St. Mary's Law Journal

Volume 2 | Number 2 Article 9

12-1-1970

Aerial Photography Is an Improper Means of Acquiring a Trade Secret When Countervailing Defenses Are Not Reasonably Available to the Owner of the Trade Secret and Trade Secrets May Be Properly Discovered Only by Reverse Engineering, Independent Research or if the Owner Voluntarily Reveals the Secret.

Ronald R. Winfrey

Follow this and additional works at: https://commons.stmarytx.edu/thestmaryslawjournal

 Part of the Law Commons

Recommended Citation

Ronald R. Winfrey, *Aerial Photography Is an Improper Means of Acquiring a Trade Secret When Countervailing Defenses Are Not Reasonably Available to the Owner of the Trade Secret and Trade Secrets May Be Properly Discovered Only by Reverse Engineering, Independent Research or if the Owner Voluntarily Reveals the Secret.*, 2 ST. MARY'S L.J. (1970).
Available at: https://commons.stmarytx.edu/thestmaryslawjournal/vol2/iss2/9

This Article is brought to you for free and open access by the St. Mary's Law Journals at Digital Commons at St. Mary's University. It has been accepted for inclusion in St. Mary's Law Journal by an authorized editor of Digital Commons at St. Mary's University. For more information, please contact sfowler@stmarytx.edu.

Winfrey: Aerial Photography Is an Improper Means of Acquiring a Trade Secr

parties, then the doctrine of res judicata should be applicable to prevent this vicious circle of uncertainty.

G. William Fowler

TORTS—TRADE SECRETS—AERIAL PHOTOGRAPHY IS AN IMPROPER MEANS OF ACQUIRING A TRADE SECRET WHEN COUNTERVAILING DEFENSES ARE NOT REASONABLY AVAILABLE TO THE OWNER OF THE TRADE SECRET AND TRADE SECRETS MAY BE PROPERLY DISCOVERED ONLY BY REVERSE ENGINEERING, INDEPENDENT RESEARCH OR IF THE OWNER VOLUNTARILY REVEALS THE SECRET. *E. I. du Pont de Nemours & Co., Inc. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970).

Defendants, commercial photographers, were hired by an undisclosed third party to take aerial photographs of new construction at plaintiff's plant. Plaintiff contended that it had developed a highly secret but unpatented process for producing methanol, a process which gave it a competitive advantage over other producers. Plaintiff alleged that this process was a trade secret which it had taken special precautions to safeguard. While the plant was under construction, parts of the process were exposed to an aerial view of the construction area. Plaintiff contended that unknown parties engaged the defendants to take aerial photographs of the area that would enable a skilled person to deduce the secret process for making methanol. Defendants argued that they had committed no actionable wrong in photographing plaintiff's facility because an appropriation of a trade secret in Texas was not wrongful unless a breach of confidence or fraudulent or illegal conduct was involved. The trial court denied defendant's motion to dismiss for failure to state a claim and also denied their motion for a summary judgment. The court then granted defendant's motion for an interlocutory appeal[1] to allow them to obtain immediate appellate review of the court's finding that plaintiff had stated a claim upon which relief could be granted. Held—*Affirmed.* Aerial photography is an improper means of acquiring a trade secret when countervailing defenses are not reasonably available to the owner of the trade secret and trade secrets may be properly discovered only by reverse engineering, independent research or if the owner voluntarily reveals the secret.

Trade secrets are not protected by statute as are patents and copyrights[2] because they do not possess all the normal attributes of a prop-

1 28 U.S.C. § 1292(b) (1964).
2 1 H. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE MARKS, § 142 at 406 (4th ed. 1947).

Published by Digital Commons at St. Mary's University, 2022

erty right.[3] They may be used by anyone who discovers them by fair means.[4] Early English cases spoke of trade secrets as a type of property[5] and recognized them as a protectable interest.[6] These cases formed a basis for the debate in the United States Supreme Court involving property aspects of trade secrets.[7] The American viewpoint came into focus when Justice Holmes declared:

> The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be.[8]

Thus Justice Holmes established the basis of trade secret protection as being related to "rudimentary requirements of good faith" in the business world relegating the "property" aspect to secondary importance. The acquisition *method* showing a lack of good faith—a breach of confidence—was the basis of a cause of action and not any inherent property right in the trade secret.

Later decisions have continued to use Justice Holmes' rationale. In *Smith v. Dravo Corporation,* the court held that the question to be decided was not how *could* a trade secret be obtained but on the contrary the question was how *did* the defendant learn of it.[9] The Supreme Court of Texas in *K & G Tool & Service Company v. G & G Fishing Tool Service* adopted the test set out in *Smith v. Dravo* holding that it correctly represented "the prevailing American rule upon the question . . . ."[10] Thus Texas ruled in accord with the American majority

---

[3] E. I. du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 102, 37 S. Ct. 575, 576, 61 L. Ed. 1016, 1019 (1917).

[4] 1 H. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE MARKS, § 142 at 407 (4th ed. 1947).

[5] Exchange Telegraph Co. v. Gregory & Co., [1896] 1 Q.B. 147 (1895).

[6] Pollard v. Photographic Co., [1889] 40 Ch. 345, 354 (1888).

[7] E. I. du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 102, 37 S. Ct. 575, 576, 61 L. Ed. 1016, 1019 (1917). *But see* International News Service v. Associated Press, 248 U.S. 215, 240, 39 S. Ct. 68, 73, 63 L. Ed. 211, 221 (1918).

[8] E. I. du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 102, 37 S. Ct. 575, 576, 61 L. Ed. 1016, 1019 (1917). An anonymous note on *Equitable Protection of Trade Secrets,* 23 COLUMBIA LAW REVIEW 164 (1923), completely rejected the property fiction used by the courts. The author stated therein that the protection of trade secrets had to be viewed in its true light as ". . . *a conflict between the policy of giving free rein to the individual in his efforts to support himself and the policy of encouraging business enterprise by protecting trade secrets.*" (Emphasis added.) The author recognized the fact that if competitors were given "free rein" in the methods employed to discover trade secrets, the impetus to independently develop new products and processes would be destroyed.

[9] 203 F.2d 369, 374 (7th Cir. 1953).

[10] 158 Tex. 594, 602, 314 S.W.2d 782, 787 (1958), *cert. denied,* 358 U.S. 898, 79 S. Ct. 223, 3 L. Ed.2d 149 (1958).

holding that the *method* of trade secret acquisition is determinative of a defendant's liability to the owner of that trade secret.[11]

The method of acquisition used in the instant case, aerial photography, presents a case of first impression in Texas.[12]

The Court of Appeals for the Fifth Circuit rejected the defendant's contention that an appropriation of trade secrets is not wrongful where there is no breach of confidence or fraudulent or illegal conduct involved.[13] Basing its holding on the Supreme Court of Texas' ruling in *Hyde Corporation v. Huffines*[14] the court declared that in Texas ". . . there is a cause of action for the discovery of a trade secret by any 'improper means.' "[15] The Court in *Hyde* adopted the language of the *Restatement* that:

> One who discloses or uses another's trade secrets, without a privilege to do so, is liable to the other if:
> (a) he discovers 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. . . .[16]

The defendants in the instant case contended that *Furr's Incorporated v. United Specialty Advertising Company* limited trade secret protection in Texas to a breach of confidence.[17] To uphold this contention the court would have had to ignore the fact that *both* subsection (a) and subsection (b) of section 757 of the *Restatement* were adopted by the Supreme Court of Texas in *Hyde*. The court refused to so hold stating that such a ruling would not be in keeping with the

---

11 1 H. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE MARKS, § 148 at 419 (4th ed. 1947).

12 E. I. du Pont de Nemours and Co., Inc. v. Christopher, 431 F.2d 1012, 1013 (5th Cir. 1970). In describing the method used, the court at page 1 stated: "This is a case of industrial espionage in which an airplane is the cloak and a camera the dagger."

13 *Id.* Breaches of confidence have been the most common complaint in regard to wrongful acquisition of trade secrets. *See* Annot., 170 A.L.R. 449, 475 (1947). For more recent cases *see* Speedry Chemical Products, Inc. v. Carter's Ink Co., 306 F.2d 328 (2d Cir. 1962); Ferroline Corp. v. General Aniline and Film Corp., 207 F.2d 912 (7th Cir. 1953); Allen-Qualley Co. v. Shellmar Products Co., 31 F.2d 293 (N.D. Ill. 1929). Fraud and thievery have also been used to acquire trade secrets, *see* A. O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 (6th Cir. 1934); Booth v. Stutz Motor Car Co. of America, 24 F.2d 415 (7th Cir. 1928); Yovatt v. Winyard, 37 Eng. Rep. 425 (Ch. 1820).

14 158 Tex. 566, 314 S.W.2d 763 (1958).

15 E. I. du Pont de Nemours and Co., Inc. v. Christopher, 431 F.2d 1012, 1015 (5th Cir. 1970).

16 Restatement of Torts, § 757 at 1 (1939) at 158 Tex. 566, 575, 314 S.W.2d 763, 769 (1958).

17 338 S.W.2d 762 (Tex. Civ. App.—El Paso 1960), later case on new evidence 385 S.W.2d 456 (Tex. Civ. App.—El Paso 1964), *cert. denied*, 382 U.S. 824, 86 S. Ct. 59, 15 L. Ed.2d 71 (1965). The Christophers' contention was based on the statement in *Furr's* that: "The use of someone else's idea is not automatically a violation of the law. It must be something that meets the requirements of a 'trade secret' and has been obtained through a breach of confidence in order to entitle the injured party to damages and/or injunction." 338 S.W.2d at 766.

". . . traditional precision of the *Restatement*. . . ." and that subsection (a) had been adopted and could not be ignored.[18]

The court then proceeded to hold that it was proper to discover a competitor's trade secret by reverse engineering applied to the finished product or by independent research, but "To obtain knowledge of a process without spending the time and money to discover it independently is *improper* unless the holder voluntarily discloses it or fails to take reasonable precautions to ensure its secrecy."[19] Whether the precautionary measures are reasonable is a question of fact.[20] The court ruled that Du Pont had taken reasonable precautions to protect the secrecy of its plant and the court would not ". . . require the discoverer of a trade secret to guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available"—aerial photography.[21] The fact that the undisclosed third party hired the defendants to take the photographs of the secret process precluded the use of the argument that they were going to obtain the process by their own independent research.

The adoption of the *Restatement* as to the proper methods of trade secret acquisition is a step in the right direction protecting both the inventive and competitive segments of our industrial society. Such protection is ". . . a part of the original jurisdiction of chancery, independently of any rights which the injured party may have at law."[22] Thus courts of equity will protect the inventive segment of industry by preventing unscrupulous industrial espionage while allowing the competitive segment legitimate information in areas where reasonable precautions have not been taken to avoid discovery by intrusive eyes.

---

18 E. I. du Pont de Nemours and Co., Inc. v. Christopher, 431 F.2d 1012, 1016 (5th Cir. 1970). In explaining the meaning of "improper" in subsection (a) the court referred to the comment of the authors of the Restatement on that subsection: "f. *Improper means of discovery*. The discovery of another's trade secret by improper means subjects the actor to liability independently of the harm to the interest in the secret. Thus, if one uses physical force to take a secret formula from another's pocket, or breaks into another's office to steal the formula, his conduct is wrongful and subjects him to liability apart from the rule stated in this Section. Such conduct is also an improper means of procuring the secret under this rule. But means may be improper under this rule even though they do not cause any other harm than that to the interest in the trade secret. Examples of such means are fraudulent misrepresentations to induce disclosure, tapping telephone wires, eavesdropping or other espionage. A complete catalogue of improper means is not possible. In general they are means which fall below the generally accepted standards of commercial morality and reasonable conduct." Restatement of Torts § 757, comment (f) at 10 (1939).

19 *Id.* at 1015.

20 Allen Manufacturing Co. v. Loika, 144 A.2d 306, 310 (Conn. 1958).

21 E. I. du Pont de Nemours and Co., Inc. v. Christopher, 431 F.2d 1012, 1016 (5th Cir. 1970). The court in the instant case did not specify the "reasonable precautions" that were taken by Du Pont. Since the secret process could only be seen from the air the precautions employed by Du Pont probably consisted of fences or similar barriers erected around the construction area.

22 1 H. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE MARKS, § 141 at 405 (4th ed. 1947).