Chapter 3

Subject Matter of Trade Secrets

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(Perritt, Rel. #5, 6/10) 3–1
§ 3:1  Introduction and Overview

The subject matter of trade secret is almost unlimited, in terms of the content of the information that is potentially subject to protection. This chapter considers the statutory and Restatement definitions of trade secret subject matter, and collects cases illustrating the types of subject matter that have been accorded protection or would have been accorded protection but for some other shortcoming in the plaintiff’s case, usually failure to maintain secrecy. The chapter also speculates about the outer limits of trade secret subject matter.

It is the plaintiff’s obligation to identify with particularity the subject matter as to which trade secret status is claimed. More important than any subject matter limitation is the requirement for


In Weins v. Sporleder, 569 N.W.2d 16 (S.D. 1997), the South Dakota Supreme Court held that the trial court erred when it allowed a jury to find trade secret misappropriation on a record that never clearly identified what was claimed as a trade secret:

Throughout the proceedings, however, there was never a clear assertion as to what exactly was claimed to be the trade secret. Weins’ complaint initially refers to the “feed product, and its use and application” as the trade secret. Later in the complaint, Weins states that the “selling and developing of the feed product” is the trade secret. In Weins’ amended complaint, there is reference to an “idea,” an “invention,” a “tub feed product containing a combination of ingredients to be fed free choice,” and “selling and developing the feed product” as the trade secret. The second amended complaint refers to the trade secret as a “feeding system.” During the trial, Meyer testified the trade secret was the formula alone, while Weins testified the trade secret was not the formula, but the idea of combining ingredients into a tub. In addition, Weins’ briefs submitted to this Court fail to assert what exactly constitutes the trade secret.

Id. at 18–19. In addition, the court found that no competitive advantage could flow from knowledge of the feed mixture. The court stated:
secrecy, addressed in chapter 4, and the requirement that the secret
give those who know it a competitive advantage over those who do
not, considered in chapter 5.

§ 3:2 Restatement Definition

The definition of trade secret under the first Restatement is
expressed in section 757, comment b:

[A] trade secret may consist of any formula, pattern, device or
compilation of information which is used in one’s business. . . . It
may be a formula for a chemical compound, a process of manu-
factoring, treating or preserving materials, a pattern for a machine
or other device, or a list of customers.2

The comment goes on to exclude information relating to a single
event or to ephemeral events,3 such as the amount of a secret bid, the
salary of employees, the security of investments, or the date fixed for
announcement of a new policy or model.

Combining these materials cannot be considered a trade secret if
the formula was “within the realm of general skills and knowledge’
in the relevant industry.”

Id. at 21 (citation omitted).

Nilssen v. Motorola, Inc., 963 F. Supp. 664 (N.D. Ill. 1997), involved a
claim of trade secret misappropriation after Motorola and an engineer were
unable to agree on the terms of a business relationship after Motorola used
alleged confidential information transferred to it under a confidentiality
agreement. The district court, finding that the plaintiff’s answers to
interrogatories did not satisfy the specificity requirement of the Illinois
UTSA, rejected the plaintiff’s “blunderbuss statement that ‘everything you
got from us was a trade secret.’” Id. at 672. However, other allegations by
the plaintiff did satisfy the specificity requirement. Id. at 673 (identifying
specific claims).

In Basic Am., Inc. v. Shatila, 992 P.2d 175 (Idaho 1999), the Idaho
Supreme Court, rejecting the defendants’ arguments that the trial court
identified a trade secret with insufficient specificity, explained the rationale
for the specificity requirement. The court explained that specificity is
appropriate so that a defendant in a trade secret misappropriation case is
not prevented from using knowledge in the public domain, so that former
employees of trade secret owners are not unnecessarily prevented from
using their knowledge, and so that persons subject to an injunction can
know what is prohibited and what is not. 992 P.2d at 189.

2. RESTATEMENT OF TORTS § 757 cmt. b.
3. See Burlington N. v. Omaha Pub. Power Dist., 888 F.2d 1228, 1231, 1232
(8th Cir. 1989) [contractual terms with customer covering price escalation
titled to trade secret status; intended for continuous use; distinguishing
1983] [pricing and cost information in contract for nuclear power plant
construction not a trade secret because it concerns only a single event].
The comment contemplates continuous use in the operation of a business and notes that trade secrets usually relate to the production of goods, such as a machine or formula for the production of an article, but it also notes that a trade secret might relate to the sale of goods or to other operations, such as a code for determining discounts and a price list or catalogue, a list of specialized customers, or a method of bookkeeping or office management.4

The Restatement (Third) of Unfair Competition defines trade secret as follows: “A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.”5 The commentary makes it clear that the requirement for continuous use in one’s business from the first Restatement has been dropped.6

§ 3:3 Uniform Act Provisions

Section 1 of the Uniform Trade Secrets Act (UTSA) defines trade secret as information meeting the economic value and secrecy requirements, including “a formula, pattern, compilation, program, device, method, technique, or process.”7 The words “compilation,” “program,” “device,” “method,” and “technique” are new with the UTSA, but the structure of the definition indicates that these terms are not meant to limit the concept. The comment to this section notes that a significant difference from the Restatement of Torts definition is abandonment of the requirement that the trade secret be “continuously used in one’s business.”8 Another comment says that “know-how” is included in reference to methods and techniques.9

State statutes modeled on the UTSA use slightly different formulations. The Colorado version reads: “Trade secret means the whole or any portion or phase of any scientific technical information, design, process, procedure, formula, improvement, confidential business or financial information, listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value.”10 The Idaho law11 defines trade secret as “information, including a formula, pattern, compilation, program,

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4. RESTATEMENT OF TORTS § 757 cmt. b.
6. Id. § 39 cmt. d.
7. UTSA § 1[4], 14 U.L.A. at 438.
8. UTSA § 1 cmt., 14 U.L.A. at 439.
9. UTSA § 1 cmt.
11. IDAHO CODE § 48-801.
computer program, device, method, technique or process. . . .” 12 The Illinois version defines trade secret as “information, including but not limited to, technical or nontechnical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers or suppliers. . . .” 13 The Montana statute inserts “or computer software” following the word “information” in the definition. 14 Nebraska explicitly refers to drawings and code [presumably computer program code] in its definition. 15 Connecticut 16 and Oregon 17 explicitly include drawings, cost data, and customer lists. Alaska, however, does not specifically mention formula, patterns, compilations, programs, devices, methods, techniques, or processes; it simply refers to “information that derives independent economic value. . . from not being generally known. . . .” 18 Nebraska also uses language suggesting a stricter secrecy requirement. 19 The Alabama statute suggests in its definition that the trade secret definition is limited to information used or intended to be used in a conventional trade or business, but the commentary says that the statutory terms “trade” and “business” are “not limited to business for profit, but may include a variety of other activities that take on the characteristics of a trade or business.” 20

Lydall, Inc. v. Ruschmeyer 20.1 involved the executive vice president and chief financial officer for the plaintiff who tried to engineer a buyout of his employer as he was being threatened with dismissal. His former employer sued him claiming he misappropriated trade secrets in the course of trying to organize the buyout. The Connecticut Supreme Court affirmed some trial court determinations that particular pieces of information constituted trade secrets and reversed others. The court reversed the trial court’s determination that the defendant had misappropriated specific profit margin information by disclosing it, because it found [1] that there was no evidence in the record that the defendant had disclosed any specific profit margin

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13. Id. at 441 [quoting ILL. REV. STAT. ch. 765 § 1065/2(d) (1993)].
14. Id. at 442 [characterizing MONT. CODE ANN. § 30-14-402(4) (1991)].
18. ALASKA STAT. § 45.50.940(3) (2005).
19. NEB. REV. STAT. § 87-502(4) (2005) [omitting “generally” before “known to” and “readily” before “ascertainable by”].
information for any individual component of the business and (2) that
the information that the profit margin for Lydall’s automobile busi-
ness as a whole was above average was not confidential because Lydall
had publicly disclosed it to potential investors.\footnote{20.2} It also reversed the
trial court’s determination of trade secret status for the fact that
margins varied widely among Lydall’s various businesses, because
there was no evidence that that information was secret or of any
economic value because it was so general.\footnote{20.3} Finally, the court
reversed the determination that information that some products
were extremely profitable was a trade secret. There was no evidence
that the defendant actually disclosed which specific products were
profitable, and the general information would have no economic
value.\footnote{20.4}

It affirmed, however, the trial court’s determination that Lydall’s
plan to use certain products in a declining market to generate cash
constituted a trade secret.\footnote{20.5}

\section*{\textsection 3:4 Question of Fact or of Law?}

Whether information constitutes a trade secret is usually charac-
terized as a question of fact.\footnote{21} By implication, this includes all of the
elements of trade secret status.\footnote{22} However, the Supreme Court of
Wisconsin has correctly pointed out that there are two subquestions
with respect to trade secret status. One question, to be decided by the
fact finder, is “what are the actual facts?” The other, a question of law
for the court, is “whether the facts as found by the fact finder satisfy a
particular legal standard, the standard for trade secret status.”\footnote{23}

In \textit{Lydall, Inc. v. Ruschmeyer},\footnote{23.1} discussed more fully in section 3:3,
the court assumed that whether information is protected by the
Connecticut Uniform Trade Secret Act is a question of fact for the trial court.\(^\text{23.2}\)

Thus, if there were a dispute about whether a trade secret was widely known in the industry or known only by the plaintiff, the fact finder would resolve that dispute, probably based on expert testimony.\(^\text{24}\) On the other hand, whether a particular slipup in enforcing confidentiality procedures vitiates the secrecy requirement more likely would be a legal question for the court. Whether the slipup actually occurred would be a fact question for the fact finder. Whether knowledge of a trade secret gives a competitive advantage, as considered in chapter 5, presents a fact question, usually resolvable through expert testimony.

§ 3:5 Comparison with the Subject Matter of Other Types of Intellectual Property

§ 3:5.1 Copyright

Copyright protects (1) original (2) works of authorship (3) fixed in any tangible medium of expression.\(^\text{25}\) Copyright expressly excludes ideas, procedures, processes, systems, methods of operation, concepts, principles, or discoveries.\(^\text{26}\) The core subject matter of copyright is expression fixed in an image, in computer-readable representation, or in symbols like letters and numbers.

Unlike copyright, there is no requirement for “fixation” for trade secrets. A trade secret can qualify even if it has never been written down. In *Allen v. Hub Cap Heaven, Inc.*,\(^\text{27}\) the court incorrectly held that trade secrets must be written down. The appellate judge acknowledged that customer and supplier lists can be trade secrets, but in this case, there were no tangible lists, only the appellant’s personal knowledge, therefore there could be no misappropriation.\(^\text{28}\) Section 3:12 analyzes the eligibility of memorized information for trade secret status.

\(^{23.2}\) Id., 919 A.2d at 430.

\(^{24}\) Julie Research Labs., Inc. v. Select Photographic Eng’g, Inc., 810 F. Supp. 513, 520 (S.D.N.Y. 1992) (vacating preliminary injunction and dismissing complaint for trade secret misappropriation; secrecy is a question of fact), aff’d in material part, 998 F.2d 65 (2d Cir. 1993).


\(^{26}\) Id. § 102(b).


\(^{28}\) Id. at 263 (holding that oral information concerning prospective business leads is less protected than customer lists under Georgia Trade Secret Act); see also DeGiorgio v. Megabyte Int’l, Inc., 468 S.E.2d 367 (Ga. 1996).
As chapter 2 explains, copyright and trade secret protection can exist in two different aspects of the same information or in the same information. Copyright subject matter is more inclusive than trade secret subject matter in one respect because there is no conceptual requirement for competitive advantage, only that the person claiming the copyright be the one who originally expressed the subject matter. In another respect, however, the scope of copyright is narrower: facts are not eligible for copyright, but they may qualify as trade secrets.

§ 3:5.2 Patent

Patent law protects inventions and discoveries of new and useful processes, machines, manufactures, or compositions of matter. The subject matter of patent law is very similar to the subject matter of trade secret law. Indeed, patent law was developed as a way of protecting trade secrets without requiring them to be kept secret. Delinking legal protection from secrecy encourages wider use of useful information. Trade secret subject matter is, however, broader than patent subject matter in that even knowledge that does not meet patent novelty requirements can be protected by trade secret, as explained in chapter 2.

§ 3:6 Know-How Distinguished

Under the UTSA, "know-how" is entitled to trade secret status. The commentary to section 1 explicitly says that know-how is included within the definition of trade secret, by virtue of use of the words "method" and "technique." It is difficult to define know-how, and to distinguish it from trade secret. As the following discussion of cases shows, know-how may comprise a kind of holistic experience in applying data, machinery and business methods, distinguished from more specific information or knowledge that may more easily qualify as trade secret. Or know-how may be information that is too widely known to qualify as trade secret, but which may be, nevertheless, protected contractually. The best solution to this definitional problem is that taken by the UTSA: to eliminate any specific category of know-how and to evaluate all information under the elements for trade secret.

There are certain kinds of know-how, however, that may not be entitled to trade secret protection. Although there are not many cases directly addressing the difference between know-how and trade secret,

30. UTSA § 1 cmt., 14 U.L.A. at 439.
a few cases approve contractual limitations on exploitation or disclosure of know-how while recognizing that some types of know-how may not be entitled to trade secret protection because the knowledge is generally known.  

Hooker Chemical Corp. v. Velsicol Chemical Corp. 32 involved a suit by Hooker to recover royalties under a licensing agreement. Velsicol defended on the grounds that it had not used the “know-how” of Hooker and therefore was not obligated to pay royalties under the know-how provision. To resolve the dispute, the district court had to define know-how. It adopted the following definition:

Factual knowledge not capable of precise, separate description but which, when used in an accumulated form, after being acquired as the result of trial and error, gives to the one acquiring it an ability to produce something which he otherwise would not have known how to produce with the same accuracy or precision found necessary for commercial success. . . .

Hooker argued that know-how included any technical information not already known to Velsicol. Velsicol claimed that know-how excluded information that was published or generally known to those practiced in the art—in effect arguing that know-how was no broader than trade secret. 34 The district court preferred Velsicol’s definition, believing that Sixth Circuit precedent would invalidate as contrary to public policy any royalty agreement for information already in the


33. Id. at 424 [quoting Mycalex Corp. v. Pemco Corp., 64 F. Supp. 420, 425 [D. Md. 1946], dismissing complaint for injunction against manufacturing competing product].

34. Id. at 424.
The district court ultimately concluded “that information which was generally known to those practiced in the art or published in the literature, at least at the time the information was received by Velsicol, cannot be relied upon by Hooker.”

In AMP Inc. v. Fleischhacker, the U.S. Court of Appeals for the Seventh Circuit denied an injunction against use of business experience and know-how by a former employee in the absence of a covenant not to compete. The court held that such information does not rise to the level of a trade secret, which would warrant an injunction.

Foster-Miller, Inc. v. Babcock & Wilcox Canada involved efforts by two competitors to develop a new type of hose to remove scaling from nuclear reactor generator boilers. After a representative of Babcock & Wilcox attended a vendors meeting with FMI and signed a confidentiality agreement, the representative subsequently contacted a FMI supplier who was making a new type of hose and asked if he could make the same type of hose for Babcock & Wilcox. After these conversations, the supplier provided Babcock & Wilcox with samples of hoses it was building and testing for FMI.

When FMI lost a number of competitive bids to Babcock & Wilcox, it sued for violation of the confidentiality agreement, claiming that Babcock & Wilcox won the jobs only because of its misappropriation of FMI’s confidential information, covered by the confidentiality agreement. A jury awarded $5 million. Babcock & Wilcox appealed. Babcock & Wilcox argued, among other things, that the information could not qualify as a trade secret because its key features were publicly known, and FMI made no real attempt to protect the information from the Babcock & Wilcox representative. The court of appeals affirmed, finding that the district court had appropriately instructed the jury that the nondisclosure agreement protected “confidential” information as well as “novel” or “proprietary” information.

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35. Id. at 425 (citing Reynolds Metals Co. v. Skinner, 166 F.2d 66 [6th Cir. 1948] and A.O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 [6th Cir. 1934] as holding that “a party may not license and collect royalty on technical information or a process or the like, unless it constitutes a discovery by the licensor which has been withheld from the public domain”). A.O. Smith was modified on rehearing. A.O. Smith Corp. v. Petroleum Iron Works Co., 74 F.2d 934, 935 [6th Cir. 1935] (extending injunction beyond patented processes).
36. Id. at 427.
37. AMP Inc. v. Fleischhacker, 823 F.2d 1199, 1207–08 [7th Cir. 1987].
38. Foster-Miller, Inc. v. Babcock & Wilcox Can., 210 F.3d 1 [1st Cir. 2000].
39. Id. at 6.
40. Id. at 10–11.
Concept, Inc. v. Thermotemp Inc.,\textsuperscript{41} presents the opposing view. The court affirmed a temporary injunction against manufacturing or distributing a thermal therapy machine allegedly in breach of a confidentiality agreement covering “confidential information” and “know-how” as well as trade secrets, assuming that the scope of the agreement was broader than common law trade secrets and permitting an injunction even if the disputed information was in the public domain.\textsuperscript{42}

For example, a franchise might obligate the franchisor to provide know-how and restrict use of the know-how by the franchisee. The know-how might very well be generally known in the particular industry but not known to the franchisee. The information covered by the know-how obligation would be valuable to the franchisee but not entitled to trade secret protection because it is generally known to the competitors of the franchisor.

Most of the cases dealing with know-how separate from trade secret involve challenges to covenants not to compete.\textsuperscript{43} Generally, know-how is of sufficient value to an enterprise to justify a covenant not to compete, but still may be too broadly known to satisfy the secrecy requirement of the trade secret definition.

Enforcement of covenants not to compete is considered in chapter 6.

§ 3:7 “Used in Plaintiff’s Business” Requirement

As explained above, the UTSA and the Restatement (Third) of Unfair Competition, unlike the first Restatement, do not require that information actually be used in business to qualify as protectible subject matter.

Syntex Ophthalmics, Inc. v. Tsuetaki\textsuperscript{44} involved an argument by a defendant in a trade secret misappropriation case that the plaintiff lacked trade secret protection for certain manufacturing processes and chemical compounds because it no longer used some of the information and had never used other information.\textsuperscript{45} Under Illinois law, the defendant argued, information not used in the plaintiff’s business was not entitled to trade secret status.\textsuperscript{46} The court of appeals rejected the

\begin{thebibliography}{99}
\bibitem{41} Concept, Inc. v. Thermotemp Inc., 553 So. 2d 1325, 1327 (Fla. Dist. Ct. App. 1989).
\bibitem{42} \textit{Id.} at 1327.
\bibitem{43} See A. & E. Plastik Pak Co. v. Monsanto Co., 396 F.2d 710, 714–15 (9th Cir. 1968) (know-how license permissible under antitrust laws despite limits on competition; not clearly distinguishing know-how from trade secret).
\bibitem{44} Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 682 (7th Cir. 1983).
\bibitem{45} \textit{Id.}
\bibitem{46} \textit{Id.} (relying on the phrase “which is used in one’s business,” in Restatement of Torts § 757 cmt. b (1930)).
\end{thebibliography}
argument, concluding that the test is value to the plaintiff’s business, not actual use.

In State ex rel. Plain Dealer v. Ohio Dep’t of Insurance, however, the Ohio Supreme Court, applying the trade secret exemption from the Ohio Freedom of Information Act, held that documents concerning negotiations between a healthcare insurer and a healthcare provider did not qualify as trade secrets. “Documents pertaining to draft contracts, bids, and letters of negotiation are not trade secrets. Information related to a single, ephemeral event in the conduct of a business does not meet the requirement that a trade secret be ‘a process or device for continuous use in the operation of the business.’” Moreover, “[a]lthough the information in the documents at issue is not generally known outside the business, there is no discernible value attributable to Blue Cross in having this information as against competitors, particularly since the transaction has been subsequently disapproved.”

The court distinguished these items from other information concerning financial data of the ongoing business, as to which it granted trade secret protection.

In Healthcare Services of the Ozarks, Inc. v. Copeland, the Missouri Supreme Court held that nonprofit corporations may enforce noncompete agreements to the same extent that a for-profit corporation may.

§ 3:8 Nonbusiness Information

There are a few cases denying protection to information on the grounds that it is not “business information.”

Most of the case law considering whether information held by a nonprofit enterprise qualifies as trade secrets, for example, involves the application of exemption 4 of the Freedom of Information Act.

47. Id. at 683. But see Burlington N. v. Omaha Pub. Power Dist., 888 F.2d 1228, 1231, 1232 (8th Cir. 1989) (contractual terms on price escalation with customer entitled to trade secret status; intended for continuous use; distinguishing Wis. Elec. Power Co. v. Pub. Serv. Comm’n, 329 N.W.2d 178, 182 (Wis. 1983) [pricing and cost information in contract for nuclear power plant construction not trade secret because single event in business]).
48. State ex rel. Plain Dealer v. Ohio Dep’t of Ins., 687 N.E.2d 661 (Ohio 1997).
49. Id. at 673 [citations omitted].
50. Id.
51. Id. at 675.
51.2. Id. at 614.
52. 5 U.S.C. § 552(b)(4) (exempting from FOIA disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential”).
That provision has been interpreted as covering trade secrets as they are defined by the common law, and most of the case law restricts the trade secret definition to traditional profit-seeking business information. The Restatement (Third) of Unfair Competition says that nonprofit entities can claim trade secret protection for economically valuable information, such as lists of prospective members or donors. Public entities can own trade secrets, as well.

Public Citizen Health Research Group v. Food & Drug Administration takes a slightly different approach. In that case, the court of appeals reversed a determination that data relating to the safety and efficacy of intraocular lenses was exempt from disclosure. The court of appeals, in an opinion authored by Judge Edwards for a panel that included Judge [now Supreme Court Justice] Scalia, concluded that the district court had used an overly broad definition of trade secrets under exemption 4, because it had used the definition contained in section 757 of the Restatement. The court acknowledged that the Restatement's broad definition had been accepted in a variety of private law contexts, but questioned whether Congress meant for it to govern FOIA cases. The court repudiated "the broad Restatement approach" and defined trade secrets "in its narrower common law sense, which incorporates a direct relationship between the information at issue and the productive process."

Accordingly we define trade secret, solely for the purpose of FOIA Exemption 4, as a secret, commercially valuable plan, formula, process, or device that is used for the making, preparing, compounding, or processing of trade commodities and that can be said to be the end product of either innovation or substantial effort.

53. Wash. Research Project, Inc. v. Dep’t of Health, Educ. & Welfare, 504 F.2d 238, 244 (D.C. Cir. 1974) (research design in grant application not a trade secret for purposes of FOIA exemption 4 because scientists not engaged in trade or commerce and any interest in nondisclosure was founded on professional recognition or reward, which is not an interest flowing from use in one's business); St. Paul's Benevolent Educ. & Missionary Inst. v. United States, 506 F. Supp. 822, 829, 830 (N.D. Ga. 1980) (survey data on feeding of infants in low-income families collected by church-related organizations were not trade secrets because developers of data were not engaged in trade or commerce and information gave no competitive advantage; thus not privileged from release by exemption 4 of FOIA).

54. Restatement (Third) of Unfair Competition § 39 cmt. d.

55. State ex rel. Besser v. Ohio State Univ., 721 N.E.2d 1044, 1049–50 (Ohio 2000) (Ohio UTSA specifically defines “person” who can have trade secrets to include “governmental entities," and therefore state university was competent to own trade secrets; Public Records Act case).


57. Id. at 1286.

58. Id. at 1288.

59. Id.
The FOIA thus incorporates a more restrictive definition of trade secrets, the D.C. Circuit said, “reserved for information involving ‘the productive process itself, as opposed to collateral matters of business confidentiality such as pricing and sales volume data, sources of supply and customer lists.” 60

The D.C. Circuit justified its choice of the narrower definition based on the difference between the FOIA’s goals and the private law goals of trade secret law, which focus on defendant wrongdoing, unjust enrichment, and competitive harm, rather than any policy of encouraging innovation. 61 Also, it should be noted that the structure of exemption 4 permits protecting non-trade-secret data when it qualifies under the other prong, covering commercial and financial information. Thus, a narrow FOIA definition of trade secret does not foreclose protection altogether. In a purely private common law setting, a narrow definition of trade secret may leave information unprotectible, so there are arguments in private law for making the trade secret definition as broad as a policy-based need for protection.

One of the more interesting claims for protection of nontraditional subject matter arose in Religious Technology Center v. Wollersheim. 62 The Church of Scientology argued that some scriptural materials taken by a splinter group were trade secrets. The district court held that the materials qualified because of the plaintiff’s elaborate efforts to maintain secrecy. The U.S. Court of Appeals for the Ninth Circuit reversed, concluding that the materials gave the church only a spiritual advantage, and that this did not satisfy the requirement for an actual or potential commercial advantage “presumably measurable in dollar terms.” 63 It noted phrases like “used in one’s business” and “advantage over competitors,” used in the Restatement, and “commercial value” and “competitive advantage,” used in the comment to section 1 of the UTSA. 64

60. Id. at 1287 (quoting Connelly, Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data, 1981 Wis. L. Rev. 207, 230).

61. Id. at 1289 n.25.


63. Id. at 1090. But cf. Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., 923 F. Supp. 1231 [N.D. Cal. 1995] [religious works from Church of Scientology qualified as trade secrets but church had to particularize information clothed with trade secret status; religious tracts conferred economic value on church, were subject to potential competition, and were secret].

64. Religious Tech. Ctr., 796 F.2d at 1090 [citing RESTATEMENT OF TORTS CONTRACTS § 757 and commissioners’ comment to section 1 of Uniform Act, 14 U.L.A. at 543]. See Reingold v. Swift Ships, Inc., 126 F.3d 645, 650 (5th Cir. 1997) [reversing district court and finding fiberglass ship mold to be trade secret]; Self Directed Placement Corp. v. Control Data Corp., 908 F.2d 462 [9th Cir. 1990] [training course not trade secret because instruction techniques were already matter of public knowledge, and completely disclosed to students taking course]; McKay v. Communispond, Inc., 581
Two different issues are involved in the case law applying the limitation “business” to trade secret. The first concerns the nature

F. Supp. 801 [S.D.N.Y. 1983] (training programs for business executives to enhance their presentation skills would probably qualify for trade secret protection, except information about program had been published); Seymour v. Buckley, 679 So. 2d 220, 224 [Ala. 1996] (affirming trial court’s determination that paintless dent removal does not constitute trade secret under Alabama law; evidence introduced at trial supported fact that paintless dent removal was readily ascertainable); Saforo & Assocs., Inc. v. Porocel Corp., 991 S.W.2d 117, 120–22 [Ark. 1999] (Supreme Court of Arkansas approved a trial court finding that a system for washing an ingredient used in making aluminum constituted a trade secret; court applied Arkansas version of the Uniform Trade Secret Act six-factor test: [1] extent to which the information is from outside the business; [2] extent to which the information is known by employees and others involved in the business; [3] extent of measures taken to guard the secrecy of the information; [4] value of the information to purported owner and its competitors; [5] amount of effort or money expended by purported owner in developing the information; and [6] ease or difficulty with which the information could be properly acquired or duplicated by others); Allen v. Hub Cap Heaven, Inc., 484 S.E.2d 259 [Ga. Ct. App. 1997] (unique combination of otherwise mundane services for selling automotive trim pieces to body shops and car dealers did not qualify as trade secret, in large part because combination was disclosed to every customer); Weston v. Buckley, 677 N.E.2d 1089, 1092 [Ind. Ct. App. 1997] (dent removal process constituted trade secret because developed with great effort and learnable only with extensive training); Bond v. Polycycle, 732 A.2d 970, 975 [Md. Ct. Spec. App. 1999] (“The availability of components in the open market is not dispositive. . . . Only Bond knows the secret formula of how small to make the pieces of plastic, how much water to use, the appropriate temperature of the water, the proper level of agitation to apply, and the length of the agitation process. As appellee correctly points out, it is those elements, mixed and processed precisely in a certain manner, that define the Polycycle process, just as much as the specific blend of available ingredients defines Coca Cola.”); McAlpine v. AAMCO Automatic Transmissions, Inc., 461 F. Supp. 1232, 1256–57 [E.D. Mich. 1978] (merchandizing system used by automobile transmission repair franchisor was insufficiently original, complex, or unique to qualify for trade secret protection; despite competitive advantage flowing from use of system its elements (instructions for handling customers, checklist procedure for diagnosing transmission problem, price list, daily business activity form and sales pitch for customers) were mundane and widely known); Bloom v. Hennepin County, 783 F. Supp. 418, 439 [D. Minn. 1992] (denying summary judgment against plaintiff doctor asserting trade secret status in multiple sclerosis protocol developed for treating own patients); Mo-Kan Cent. Recovery Co. v. Hedenkamp, 671 S.W.2d 396, 400–01 [Mo. Ct. App. 1984] (automobile repossession service bidding structure, techniques for repossession of cars, and use of specialized tools not entitled to trade secret status for purposes of validating covenant not to compete because they involved little more than common sense and no showing of secrecy); M. Bryce & Assocs., Inc. v. Gladstone, 319 N.W.2d 907 [Wis. Ct. App. 1982] (information revealed during a seminar regarding design of a management information system was trade secret).
of the person or entity claiming trade secret ownership. Trade secret ownership should not be limited to profit-seeking or profitable enterprises. Universities, trade associations, other advocacy groups, charities, and volunteer social organizations compete vigorously for membership, visibility and contributions. They are an integral part of modern economic life. The same policy justifications for protecting trade secrets in the profit-seeking sphere—encouraging innovation by protecting against free-riding, and punishing unethical behavior—apply in the nonprofit sphere as well.

The second concerns the relationship between the claimed trade secret and the activities carried on by the claimant. Some kinds of information are so remote from the business activities of an enterprise that, while they may be “secrets,” they are not “trade secrets.” For example, the possession of scandalous information about the private life of one’s competitor might be secret, and it also might give rise to a competitive advantage because of its blackmail potential. But it is not business information and should not qualify as a trade secret.

The best approach for a plaintiff seeking to establish trade secret protection for nonconventional information is to establish first the secrecy and competitive advantage elements, explained respectively in chapters 4 and 5, and then to argue that once these two elements are established, neither the Restatement nor the UTSA accepts any independent subject matter limitation. Wollersheim but not Public Citizen Health Research Group is precedent against such a position. Public Citizen expressly distinguished its narrowed interpretation of trade secrets in the FOIA context from a broader interpretation the court thought appropriate for the trade secret misappropriation context.

§ 3:9 Specific Subjects

Because of the requirement that trade secrets confer competitive advantage, trade secret subject matter includes any of the major functions of business enterprise: production and operations, engineering and research and development, marketing, finance, purchasing, and management. The following sections collect cases involving specific subject matter within each of these major functional categories.

The cases cited illustrate two things. First, they illustrate the many different kinds of information for which trade secret status is asserted. Second, and more important analytically, they show that denial of trade secret status for a particular type of information usually results not from the subject, but from a failure of some other element, usually secrecy, and occasionally the absence of a competitive advantage flowing from possession of the information. The author has found few cases denying trade secret status for secret business information
providing a competitive advantage on the grounds that the subject of the information was outside the scope of trade secret protection. Those few, discussed later in the chapter, relate to information on product safety or health effects.

The mere fact that information is communicated privately in a business setting, however, does not confer trade secret status. In *Reardon LLC v. Reardon Commerce, Inc.*, the district court rejected a motion to seal evidence of the contents of an email message. “An email is not a ‘trade secret’ merely because it is sent or received by a high-ranking official of a company.”

### § 3:9.1 Production and Operations

#### [A] Manufacturing Process

Information useful in producing the product of the enterprise is protectible, regardless of whether the product of the enterprise is tangible. The original concept of trade secret included knowledge

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64.2. *id.* at 1027.

65. Self Directed Placement Corp. v. Control Data Corp., 908 F.2d 462 (9th Cir. 1990) [training course not trade secret because instruction techniques were already matter of public knowledge, and completely disclosed to students taking course]; M. Bryce & Assocs., Inc. v. Gladstone, 319 N.W.2d 907 (Wis. Ct. App. 1982) [information revealed during a seminar regarding design of a management information system was trade secret]; McKay v. Communispond, Inc., 581 F. Supp. 801 (S.D.N.Y. 1983) [training programs for business executives to enhance their presentation skills would probably qualify for trade secret protection, except information about program had been published]; Mo-Kan Cent. Recovery Co. v. Hedenkamp, 671 S.W.2d 396, 400–01 (Mo. Ct. App. 1984) [automobile repossession service bidding structure, techniques for repossession of cars, and use of specialized tools not entitled to trade secret status for purposes of validating covenant not to compete because involved little more than common sense and no showing of secrecy]; McAlpine v. AAMCO Automatic Transmissions, Inc., 461 F. Supp. 1232, 1256–57 (E.D. Mich. 1978) [merchandizing system used by automobile transmission repair franchise or was insufficiently original, complex, or unique to qualify for trade secret protection; despite competitive advantage flowing from use of system its elements were mundane and widely known: instructions for handling customers, checklist procedure for diagnosing transmission problem, price list, daily business activity form and sales pitch for customers]; Bloom v. Hennepin County, 783 F. Supp. 418, 439 (D. Minn. 1992) [denying summary judgment against plaintiff MD asserting trade secret status in multiple sclerosis protocol developed for treating own patients].
of how to produce tangible products. Such knowledge now is protectible without any serious dispute.\footnote{See Union Carbide Corp. v. Tarancon Corp., 742 F. Supp. 1565 (N.D. Ga. 1990) [process of lining metal containers with fluorine was trade secret]; Andrea Dumon, Inc. v. Pittway Corp., 442 N.E.2d 574 (Ill. App. Ct. 1982) [specific temperatures used during heating and cooling of depilatory production process was not trade secret because range of temperatures could be used]; Hickory Specialties, Inc. v. B&L Labs., Inc., 592 S.W.2d 583 (Tenn. Ct. App. 1979) [set of temperature, moisture, and air parameters used in producing liquid smoke was trade secret].}

In \textit{Uncle B's Bakery, Inc. v. O'Rourke},\footnote{Uncle B's Bakery, Inc. v. O'Rourke, 920 F. Supp. 1405 (N.D. Iowa 1996) [granting preliminary injunction].} the court decided that, for the purpose of granting a preliminary injunction, the processes involved in bagel production are trade secrets, even though many of the processes were readily ascertainable.\footnote{\textit{Id.} at 1428. Compare Elm City Cheese Co. v. Federico, 752 A.2d 1037, 1046 (Conn. 1999) [totality of business methods, from cheese making process through financial information and distribution methods, constituted trade secret], \textit{with} Lasermaster Corp. v. Sentinel Imaging, 931 F. Supp. 628, 632 [D. Minn. 1996] [holding that Teslin, sheeting product for paper or plastic, and information about plaintiff's graphics supplier were not trade secrets because of ascertainability].}

Sometimes, the information relates to production processes, but is too general to meet the secrecy requirements or the competitive advantage requirements for trade secret protection.\footnote{See Sybron Corp. v. Wetzel, 403 N.Y.S.2d 931 (N.Y. App. Div. 1978) [general knowledge of process of lining metal vessels with liquid glass was not trade secret]; Wiebold Studio, Inc. v. Old World Restorations, Inc., 484 N.E.2d 280 (Ohio Ct. App. 1985) [knowledge of tools and products used for restoration was not a trade secret]; Remington Rand Corp. v. Bus. Sys., Inc., 830 F.2d 1260 [3d Cir. 1987] [general know-how for manufacture of specific typewriter was trade secret], \textit{on remand sub nom.} Kilbarr Corp. v. Bus. Sys., Inc., 679 F. Supp. 422 [D.N.J. 1988], \textit{aff'd mem.}, 869 F.2d 589 [3d Cir. 1989].} A compilation of facts or synthesis of known processes is entitled to protection if the compilation or synthesis meets the other requirements.\footnote{Salsbury Labs., Inc. v. Merieux Labs., Inc., 908 F.2d 706 (11th Cir. 1990) [production process consisting of several processes that exist in public domain was trade secret because precise combination was unknown throughout industry]; Syntex Ophthalmics, Inc. v. Novicky, 745 F.2d 1423 [Fed. Cir. 1984] [process based on compilation of reactions well-known and documented in literature was trade secret], \textit{vacated on other grounds}, 470 U.S. 1047 [1985], \textit{reinstated in material part on remand}, 767 F.2d 901 [Fed. Cir. 1985]; Reinforced Molding Corp. v. Gen. Elec. Co., 592 F. Supp. 1083 [W.D. Pa. 1984] [process used to manufacture parts to defendant's specifications was trade secret even though overall process was combination of individual processes widely known in industry]; Sheridan
This principle applies to computer programs.71

[B] Information about Clients, Customers, or Patients

Private information about customers useful in producing a product or service confers a competitive advantage and therefore is protectible. For example, in Marsico v. Cole,72 patient charts and X-rays constituted trade secrets even though they would have been released pursuant to professional requests.

In APG, Inc. v. MCI Telecommunications Corp.,72.1 the court of appeals agreed with the district court that information about a customer’s technical requirements for prepaid telephone cards, communicated in an email to the defendant, did not qualify as a trade secret as a matter of law because it was readily obtainable through normal business channels if the defendant had sought it directly from the customer.72.2

In State v. Ohio Environmental Protection Agency,73 the Ohio Supreme Court, considering a challenge to a refusal to release information under the State Public Records Act, held that data about the identity of solid waste generators and the amount of waste each generator sent to a disposal firm and information on test failure rates of disposal firms and mixing characteristics constituted trade secrets under the Ohio UTSA because none of this information was available at a reasonable cost from public sources.74

71. Trandes Corp. v. Guy F. Atkinson Co., 798 F. Supp. 1347 [N.D.N.Y. 1992] (extrusion blow molding process was trade secret because even though techniques were being utilized in other industries, improved manner of removing parts from mold was unique); P.J. Garvey Carting & Storage v. County of Erie, 510 N.Y.S.2d 365 [N.Y. App. Div. 1986] (unauthorized use of plaintiff’s prior “route list” for delivering voting machines by defendant in solicitation of bids was not trade secret because it could be created by any knowledgeable person in moving business).

72. Marsico v. Cole, Civ. A. No. 13104, 1995 WL 523586 [Del. Ch. Aug. 15, 1995], aff’d in part, rev’d in part, 996 F.2d 655, 662 [4th Cir. 1993] (certain aspects of software were trade secrets; other were not).

72.1. APG, Inc. v. MCI Telecomms. Corp. 436 F.3d 294 [1st Cir. 2006].

72.2. Id. at 307.


74. Id. at 419.
[C] Product Design

Product design information is protectible, regardless of whether discrete details of the design are protectible.75 Conversely, even if the design of the overall product is not protectible because it is in the public domain, information about product details is protectible.76 Building designs are protectible.77

75. Secure Servs. Tech., Inc. v. Time & Space Processing, Inc., 722 F. Supp. 1354 (E.D. Va. 1989) [facsimile machine “handshake protocol” would be protectible information except security was inadequate]; Telerate Sys., Inc. v. Caro, 689 F. Supp. 221 (S.D.N.Y. 1988) (“handshake protocol” for a database system was trade secret); Penetone Corp. v. Palchem, Inc., 627 F. Supp. 997 [N.D. Ohio 1985] [material data sheets that were sent to customers and samples given to salesman were trade secrets]; Data Gen. Corp. v. Digital Computer Controls, Inc., 357 A.2d 105, 110 [Del. Ch. 1975] [logic board maintenance drawings were trade secrets; logic designed drawings of minicomputer were sufficiently novel to be entitled to trade secret status, despite ninety-five percent success experienced by high school design team retained by defendant to “reverse engineer” the minicomputer in question]; California v. Gopal, 217 Cal. Rptr. 487 [Cal. Ct..App. 1985] [reticles, overlays, and database tapes showing computer chip design were trade secrets]; Forro Precision, Inc. v. Int’l Bus. Machs. Corp., 673 F.2d 1045 (9th Cir. 1982) [engineering drawings of disk drives and disk packs were trade secrets]; Drill Parts & Serv. Co. v. Joy Mfg. Co., 439 So. 2d 43 (Ala. 1983) [engineering drawings and tolerances for drill replacement parts were trade secrets]; Learning Curve Toys, Inc. v. Playboy Toys, Inc., 342 F.3d 714, 723 [7th Cir. 2003] [concept for noise-producing toy railroad track qualified as trade secret under Illinois UTSA]; Hutchison v. KFC Corp., 51 F.3d 280 [9th Cir. 1995] [idea of serving skinless chicken by skinning, marinating, dipping, breading, freezing if necessary, and frying is readily ascertainable and therefore did not constitute trade secret; summary judgment for defendant affirmed].

76. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 [3d Cir. 1985] [tolerances on a drive plug diameter were trade secrets; efficiency factors necessary for system design were trade secrets; design safety factor used in system design calculations was a trade secret]; Aerospace Am., Inc. v. Techs., Inc., 738 F. Supp. 1061 [E.D. Mich. 1990] [wiring diagram of asbestos removal device may have been trade secret, but security was inadequate]; Drill Parts & Serv. Co. v. Joy Mfg. Co., 439 So. 2d 43 [Ala. 1983] [engineering drawings and tolerances for drill replacement parts were trade secrets]; Rexnord, Inc. v. Ferris, 637 P.2d 619 [Or. Ct. App. 1981] [technical information needed to manufacture parts, which appeared in detailed engineering drawings for rock crushers were trade secret], rev’d on other grounds, 657 P.2d 673 [Or. 1983] (reversing denial of punitive damages).

A combination of well-known designs, like a synthesis of known facts, is protectible. This concept is regularly extended to computer software and to traditional machinery.

Business practices, whether or not embodied in a computer program, also may qualify as trade secrets. In *Capital Asset Research Corp. v. Finnegan*, the U.S. Court of Appeals for the Eleventh Circuit found that information about the purchaser’s process for evaluating the amount to be bid on a tax deed on real property was not a trade secret, and reversed the district court’s ruling. The Eleventh Circuit reasoned that the majority of the information at issue was freely available through public records. In addition, the remaining information concerning the method of calculating bids was not a unique combination affording its possessor a competitive advantage, as required by Georgia law.

In *State ex rel. Carr v. Akron*, the Ohio Supreme Court held that professionally developed tests for promotion to higher office in the fire department qualified as trade secrets because the competitive position of the test preparer would be undercut if the material was available publicly.

In *Mike's Train House, Inc. v. Lionel, LLC*, the court of appeals, while reversing judgment on a jury verdict of $40 million for other reasons, affirmed the district court’s conclusion that designs for model train components qualified as trade secrets even though they contained certain elements that were in the public domain. A combination of elements can qualify as a trade secret even though some of the elements are in the public domain when the “unified process, design and operation [as a] unique combination affords a competitive advantage and is a protectable secret.”

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78. *Electro-Miniatures Corp. v. Wendon Co.*, 771 F.2d 23 (2d Cir. 1985) (drawings of printed circuit slip ring assemblies was trade secret; even though slip ring assemblies were well known, printed circuit slip rings were not well known).

79. *But see* Integrated Cash Mgmt. Serv., Inc. v. Digital Transactions, Inc., 920 F.2d 171 (2d Cir. 1990) (software system composed of generic utility programs was trade secret); Pub. Sys., Inc. v. Towry, 587 So. 2d 969 (Ala. 1991) (computer software program was not trade secret because it merely combined off-the-shelf program with data that was readily ascertainable).

80. *Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410 (E.D. Pa. 1980) (machine's precise configuration was trade secret even though it was combination of well-known components).


81.2. *Id.* at 956.

81.3. *Mike's Train House, Inc. v. Lionel, LLC*, 472 F.3d 398 (6th Cir. 2006).

81.4. *Id.* at 410–11.
In *Global Water Group, Inc. v. Atchley*, the Texas intermediate court affirmed JNOV for the defendant, finding that the plaintiff had not established trade secret protection in its water purification process. It employed commonly used steps and commonly used chemicals and was vague about the chemical ratios it claimed were unique to its product. It failed to show how its claimed trade secret conferred any competitive advantage.

In *Prosonic Corp. v. Stafford*, the district court granted a preliminary injunction against a former employee who went to work for a competing hazardous waste drilling company, finding likelihood of success on the merits of a trade secrets misappropriation claim. The court found that the plaintiff’s drilling technology, drilling techniques, business model, bidding practices, pricing strategy, annual budgets, customer preferences, and marketing efforts would likely qualify as trade secrets. It also found that the defendant threatened to misappropriate the trade secrets because “[h]is only knowledge of the Sonic business comes from his employment at Prosonic, and now he is using that knowledge to grow business for WDC.”

[D] Product Formulas

Product formulae are among the most frequently accepted trade secrets.

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81.5. Global Water Group, Inc. v. Atchley, 244 S.W.3d 924 [Tex. Ct. App. 2008].
81.6. *Id.* at 929.
81.8. *Id.* at 1006.
82. *See* Am. Can Co. v. Mansukhani, 728 F.2d 818 [7th Cir. 1982] [formulae of commercial jet inks were trade secrets]; Coco Rico, Inc. v. Fuertes Pasarell, 738 F. Supp. 613 [D.P.R. 1990] [coconut flavored soda formula probably would have been trade secret except it was revealed in expired patent]; Demit of Venez. v. Elec. Water Sys., Inc., 547 F. Supp. 850 [S.D. Fla. 1982] [chemical formula for electromagnetic water treatment device was trade secret even though exact formula was not divulged, but merely knowledge particular chemicals in compound was utilized], *aff’d mem.*, 740 F.2d 977 [11th Cir. 1984]; Peggy Lawton Kitchens, Inc. v. Hogan, 466 N.E.2d 138 [Mass. App. Ct. 1984] [recipe for chocolate chip cookies was trade secret]; Dotolo v. Schouten, 426 So. 2d 1013 [Fla. Dist. Ct. App. 1983] [formula for citrus-based pet products was trade secret even though defendant obtained formula by having chemical laboratory analyze sample to determine percentage of various ingredients in product]; Basic Chem., Inc. v. Benson, 251 N.W.2d 220 [Iowa 1977] [formulae for producing maintenance and sanitation supplies were trade secret even though they resulted from defendant’s efforts]; Mangren Research & Dev. Corp. v. Nat’l Chem. Co., 87 F.3d 937, 943 [7th Cir. 1996] [affirming trial court’s determination that formula for plastic mold release agent, using ingredient previously thought to be worthless, is trade secret under Illinois’ version of UTSA]; Nw. Coalition for Alternatives to Pesticides v. Browner, 941
In *Magistro v. J. Lou, Inc.*,\(^{82.1}\) the Nebraska Supreme Court held that pizza recipes made available by a franchisor to its franchisee qualified as trade secrets, but that the evidence did not show that the defendant continued to use the recipes in making pizza after it terminated operation under the franchise and continued it under another name.\(^{82.2}\)

[(E)](#) **Information for Production Versus Information As Product**

Judge Friendly has suggested that only information used in an enterprise’s production process, and not information intended for sale or constituting the output of the business, qualifies for trade secret protection.\(^{83}\) Typically, when information is the output of a

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\(^{82.1}\) *Magistro v. J. Lou, Inc.*, 703 N.W.2d 887 (Neb. 2005).

\(^{82.2}\) *Id.* at 891–92 (noting evidence that defendant was given a different recipe at a convention, that he purchased meatballs commercially and changed the sauces he used on his pizzas, and that the sauce mixtures were different from those specified in the recipes provided by franchisor).

\(^{83}\) *Lehman v. Dow Jones & Co.*, 783 F.2d 285, 297–99 [2d Cir. 1986]. The plaintiff in *Lehman* was a “finder” of corporate acquisition deals. Judge Friendly speculated that if the requisite elements of secrecy were proved, a manual on how to set up such deals, a list of acquisition contacts, or model letters and forms might qualify for trade secret status because that kind of information was used in running the business. However, information that the business produced with the intention of selling it did not qualify. Therefore, information about the availability and attractiveness of potential merger partners did not qualify for trade secret protection. Judge Friendly’s analysis thus emphasized the nature of the information and not the absence of secrecy that was also shown on the facts. See *Montgomery County Ass’n of Realtors, Inc. v. Realty Photo Master Corp.*, 878 F. Supp. 804, 814 [D. Md. 1995] (real estate listings did not constitute a trade secret because of their public nature, notwithstanding their inclusion in a proprietary electronic database; summary judgment granted to defendant on trade secret claim).
business, disclosure through sales of the product vitiates the secrecy element of trade secret status.

Computer programs are an important exception to this general tendency, however, because they can be sold and used without disclosing the information that makes them operate the way they do. Still, Judge Friendly’s point applies when one distinguishes between source code for computer programs and object code. Source code, which is what most software enterprises seek to protect, is information about the production process and would be entitled to trade secret status. The product itself generally is composed of object code, which is less revealing of the important techniques of producing the programs.

Other courts have expressed Judge Friendly’s concerns.84 There are, however, rare circumstances in which a product can be marketed under circumstances that preserve the secrecy in the product itself.85

[F] Business Methods

De Lage Landen Operational Services, LLC v. Third Pillar Systems, Inc.85.1 involved a claim by the customer of a software developer that the developer had misappropriated the customer’s trade secrets and incorporated them into computer software sold to the developer’s other customers. The agreement between the customer and the developer explicitly provided that the customer retained ownership of any information it transferred to the developer, provided for ownership by the customer of computer programs developed with the information, and contained a nondisclosure obligation.85.2

Applying the California Trade Secrets Act, the court found that the “use cases” (examples of loan transactions) qualified as trade secrets based on employee testimony:


85. Mid-Am. Mktg. Corp. v. Dakota Indus., Inc., 281 N.W.2d 419, 424 (S.D. 1979) (while product itself can be a trade secret, citing K&G Oil Tool & Serv. Co. v. G&G Fishing Tool Serv., 314 S.W.2d 782 (Tex. 1958) (agreement that user of magnetic retrieval tool would not disassemble product to learn how it was made), all secrecy in particular case related not to product but to manufacturing process), on reh’g, 289 N.W.2d 797, 799 (S.D. 1980) (affirming judgment on jury verdict in favor of plaintiff on trade secret misappropriation count).


85.2. Id. at *2.
We find believable the testimony of DLL employees Rita DiMartino, James Martinko, Jim McCann, and Dan Milone that these processes for making fast and reliable credit decisions differentiate DLL from competitors in the vendor finance field. If competitors were to obtain these highly detailed use cases, they could essentially replicate DLL’s business strategy and eliminate DLL’s competitive advantage in the field. Furthermore, we credit the testimony of Martinko and Milone that the development of the use cases took ten full-time employees over two years to complete. This expenditure of time and money by DLL substantiates DLL’s claim that they have independent economic value.  

§ 3:9.2 Engineering and Research and Development

Research results are protectible. Included are so-called “negative” trade secrets, research results indicating that a particular product or concept is not commercially useful. The commentary to the UTSA notes that “lengthy and expensive research” showing that a certain process will not work qualifies as having commercial value. Information pertaining to the methods of product testing, identity of persons engaged in the testing, and the results of the testing is protectible. Information pertinent to product support is protectible.

85.3. Id. at *16.
86. Schalk v. State, 823 S.W.2d 633 (Tex. Crim. App. 1991) (computer programs in speech research field were trade secrets); Tlapek v. Chevron Oil Co., 407 F.2d 1129, 1134 (8th Cir. 1969) [development of a theory of an oil location was a trade secret; plaintiff developed information suggesting oil would be found from gravity contours, surveys, interpretations of plaintiff’s geophysicists not generally available from other sources]; Van Prods. Co. v. Gen. Welding & Fabricating Co., 213 A.2d 769 (Pa. 1965) (results of research and development and experimentation in the desiccant field was not a trade secret).
87. Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 682 (7th Cir. 1982) [process that was either never used or no longer used by plaintiff was trade secret]; Machen, Inc. v. Aircraft Design, Inc., 828 P.2d 73 (Wash. Ct. App. 1992) [knowledge that original aircraft brake design was deficient was not trade secret because any pilot or mechanic of aircraft would know].
88. UTSA § 1 cmt., 4 U.L.A. at 439 (citing Telex Corp. v. IBM Corp., 510 F.2d 894 (10th Cir. 1975)).
89. Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1469 (9th Cir. 1992) [accepting eligibility for trade secret protection for source code, developmental plans for computer software, and identities of “beta testers” on home developer market tested different versions of software in discovery protective order dispute].
The Texas rules of evidence exempt trade secrets from discovery. In *In re Bass*, the Texas Supreme Court issued a writ of mandamus preventing discovery of geological seismic data. The case in which discovery was sought involved a claim by owners of a royalty interest that a mineral estate owner breached its duty to develop its land. The trial court had found that while the seismic data sought in discovery qualified as a trade secret, the royalty owners nevertheless had established that access to the data was necessary for a fair adjudication of their claims. The trial court ordered the mineral estate owner to produce the data under a protective order. Reviewing cases from other jurisdictions, the Texas Supreme Court held that the seismic data qualified as a trade secret.

[A] Reverse Engineering

In *Rycoline Products, Inc. v. Walsh*, the New Jersey intermediate court reversed the trial court and held that a trade secret may result from efforts to reverse engineer another’s product.

[B] Safety and Health Effects

Information on product safety or health effects is sometimes developed in the regular course of company R&D and product design and testing. It may also be developed in conjunction with product liability litigation. When developed in conjunction with litigation, such information may be unprotectible, at least when trade secret status is in conflict with discovery rights in the litigation. In *Smith v. BIC Corp.*, for example, the plaintiff’s wife was badly burned by a BIC cigarette lighter and subsequently died. In the resulting product liability lawsuit, the plaintiff sought discovery of safety test results and information on other complaints and accidents. Defendant BIC moved for a protective order on the grounds, among other things, that the discovery sought trade secrets. The district court denied a protective order on the grounds that some of the information was not secret and that other information had not been shown by BIC to give it a competitive advantage. The U.S. Court of Appeals for the Third Circuit found that the district court's emphasis on proof of competitive advantage was erroneous and inappropriately

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92. *Id.* at 740.
94. *Id.* at 1053–55.
96. *Id.* at 196–97.
97. *Id.* at 197.
limited the broader question of whether a secret is used in the business and not known to the trade in general. The Third Circuit concluded that the quality control and safety test information “falls within the category of a ‘compilation of information which is used in one’s business’ and, as such, is a trade secret.” Apparently, BIC did not argue very vigorously that the reports of other accidents and claims met the secrecy requirement for trade secrets. Obviously, such information was generally known, at least to the victims of such accidents and the makers of such claims.

§ 3:9.3 Marketing

[A] Generally

Information about customers and marketing need not be reduced to writing to have trade secret status. Information about customers other than their identity, addresses, and telephone numbers is protectible. This includes personal contacts and customer requirements. In some cases, identity, addresses and telephone numbers may be protectible as well.

98. Id. at 200.
99. Id. at 201 (applying Pennsylvania law).
100. Id.
101. Fleming Sales Co. v. Bailey, 611 F. Supp. 507 (N.D. Ill. 1985) (customer list and information not compiled but only generally acquired during employment not trade secret); Allen v. Johar, Inc., 823 S.W.2d 824 (Ark. 1992) (customer list and information was protectable trade secret even though information was memorized not written). In Ed Nowogroski Ins., Inc. v. Rucker, 944 P.2d 1093, 1097 (Wash. Ct. App. 1997), the Washington intermediate court, reversing the trial court, held that memorized customer information could constitute a trade secret.
103. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (knowledge of key decision makers within prominent customer is not a trade secret); Courtesy Temp. Serv. v. Camacho, 272 Cal. Rptr. 352 (Cal. Ct. App. 1990) (temporary employment service lists of customers with key contacts, and pricing information was trade secret).
104. SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (market research exploring the needs of a prominent customer that is presumably
In *Camp Creek Hospitality Inns, Inc. v. Sheraton Franchise Corp.*, the U.S. Court of Appeals for the Eleventh Circuit reversed summary judgment for the defendant on a trade secret claim and held that hotel reservation information of a franchisee could qualify as a trade secret under the Georgia version of the Uniform Trade Secret Act. The court stated,

First, Camp Creek has presented expert testimony suggesting that this information is closely guarded in the hotel industry, that a competitor could not easily derive the information through other means, and that a competitor could make use of such information to the detriment of the owner. See Berman Aff. ¶ 29. This evidence shows that the information is valuable and not of the type any intelligent competitor could have compiled by legitimate alternative means.  

In a questionable ruling, the New Jersey intermediate court held that, at common law, a trade marketing concept or a new product idea cannot qualify as a trade secret.  

[B] Opinion Survey Questions

In *Strategic Directions Group, Inc. v. Bristol Myers Squibb Co.*, the U.S. Court of Appeals for the Eighth Circuit held that a battery of opinion survey questions intended for market research did not qualify as a trade secret. The individual questions were readily ascertainable and the purported trade secret owner repeatedly placed them in the public domain. Indeed, the questions were specifically designed for public consumption.

[C] Wholesaling Methods

*Wal-Mart Stores, Inc. v. P.O. Market, Inc.* involved a claim that Wal-Mart misappropriated an idea by a group of entrepreneurs for

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105. *Camp Creek Hospitality Inns, Inc. v. Sheraton Franchise Corp.*, 130 F.3d 1009 [11th Cir. 1997], *substituted opinion*, 139 F.3d 1396 [11th Cir. 1998].
106. *Id.* at 1024.
108. *Strategic Directions Group, Inc. v. Bristol Myers Squibb Co.*, 293 F.3d 1062 [8th Cir. 2002].
109. *Id.* at 1065.
financing bulk purchases of Wal-Mart products. The record showed a number of meetings in which the concept was discussed with Wal-Mart personnel, accompanied by requests by the entrepreneurs that the idea be kept confidential. When Wal-Mart refused to enter into a promised agreement with the entrepreneurs and instead implemented financing of bulk transactions on its own, the entrepreneurs sued for misappropriation of trade secrets. The trial court entered judgment on a jury award of some $31 million. Among other things, the Arkansas Supreme Court was concerned with whether the business concept presented to Wal-Mart was sufficiently specific to constitute “information” within the UTSA definition of trade secret, and with “whether an economic plan or idea for structuring of business qualifies as a trade secret.”111 The court concluded that the combination of well-known ideas for doing business the plaintiff put together were not unique. The court stated,

It is apparent to this court that any person reasonably well versed in the economics of wholesaling and credit purchasing could have put together the O’Banion concept. Indeed, the O’Banion concept was essentially wholesaling in the sense that it contemplated buying goods in bulk at a favorable price and selling them at a mark up to pre-ordained customers. Even though we look to the combination of the components and not to their individual qualities, the O’Banion concept was hardly unique.112

[D] Marketing Strategies

In Savor, Inc. v. FMR Corp.,113 the Delaware Supreme Court held that marketing strategies potentially qualified as a trade secret.

[E] Customer Lists

Customer lists are protectible subject matter,114 but the proponent of trade secret status frequently has trouble establishing the secrecy

111. Id. at 632.
112. Id. at 634.
114. Am. Credit Indem. Co. v. Sacks, 262 Cal. Rptr. 92 [Cal. Ct. App. 1989] [customer list of credit insurance was a trade secret, six and one-half percent of all companies use indemnity insurance, but sixty-five to seventy-five percent of policyholders renew]; Home Pride Foods, Inc. v. Johnson, 634 N.W.2d 774, 782 [Neb. 2001] [customer list containing information on previous order placement and amount of orders qualified as trade secret because not readily available publicly and could permit
element of the information in customer lists.\textsuperscript{115} A distinction frequently

competitor to undercut list owner’s pricing\textsuperscript{115}; Warner & Co. v. Solberg, 634
N.W.2d 65, 76 [N.D. 2001] (reversing summary judgment for defendant
and remedying for determination of whether customers lists were trade
secrets because not “readily accessible to reasonably diligent competitor or
salesman”); Sethscot Collection, Inc. v. Drbul, 669 So. 2d 1076 [Fla. Dist.
Ct. App. 1996] (distinguishing list of active customers, entitled to trade
secret protection, from list of prospective customers, not entitled to trade
secret protection); Churchill Commc’ns Corp. v. Demyanovich, 668
F. Supp. 207 (S.D.N.Y. 1987) (customer list and key contacts for electronic
processing firm were trade secrets); Gillis Associated Indus. v. Cari-All,
Inc., 564 N.E.2d 881, 885 [Ill. App. Ct. 1990] (list of over 3,000 customers
and their phone numbers, which was compiled and refined through
successive mailings and phone calls, was the type of information that
trade secret act intended to protect, but not kept secret); Allan Dampf, P.C.
other information, photocopied by associate dentist was trade secret);
1985] (list of 5,000 customers was trade secret because it could not be
created by means other than through plaintiff’s business operation).

\textsuperscript{115} NALCO Chem. Co. v. Hydro Techs., Inc., 984 F.2d 801, 804 (7th Cir.
1993) (customer lists not protected under Wisconsin UTSA because
number of customers neither fixed nor small and other trade secret
requirements such as secrecy not met; preliminary injunction enforcing
restrictive covenants reversed); Union Sav. Am. Life Ins. Co. v. N. Cent.
entitled to trade secret status under Minnesota law because it could be
easily duplicated from public sources; partial summary judgment granted);
(file of potential customers for foreign exchange financial services not
entitled to trade secret status because little more than public information
to which plaintiff added little value); Am. Paper & Packaging Prods., Inc. v.
Kirgan, 228 Cal. Rptr. 713 [Cal. Ct. App. 1986] (list of customers known
or ascertainable to others in the industry was not a trade secret); Kendall/
Hunt Publ’g Co. v. Rowe, 424 N.W.2d 235 [Iowa 1988] (list of people who
might want to publish with plaintiff was not a trade secret); Woodward
Ins., Inc. v. White, 437 N.E.2d 59, 68 [Ind. 1982] (names of insurance
customer, policy expiration dates, and policy coverages did not qualify as
trade secrets because list could be developed by other means as by getting
information from customers; also no established confidentiality policy).

In Atwood Agency v. Black, 646 S.E.2d 882 (S.C. 2007), the South
Carolina Supreme Court vacated an injunction, finding that the identity of
condominium owners and renters did not qualify as a trade secret for a
vacation rental agency because the information was available from public
records and from informal contacts with renters. \textit{id}. at 884.

In Dicks v. Jensen, 768 A.2d 1279 [Vt. 2001], the Vermont Supreme
Court agreed with the trial court that a customer list did not qualify as a trade
secret. The former employer could show no measures taken to preserve the
secrecy of the list. Moreover, the absence of evidence that any special effort or
investment contributed to creation of the list undercut the proposition that
the contents of the list were not “readily ascertainable.” \textit{id}. at 1284–85.

1998], the court held that an insurance company’s policyholder list (which
is recognized between “retail” customer lists and “wholesale” lists. Wholesale lists are more likely to involve readily available information and therefore to be denied trade secret status.\textsuperscript{116}

can include names, coverage, premiums, and expiration dates does not constitute a trade secret under the Indiana statute. The court based its ruling on a long line of cases that held similar customer lists were not trade secrets because the same information can be readily obtained from the policyholders themselves, from the policies, or from other materials given to the policyholders. Thus, the information cannot be kept secret.

In \textit{In re UFG Int'l, Inc.}, 225 B.R. 51 [S.D.N.Y. 1998], a Chapter 11 trustee of an insurance brokerage firm brought an adversary proceeding against former employees and their subsequent employers for, among other things, misappropriation of trade secrets. The court granted the defendants' motion for summary judgment, finding that the information at issue, customer lists, was not protectable as a trade secret in New York.

In Fred's Stores of Miss., Inc. v. M&H Drugs, Inc., 725 So. 2d 902 [Miss. 1998], a pharmacy obtained a judgment against its former employee and competitor on its claim of trade secret misappropriation. Affirming in relevant aspects, the Mississippi Supreme Court found that the plaintiff's customer list constituted a trade secret under Mississippi law. The court focused on the plaintiff's efforts to secure the secrecy of the information. Although the list was kept on the pharmacy counter and was not stamped, the employees were not instructed, and third parties sometimes went behind the counter, the court found that the security was sufficient. The most important factor was that the list was kept in the same area as prescription drugs. The court stated that the result might have been different had the list been kept at the front counter of the store. The court held that a customer list qualified as a trade secret because information about volume of purchases by individual customers was not publicly available.

In Swink v. Giffin, 333 Ark. 400 [1998], a former employer brought suit against an employee for misappropriation of its trade secret customer list. It was undisputed that the list was a trade secret and that it was improperly taken. The issue was simply whether or not the plaintiff actually owned the list in question. The court found credible the plaintiff's contention that the list was purchased along with other assets of the business.

In H&R Recruiters, Inc. v. Kirkpatrick, 663 N.Y.S.2d 865, 866 [App. Div. 1997], the intermediate appellate court in New York denied enforcement of a noncompete covenant because the alleged trade secrets backing it up—a client list—did not qualify for trade secret protection. The court found that the identities of the past and prospective customers were readily discoverable through various nonconfidential sources, such as company directories and job postings widely distributed to placement firms, including the one with which the defendant was currently employed.

Distinctions are drawn between customer lists that contain bare factual information about customers and their transactions and customer lists that embed personal relationships between customers and marketing personnel.117

Armenian Assembly of America, Inc. v. Cafesjian117.1 was one of several lawsuits that arose out of squabbles among trustees of a nonprofit entity created to establish an Armenian genocide museum. The entity claimed that the defendant former trustee had breached fiduciary duties and misappropriated trade secrets, including mailing lists, legislative policy documents, and other databases.117.2

The district court held that whether the information qualified as trade secrets constituted a question for the jury:

117. Corroon & Black-Rutters & Roberts, Inc. v. Hosch, 325 N.W.2d 883, 887 (Wis. 1982) (explaining distinction between route salesman list and other lists, based on particular relationship between customer and route salesman which endures, noting that covenant not to compete may explain the distinction); Nova Care Orthotics & Prosthetics E., Inc. v. Speelman, 528 S.E.2d 918, 922 [N.C. Ct. App. 2000] (customer lists did not qualify as trade secrets because there was no showing of special efforts to keep them secret and defendant was personally acquainted with all customers); Frantz v. Johnson, 999 F.2d 351, 359 [Nev. 2000] (approving judgment for plaintiff for misappropriation of customer and pricing lists); N. Atl. Instruments, Inc. v. Haber, 188 F.3d 38, 46 [2d Cir. 1999] (customer list constituted trade secret because of high cost of duplicating information about customer preferences); Chemfab Corp. v. Integrated Liner Techs., Inc., 693 N.Y.S.2d 752, 754 [App. Div. 1999] (knowledge of the identity of only one customer cannot constitute trade secret); Fred Siegel Co. v. Arter & Hadden, 707 N.E.2d 853 [Ohio 1999] (triable issue of fact whether client list taken by former associate of one law firm to another firm qualified as trade secret, based on factual dispute over secrecy measures employed and how easy it would have been to reassemble the client list from publicly available information); Kovarik v. Am. Family Ins. Group, 108 F.3d 962, 966 [8th Cir. 1996] (customer lists can become trade secrets and qualify for noncompete protection when employee learns attributes of a set of customers that are not public); Millet v. Crump, 687 So. 2d 132, 136 [La. Ct. App. 1996] (denying injunction against use of customer lists; customer lists were not trade secrets under UTSA because not treated as confidential by employer); Allen v. Hub Cap Heaven, Inc., 484 S.E.2d 259 [Ga. Ct. App. 1997] (customer lists qualify under Georgia Uniform Trade Secret Act only if they are on tangible list; personal knowledge of suppliers does not qualify); Clark v. State, 670 So. 2d 1056, 1057–58 [Fla. Dist. Ct. App. 1996] (reversing criminal conviction for theft of trade secret; realtor’s customer information sheets, available for inspection by multiple salespeople, do not qualify as trade secrets). But see id. at 1057–58 [Altenbernd, J., concurring] (commenting that even if customer information sheets, available for inspection by multiple salespeople, do not qualify as trade secrets, composite book of lists may qualify for protection).


117.2. Id. at *19.
To be protected as a trade secret under D.C. law, (1) the “information must be secret”; (2) “its value must derive from its secrecy”; and (3) its owner must use reasonable efforts to safeguard its secrecy. Whether information is a trade secret is generally a question of fact. Here, Plaintiffs have produced evidence in the record that the Assembly restricted public access to its membership list and other database lists and considered use by third parties to be a serious problem. Because the question of whether a trade secret exists is best resolved by a fact finder after full presentation of evidence from each side, there is at least a material dispute of fact as to whether the Assembly’s directories constitute trade secrets. Plaintiffs have provided no evidence, however, relating to “legislative policy documents” or other information beyond membership and database lists. Therefore, the trade secrets claim must be limited to membership lists and database lists.  

A trade secrets dispute arose out of the simultaneous legal representation of an enterprise and its president in Radiology Services, P.C. v. Hall. The president’s daughter was the corporate attorney for Radiology Services. After a dispute arose about the president’s performance, the daughter allegedly provided him with confidential client lists so that he could send them a survey form. The Nebraska Supreme Court found that the daughter did not provide any information to which the president did not already have access in his capacity as an officer of the plaintiff enterprise:

Rounsborg knew the identities of the corporation’s clients. In his deposition, Rounsborg recited a list of Radiology Services’ clients from memory. Addresses of these clients were easily ascertainable. Even assuming Hall provided Rounsborg with a list of client addresses, she did not provide him with any information that he did not already have or that he was not otherwise entitled to have as president of the corporation. Her actions did not constitute a failure to preserve confidential or proprietary information.

Moreover, the court observed:

A customer list can be a trade secret in some circumstances. Courts are reluctant to protect customer lists to the extent that they embody information that is readily ascertainable through public sources. Where time and effort have been expended to identify particular customers with particular needs or characteristics, courts will prohibit others from using this information to

117.3. Id. (internal quotation marks and citations omitted).
117.5. Id. at 565.
capture a share of the market. Protected lists are distinguishable from mere identities and locations of customers that anyone could easily identify as possible customers.117.6

It found that the content of the disputed lists was readily available from other sources.117.7

When customers themselves keep their relationship with the owner of the trade secret confidential, as in the personnel recruitment business,118 this enhances the plaintiff’s argument that the information was not in the public domain.119 It helps if the plaintiff, rather than the defendant, developed the information.120

117.6. Id.
117.7. Id. at 565–66.
118. See Fortune Agency v. Livingston, 102 Misc. 2d 369 [N.Y. Sup. Ct. 1979] (granting preliminary injunction against use of names, addresses, telephone numbers, and career information of job applicants procured by former employees from the files of personnel placement agency).
119. See Fisher Org., Inc. v. Ryan, 122 Misc. 2d 305 [N.Y. Sup. Ct. 1983] (because name of candidate was not discoverable except through telephoning, screening, and evaluation of candidates, it was entitled to trade secret protection on claim by executive placement organization).

In Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc., 987 S.W.2d 642 [Ark. 1999], the court stated that the following was found to qualify for trade secret protection:

(1) The amount of profit that Hunt made on a contract with particular customers.

(2) Hunt’s margins of profitability utilized in its pricing model. Hunt submitted that the profitability in the industry is not huge, and if a competitor knows what Hunt’s profit margin is regarding a particular customer, that competitor is armed with an unfair advantage. For example, a competitor could knowingly undercut Hunt’s price with a particular customer. In addition, a person with special knowledge of what Hunt pays for fuel, equipment, insurance, and other overhead expenses would allow a competitor to anticipate with greater accuracy what price Hunt would charge a customer.

(3) A customer’s established buying habits with Hunt over a long-term period.
[F] Customer Pricing

Prices charged to customers are protectible, as long as they meet the secrecy requirements. For example, prices disclosed in a catalogue or publicly available price list are not protectible, while prices negotiated with individual customers and meeting the secrecy requirements are protectible.\(^{121}\)

In *Canadian Commercial Corp. v. Department of the Air Force*,\(^ {121.1}\) the D.C. Circuit affirmed a conclusion, in a reverse Freedom of Information Act suit, that the plaintiff’s line-item prices qualified as trade secrets and thus were exempt from FOIA disclosure.\(^ {121.2}\)

In *In re Union Pacific Railroad Co.*,\(^ {121.3}\) the Texas Supreme Court held that a railroad’s rate calculation formulas constituted trade secrets, privileged from discovery in personal injury litigation.\(^ {121.4}\)

[G] Contract Renewal Dates

Contract renewal dates are protectible, as long as they are kept secret.\(^ {122}\)

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\(^{121}\) Courtesy Temp. Serv. v. Camacho, 272 Cal. Rptr. 352 (Cal. Ct. App. 1990) (temporary employment service’s list of customers with key contacts, billing rates, and mark up percentages was trade secret); Panther Sys. II Ltd. v. Panther Computer Sys., Inc., 783 F. Supp. 53 (E.D.N.Y. 1991) (customer list, including customer usage, needs, and prices they would pay was trade secret); Ecolab, Inc. v. Paolo, 753 F. Supp. 1100 (E.D.N.Y. 1991) (information regarding how much customers paid and how much they used was trade secret); *Allan Dampf, P.C. v. Bloom*, 512 N.Y.S.2d 116 (N.Y. App. Div. 1987) (fees billed by dentist, among other information, photocopied by associate dentist was trade secret); *MSQ Inspection, Inc. v. Bielecki*, 963 F. Supp. 771, 774 (E.D. Wis. 1995) (granting summary judgment to defendants on trade secret misappropriation claim because customer lists, bids, and pricing formulas were not trade secrets as a matter of law under Wisconsin version of UTSA).

\(^{121.1}\) *Canadian Commercial Corp. v. Dep’t of the Air Force*, 514 F.3d 37 (D.C. Cir. 2008).

\(^{121.2}\) *Id.* at 40.

\(^{121.3}\) *In re Union Pac. R.R. Co.*, 294 S.W.3d 589 (Tex. 2009).

\(^{121.4}\) *Id.* at 592.

\(^{122}\) TIE Sys., Inc. v. Telcom Midwest, Inc., 560 N.E.2d 1080 (Ill. App. Ct. 1990) (list of dates on which customer would renew contract or buy services based on contract was a trade secret); Robert S. Weiss & Assocs.
§ 3:9.4 Finance and Strategic Business Plans

The first Restatement, by mentioning methods of bookkeeping, endorses the view that some types of financial management information may be protectible. Business plans and financial projections are protectible. Market projections are similarly protectible.

v. Wiederlight, 546 A.2d 216 (Conn. 1988) (expiration dates in insurance companies’ customer lists were not trade secrets because the defendant’s personal relationship with each customer gave him access to their needs); Ecolab, Inc. v. Paolo, 753 F. Supp. 1100 (E.D.N.Y. 1991) (information regarding how much customers paid and how much they used was trade secret); Burlington N. v. Omaha Pub. Power Dist., 888 F.2d 1228, 1231–32 [8th Cir. 1989] (contractual terms on price escalation with customer entitled to trade secret status; intended for continuous use; distinguishing Wis. Elec. Power Co. v. Pub. Serv. Comm’n, 329 N.W.2d 178, 182 [Wis. 1983] [pricing and cost information in contract for nuclear power plant construction not trade secret because single event in business]).

123. Restatement of Torts § 757 cmt. b.


125. N.Y. Tel. Co. v. Pub. Serv. Comm’n, 436 N.E.2d 1281, 1284 [N.Y. 1982] (“migration study” by telephone company showing patterns of movement by customers from older technology to newer technology; future price plans, schedules of new product introduction, and sales tactics may be protected from disclosure under public documents law if trial court on remand finds they constitute trade secrets).
Sources of capital should be protectible as long as they are not generally known.\textsuperscript{126} Such information provides a clear competitive advantage. A nonprofit organization, for example, should be entitled to trade secret protection of its funding sources, assuming it can satisfy the secrecy requirement.

A corporation’s profit and loss statement has been held not to constitute a trade secret under the UTSA.\textsuperscript{127} Information on how prices are determined is protectible.\textsuperscript{128} Cost information is protectible.\textsuperscript{129}

\begin{itemize}
\item\textsuperscript{126} Cf. Pub. Sys., Inc. v. Towry, 587 So. 2d 969, 972–73 (Ala. 1991) [spreadsheet of sources of funding for nonprofit entities developed by consultant for such entities not entitled to trade secret status because based on public domain information; modest investment involved in organizing information shows that it was “readily available and does not require substantial research investment to obtain”).
\item\textsuperscript{127} AutoCount, Inc. v. Automated Prescription Sys., Inc., 651 So. 2d 308, 312 [La. Ct. App. 1995].
\item\textsuperscript{128} Burlington N. v. Omaha Pub. Power Dist., 888 F.2d 1228, 1231, 1232 [8th Cir. 1989] [contractual terms with customer covering price escalation entitled to trade secret status; intended for continuous use; distinguishing Wis. Elec. Power Co. v. Pub. Serv. Comm’n, 329 N.W.2d 178, 182 [Wis. 1983] [pricing and cost information in contract for nuclear power plant construction not a trade secret because it concerned only a single event]].
\item\textsuperscript{129} Davis v. Eagle Prods., Inc., 501 N.E.2d 1099 [Ill. App. Ct. 1986] [pet food manufacturer’s sales and costing information, especially tonnage information, was confidential]; SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 [3d Cir. 1985] [profit margin and costs of material, labor, and overhead were a trade secret]; Van Prods. Co. v. Gen. Welding & Fabricating Co., 213 A.2d 769 [Pa. 1965] (former employer’s labor costs were not trade secret); Optic Graphics, Inc. v. Agee, 591 A.2d 578 [Md. Ct. Spec. App. 1991] [pricing information and marketing strategy of graphic arts business not trade secret because information was subject to change, subject to market forces, and varied with type of machine used]; Computer Assocs. Int’l, Inc. v. Bryan, 784 F. Supp. 982 [E.D.N.Y. 1992] [formulas and coefficients used by computer program to estimate resources required to develop or modify software was trade secret, even though questions that were program’s framework were well known]; Blue Cross & Blue Shield v. Ins. Bureau Hearing Officer, 304 N.W.2d 499, 506 [Mich. Ct. App. 1981] [rating information submitted by health insurer to support rate increase must be released under state public documents law despite Blue Cross claim of trade secret status for information on contract and noncontract charges, initial payment to hospitals, per diem cost information, administrative expense factor, risk factor, reserve factor, and conversion factor; no trade secret because information could be discerned by customers and, through them, competitors; disclosure mandated].
\end{itemize}

In Carpetmaster of Latham, Ltd. v. Dupont Flooring Sys., Inc., 12 F. Supp. 2d 257 [N.D.N.Y. 1998], a carpet company sued a competitor for misappropriation of trade secrets. On the one hand, the court found that

(Perritt, Rel. #5, 6/10) 3–37
In Lydall, Inc. v. Ruschmeyer,\textsuperscript{129.1} discussed more fully in section 3:3, the Connecticut Supreme Court agreed with the trial court that selection of a particular product line to generate cash during a business decline qualified as a trade secret because it “was not the only sensible approach” to that line of business and thus was not within the realm of general public knowledge.\textsuperscript{129.2}

\textbf{§ 3:9.5 Purchasing Information}

Information pertinent to the purchasing function is protectible, especially sources of supply.\textsuperscript{130}

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\textsuperscript{129.1} Lydall, Inc. v. Ruschmeyer, 919 A.2d 421 (2007).
\textsuperscript{129.2} Id. at 439–42.
\textsuperscript{130} SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244 (3d Cir. 1985) (knowledge of alternate suppliers and their respective prices was not a trade secret); Sigma Chem. Co. v. Harris, 605 F. Supp. 1253, 1261–64 (E.D. Mo. 1985) (knowledge of which supplier sells a particular chemical of a particular quality that satisfies a particular purpose at the right price was akin to “finding a needle in a haystack” and, therefore, qualified as a trade secret), aff’d in material part, 794 F.2d 371, 374 (8th Cir. 1986); Wiebold Studio, Inc. v. Old World Restorations, Inc., 484 N.E.2d 280, 285 (Ohio Ct. App. 1985) (supplier of unique product and two other products used to repair ceramics did not qualify as trade secrets because not actually used or particularly useful); Panther Sys. II Ltd. v. Panther Computer Sys., Inc., 783 F. Supp. 53, 70–71 (E.D.N.Y. 1991) (lists of suppliers denied trade secret status; supplier information typically is available from public channels); Greenblatt v. Prescription Plan Servs. Corp., 783 F. Supp. 814, 826 (S.D.N.Y. 1992) (list of dentists performing services for employer-sponsored healthcare plan created by seller of administrative services to plans did not qualify as trade secret because readily ascertainable; also no showing of disclosure in confidence).
§ 3:9.6  Management Techniques and Organization Design

Specific techniques for organizing work and motivating employees are not per se unprotectible.\(^{131}\) The comments to the first Restatement endorse this view by mentioning methods of office management as examples of trade secret.\(^{132}\) Such techniques provide a clear competitive advantage because they reduce costs. If a hypothetical employer motivated its employees by a kind of internal fraternity, with a secret ritual, which the employees pledged to keep secret, there is no reason that this would not qualify for trade secret protection simply because it relates to workforce management rather than a machine for making widgets.

Similarly, plans for recruiting especially qualified personnel should be eligible for trade secret protection. The difficulty would be in meeting the secrecy elements. Ordinarily, of course, a management technique cannot be replicated merely because it is known, and enterprises therefore have less incentive to keep such matters secret. They also have an incentive to publicize them in order to attract new members to their workforces.

§ 3:10  Legal Information

In Teleconnect Co. v. Ensrud,\(^{133}\) the U.S. Court of Appeals for the Eighth Circuit, applying Iowa law, reversed summary judgment for the defendant, finding sufficient issues to go to trial on the plaintiff’s claim that the defendant should be enjoined from serving as an expert witness for the plaintiff’s opponent in litigation over telephone tariffs based on the defendant’s work as an analyst and paralegal for plaintiff.

In Pillsbury, Madison & Sutro v. Schectman,\(^{134}\) however, the California intermediate appellate court affirmed the grant of an injunction, ruling that certain confidential law firm documents were not trade secrets because they had no economic value to anyone else.

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132. RESTATEMENT OF TORTS § 757 cmt. b.

133. Teleconnect Co. v. Ensrud, 55 F.3d 357 (8th Cir. 1995).


\section*{§ 3:11 Religious Materials}

Religious materials can qualify as trade secrets. In \textit{Religious Technology Center v. Netcom On-Line Communication Services, Inc.},\footnote{Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., 923 F. Supp. 1231 [N.D. Cal. 1995].} the court noted that religious texts are not like most trade secrets in that they are not used in the production or sale of a commodity, but that this does not preclude them from being trade secrets. The court found, however, that the religious group failed to qualify the information as trade secrets with sufficient definiteness to support injunctive relief.\footnote{Id. at 1252.}

\section*{§ 3:12 Memorized Information}

In \textit{Ed Nowogroski Insurance, Inc. v. Rucker},\footnote{Ed Nowogroski Ins., Inc. v. Rucker, 971 P.2d 936 (Wash. 1999).} the Washington Supreme Court reversed a finding that trade secret misappropriation could not be based on evidence that a former employee used memorized client lists.\footnote{Id. at 940.} The court recognized a split of authority on whether memorized trade secrets are covered by the misappropriation tort.\footnote{Id. [comparing RESTATEMENT OF AGENCY § 396 cmt. b (1988) [use of memorized information not misappropriation] with RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. f (1995)].} It found that the Uniform Trade Secret Act did not abrogate the common law rule in Washington that the form of trade secret information, whether written or memorized, made no difference in a misappropriation case.\footnote{Id. See also N. Atl. Instruments, Inc. v. Haber, 188 F.3d 38, 46–47 [2d Cir. 1999] [rejecting broad rule that anything an employee remembers casually is not a trade secret].}

under the Georgia UTSA; nor could they support a valid confidentiality agreement.

In *Al Minor & Associates, Inc. v. Martin*, the Ohio Supreme Court affirmed a damages judgment for $25,973 for misappropriation of trade secrets. The evidence showed that the defendant had memorized the plaintiff’s client list and used it to solicit business after he went to work for a competitor. The court rejected the argument that information can qualify as a trade secret only if it is written down:

Neither R.C. 1333.61[D] nor any other provision of the UTSA suggests that for purposes of trade secret protection, the General Assembly intended to distinguish between information that has been reduced to some tangible form and information that has been memorized. R.C. 1333.61[D] refers only to “information,” including “any business information or plans, financial information, or listing of names, addresses, or telephone numbers,” and the statute makes no mention of writings or other physical forms that such information might take. Furthermore, nothing in our six-factor test adopted in Plain Dealer, 80 Ohio St.3d at 524–525, 687 N.E.2d 661, indicates that the determination whether a client list constitutes a trade secret depends on whether it was capable of being memorized or had been memorized.

The legislature, when enacting R.C. 1333.61[D], could have excluded memorized information from the definition of trade secret or added a requirement that such information be reproduced in physical form in order to constitute a trade secret. But it did not, and we are not in a position to read such language into the statute. See, e.g., Portage Cty. Bd. of Comrs. v. Akron, 109 Ohio St.3d 106, 2006-Ohio-954, 846 N.E.2d 478, ¶ 52, wherein we stated that “[a]n unambiguous statute must be applied in a manner consistent with the plain meaning of the statutory language, and a court cannot simply ignore or add words”; see also *Iddings v. Jefferson Cty. School Dist. Bd. of Edn. (1951)*, 155 Ohio St. 287, 290, 44 O.O. 294, 98 N.E.2d 827, which emphasized that “[t]o construe or interpret what is already plain is not interpretation but legislation, which is not the function of the courts.”

In addition, more than 40 other states have adopted the Uniform Trade Secrets Act in substantially similar form, and the majority position is that memorized information can be the basis for a trade secret violation. See, e.g., *Ed Nowogroski Ins., Inc. v. Rucker (1999)*, 137 Wash. 2d 427, 971 P.2d 936; *Morlife, Inc. v. Perry (1997)*, 56 Cal. App. 4th 1514, 66 Cal. Rptr. 2d 731; *Allen v. Johar, Inc. (1992)*, 308 Ark. 45, 823 S.W.2d 824; *Jet Spray

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§ 3:13 Employee Information

In Campbell v. Marian County Hospital District,145 the court held that compensation and salary information regarding physicians and purchase price of physician practices did not qualify as a trade secret.

§ 3:14 Educational Tests

In State ex rel. Perrea v. Cincinnati Public Schools,146 the Ohio Supreme Court held that standardized tests qualified as trade secrets exempt from disclosure under the state public records act.147

144. Id. at 853.
147. Id. at 1053–54.