida had not addressed the issue. The UTSA rejects the "continuing wrong" theory that allowed a new statute of limitations to apply to each new use of the misappropriated secret.<sup>187</sup> Instead, a continuing misappropriation can only make up a single claim.<sup>188</sup> The combination of the single claim limitation and the running of the period from the time of discovery balances the interests between the need for a clear date at which the statute begins to run and the need for injured trade secret owners to have adequate time to discover and assert their claims.

### III. GENERAL DEFENSES TO THE UTSA

The UTSA does not specifically provide defenses to a misappropriation. However, throughout the UTSA many defenses are implied. This section sets forth these implied defenses.

In trade secret litigation, the plaintiff must first show that a trade secret exists. Almost any information will be considered a trade secret if it is not generally known and has been kept in reasonable secrecy. Accordingly, the defendant should attempt to overcome these two aspects. Several factors indicating that the information was not secret are that the information was generally known within the industry, that the information was published, or that the information was obtained

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184. *Id.*

185. UTSA, *supra* note 7, § 6 comment.

186. *Id.* The comment compares *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288 (9th Cir. 1969), in which no continuing wrong was found and the period of recovery began upon initial misappropriation, with *Underwater Storage, Inc. v. U.S. Rubber Co.*, 371 F.2d 950 (D.C. Cir. 1966), *cert. denied*, 386 U.S. 911 (1967), in which each use of the trade secret was considered a misappropriation and a separate wrong.

187. Ch. 88-254, § 7, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. § 688.007 (Supp. 1988)).

188. *Id.*

through reverse engineering.<sup>189</sup> In addition, the defendant can show that access to the trade secret is not limited or that the information is not coded in a manner not easily decipherable.<sup>190</sup>

Defendants to whom the secret was voluntarily disclosed may have difficulty countering a claim of a misappropriation of a trade secret. Generally if the defendant can prove that the plaintiff did not maintain the information in a secret manner, no cause of action for trade secret misappropriation exists. However, if the defendant is on notice that the information is a trade secret, the plaintiff may show that there was indeed a viable trade secret. A defendant is on notice if, while viewing the trade secret, he is exposed to "obvious security measures designed to keep the trade secret from general view . . . [or he] is advised that the process has just recently been developed after considerable time and effort."<sup>191</sup> Under these types of circumstances the defendant is on notice that he is dealing with a trade secret and that there are certain legal rights accorded to the owner of the information.

A defendant could also present the additional defense of "independent development" of the trade secret.<sup>192</sup> The defendant must present sufficient evidence that the claimed trade secret was a product of his own research and development.<sup>193</sup> Once there is proof that there was a trade secret, the plaintiff must show that the trade secret was misappropriated by improper means. Therefore, one defense available to the defendant is that he is in possession of the trade secret by proper means.<sup>194</sup>

Some trade secrets may represent only a small change in an existing process, and misappropriation of this kind of trade secret is hard to prove. Considerable increase in the defendant's efficiency, speed, quality or decreases in his cost of production should indicate that

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189. See UTSA, *supra* note 7, § 1 comment. Reverse engineering refers to discovery of the secret by dismantling a product incorporating the secret. If discovery by this method is easy, the information is not secret; if the discovery is expensive and time consuming, the information discovered may still be secret—but the discoverer did not act by improper means and may retain the information so learned as a trade secret.

190. See Z. CAVITCH, *supra* note 15, § 233.03[2] (citing *Auto Wax Co. v. Byrd*, 599 S.W.2d 110 (Tex. Civ. App. 1980)).

191. Klitzke, *Trade Secrets: Important Quasi-Property Rights*, 41 BUS. LAW. 555, 565 (1986).

192. See *id.*

193. See *Dutch Cookie Mach. Co. v. Vrede*, 289 Mich. 272, 286 N.W. 612 (1939) (court held there was no remedy where the information was readily available by researching the industry's trade journals).

194. See *Solo Cup Co. v. Paper Mach. Corp.*, 240 F. Supp. 126, 141 (E.D. Wis. 1965) (absent explanation by the defendant of how it properly obtained the information through proper means the court assumed that the defendant must have used improper means).

there has been a trade secret misappropriation; insignificant changes may indicate otherwise.<sup>195</sup>

Lastly, the underlying intent of the prohibition of trade secret misappropriation is based on ethical business practices. In light of this purpose, if the defendant can prove that he has acted in an honest and straightforward manner, the cause of action against him should fail.

#### IV. THE EFFECT OF THE UTSA ON FLORIDA LAW

The specific intent of the UTSA is that the "act shall be applied and constructed to effectuate its general purpose to make uniform the law with respect to the subject of this act among states enacting it."<sup>196</sup> In an effort to effectuate this purpose, the UTSA attempts to displace conflicting state law based on the misappropriation of a trade secret except for contractual or criminal based remedies.<sup>197</sup> The statute does not specifically displace particular laws, rather it makes a general displacement statement.<sup>198</sup> This is the one area where the UTSA may pose a problem in Florida, since the UTSA does not specifically replace section 772.11, Florida Statutes, which provides for a civil trade secret remedy.<sup>199</sup> Other areas of Florida law dealing with trade secrets either do not fall under the misappropriation application or are of a contractual or criminal nature.

In Florida, a plaintiff may bring a civil action for theft of a trade secret using the substance of the criminal statute.<sup>200</sup> The existence of

195. Klitzke, *supra* note 191, at 566 (1986).

196. Ch. 88-254, § 9, 1988 Fla. Laws 1377, 1380 (codified at FLA. STAT. § 688.009 (Supp. 1988)).

197. The pertinent section of the UTSA states:

(1) Except as provided in subsection (2), this act displaces conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of a trade secret.

(2) This act does not affect:

(a) Contractual remedies, whether or not based upon misappropriation of a trade secret; or

(b) Other civil remedies that are not based upon misappropriation of a trade secret; or

(c) Criminal remedies, whether or not based upon misappropriation of a trade secret.

UTSA, *supra* note 7, § 7. See also ch. 88-254, § 8, 1988 Fla. Laws 1377, 1379-80 (codified at FLA. STAT. § 688.008 (Supp. 1988)).

198. See *id.*

199. Section 772.11 provides, "Any person who proves by clear and convincing evidence that he has been injured in any fashion by reason of any violation of the provision[] of . . . s. 812.081 has a cause of action for threefold the actual damages sustained . . ." FLA. STAT. § 772.11 (1987).

200. *Id.* The criminal statute, section 812.081(1)(c), defines a trade secret as:

the whole or any portion or phase of any formula, pattern, device, combination of devices, or compilation of information which is for use, or is used, in the operation of a business and which provides the business an advantage, or an opportunity to obtain

this civil remedy may cause some confusion, since it is not specifically superceded by the UTSA. While the UTSA does purport to “displace[] conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of a trade secret,”<sup>201</sup> there are some definitional differences between the UTSA and the civil remedy statute that may allow the latter to survive despite the UTSA’s displacement clause.

A significant difference between the existing civil remedy and the UTSA is that under the civil remedy there is a stronger burden of proof that must be met than under the UTSA. Under the civil remedy, a plaintiff must prove by “clear and convincing evidence that he has been injured in any fashion by reason of any violation” of the criminal provisions.<sup>202</sup> The UTSA only requires a preponderance of proof by the plaintiff. If a plaintiff can meet the stronger burden of proof required by the civil remedy, he may wish to proceed on that basis to take advantage of the treble damages provision.<sup>203</sup>

A second distinction between the UTSA and the existing civil remedy is emphasized by the different definition of a trade secret found in each statute. If the two are judged to purport different meanings, a litigant may be able to bring a cause of action under one statute when the requirements of the other are not met. However, the UTSA ap-

an advantage, over those who do not know or use it. “Trade secret” includes any scientific, technical, or commercial information, including any design, process, procedure, list of suppliers, list of customers, business code, or improvement thereof. Irrespective of novelty, invention, patentability, the state of the prior art, and the level of skill in the business, art, or field to which the subject matter pertains, a trade secret is considered to be:

1. Secret;
2. Of value;
3. For use or in use by the business; and
4. Of advantage to the business, or providing an opportunity to obtain an advantage, over those who do not know or use it when the owner thereof takes measures to prevent it from becoming available to persons other than those selected by the owner to have access thereto for limited purposes.

*Id.* § 812.081(1)(c).

Theft of a trade secret occurs when:

Any person who, with intent to deprive or withhold from the owner thereof the control of a trade secret, or with an intent to appropriate a trade secret to his own use or to the use of another, steals or embezzles an article representing a trade secret or without authority makes or causes to be made a copy of an article representing a trade secret is guilty of a felony of the third degree, punishable as provided in s. 775.082 or s. 775.083.

*Id.* § 812.081(2) (1987).

201. Ch. 88-254, § 8(1), 1988 Fla. Laws 1377, 1379-80 (codified at FLA. STAT. § 688.008(1) (Supp. 1988)).

202. FLA. STAT. § 772.11 (1987).

203. *See id.*

pears to incorporate the existing civil remedy's definition in the broad definition of a trade secret. The definition of misappropriation under the UTSA includes the use of improper means.<sup>204</sup> Improper means is defined as, among other things, "theft." This definition appears to encompass the civil remedy, thereby making it unnecessary. If this was the only factor looked at to determine a misappropriation of a trade secret, the inclusion of theft could certainly appear to displace the existing civil remedy. However, because the UTSA differs significantly from section 772.11 as to the burden of proof required and the remedy awarded, these factors must be considered also. Furthermore, since section 772.11 is the only statute that contains a civil remedy for theft of a trade secret, the UTSA should have specifically displaced it.

A general rule of statutory construction is that the rescinding of a statute should be explicit. "[T]he mere fact that a later statute relates to matters covered in whole or in part by a prior statute does not cause a repeal of the older statute. If the two may operate on the same subject without positive inconsistency or repugnancy in their practical effect and consequences, they should each be given the effect designed for them unless a contrary intent *clearly* appears."<sup>205</sup> Moreover, "where the courts can, in construing two statutes, preserve the force of both without destroying their evident intent, it is their duty to do so."<sup>206</sup> The UTSA's attempt to displace conflicting civil remedies for misappropriation of trade secrets<sup>207</sup> would indicate that the intent of the UTSA is to speak to all wrongful takings of a trade secret. Nonetheless, since the UTSA did not specifically displace section 772.11, the Legislature may have intended to make both remedies available.<sup>208</sup>

Given the general purpose of the UTSA, to simplify and unify trade secret law among states, and the all-inclusiveness of the UTSA, the civil remedy under section 772.11 should no longer be available. However, there is sure to be some litigation, since section 772.11 provides a cause of action for treble damages, reasonable attorney's fees and

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204. See *supra* note 88.

205. *Ellis v. City of Winter Haven*, 60 So. 2d 620, 623 (Fla. 1952) (emphasis added) (quoting *Florida v. Gadsden County*, 63 Fla. 620, 629, 58 So. 232, 235 (1912)).

206. *Markham v. Blount*, 175 So. 2d 526, 528 (Fla. 1965) (repeal by implication not favored).

207. Ch. 88-254, § 8(1), 1988 Fla. Laws 1377, 1379-80 (codified at FLA. STAT. § 688.008(1) (Supp. 1988)).

208. The existence of section 772.11 was unknown to the members of the Legislature and their staff. In interviewing legislative staff on this issue it was revealed that no one had pointed out the existence of the section. This lack of knowledge leaves in question how the Legislature would have responded if made aware of its existence. Furthermore, the staff analysis does not even mention section 772.11. See Staff of Fla. S. Comm. on Commerce, SB 233 (1988) Staff Analysis 1-4 (Apr. 18, 1988) (on file with committee).

court costs.<sup>209</sup> In contrast, the UTSA limits awards of exemplary damages to twice the actual damage award and awards these and attorney's fees only in cases in which the court finds a willful and malicious misappropriation.<sup>210</sup> Until the Legislature or the courts determine whether the UTSA supercedes the civil trade secret statute, an uncertainty will remain. This ambiguity negates one of the primary purposes of the UTSA, that of simplifying trade secret law.

## V. CONCLUSION

The purpose of the UTSA is to make trade secret law more uniform; it accomplishes this goal by codifying trade secret protection and incorporating the major common law principles. The UTSA contributes to trade secret law significantly by providing pragmatically sound remedies. By adopting the UTSA, Florida has signaled to industry, particularly companies conducting business in more than one state, that it is a state committed to growth and expansion of the business community. Moreover, Florida has conformed its trade secret law with that of twenty-four other states, thereby providing a stable business environment in our state. Florida desires to attract new industry and create a climate for industrial innovation and creativity. The enactment of the UTSA is a direct response to this goal.

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209. FLA. STAT. § 772.11 (1987).

210. Ch. 88-254, §§ 4-5, 1988 Fla. Laws 1377, 1379 (codified at FLA. STAT. §§ 688.004 -.005 (Supp. 1988)).



