Stanford Law Review

Volume 73 January 2021

ARTICLE

Abandoning Trade Secrets*

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Abstract. A trade secret, according to the conventional understanding, "expires" only once it is no longer kept secret. Keep the secret for decades or even centuries, as with the formula for Coca-Cola, and you can potentially protect it forever.

That conventional wisdom is wrong. A company can "abandon" its trade secrets by failing to derive economic value from keeping them secret. Trade secrets can lose economic value simply because the information has become obsolete. But trade secret abandonment can also happen due to the conduct of the owner. A company that has been benefitting from a trade secret by selling products based on it can exit the market. It can take a product off the market and replace it with a newer version. Or it might develop a secret but then choose not to enter the market at all.

Although courts recognize the statutory requirement that a trade secret must derive "independent economic value" from its secrecy, they underappreciate the role that requirement plays in setting a trade secret's end date, and they lack a clear framework for assessing whether information derives the requisite value in any particular case.

We argue that courts should draw on trademark law's abandonment doctrine. In order to avoid losing their rights, trademark owners who cease using their trademarks in commerce for a certain period of time have the burden to prove they have an intent to resume use of the mark in the "reasonably foreseeable future." Trade secret law could benefit from adopting a parallel conception of abandonment. Properly understood, trade secret law already incorporates abandonment. We simply provide a clearer way to interpret and apply the statutory requirement of independent economic value.

Trade secret abandonment has some surprising implications. Employees might have more freedom to operate under trade secret law than is commonly believed. Once a company

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Thanks to Victoria Cundiff, Rochelle Dreyfuss, Dave Fagundes, Tait Graves, Rose Hagan, Josh Lerner, David Levine, Roger Milgrim, Aaron Perzanowski, Jim Pooley, Elizabeth Rowe, Sharon Sandeen, Chris Seaman, Deepa Varadarajan, Bryan Whipkey, and participants at the Trade Secrets Roundtable at Washington & Lee Law School for comments on an earlier draft.

has abandoned a trade secret, people who are in a position to know the secret—most likely, employees or independent contractors—should be free to disclose or implement it themselves. Trade secret holders might not like this. But it's important for innovation policy because it gives trade secrets that others have discarded a path to enter the market or the public domain. Trade secret abandonment can also help solve a very real problem facing one important class of people: employee–inventors. Trade secret abandonment provides an outlet for employee–inventors whose employers didn't use their ideas to take them elsewhere and start anew.

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Introduction

So long as they are kept secret, trade secrets, unlike patents or copyrights, "can be protected for an unlimited time."[1] A trade secret, according to the conventional understanding, "expires" only once it is no longer kept secret.[2] Keep the secret for decades or even centuries, as with the formula for Coca-Cola, and you can potentially protect it forever.

In this Article, we argue that this conventional wisdom is wrong. Trade secrets—even those kept completely secret within a firm—can indeed expire. The reason is that there is another way to lose trade secrets besides public disclosure or a lapse in secrecy precautions: A company can "abandon" its trade secrets by failing to derive value from them. In fact, we argue that trade secrets are more like trademarks than patents and copyrights in this regard. But while trademarks rely on "use in commerce" to determine their lifespan,[3] trade secrets expire thanks to the statutory requirement of "independent economic value."[4] A trademark expires when the owner stops using the mark on goods or services;[5] a trade secret expires when the owner no longer derives "independent economic value," "actual or potential," from keeping the information a secret.[6]

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1. The House Report on the Defend Trade Secrets Act of 2016 (DTSA) states that trade secrets "can be protected for an unlimited time, unlike patents, and require[] no formal registration process. But unlike patents, once this information is disclosed it instantly loses its value and the property right itself ceases to exist." H.R. REP. NO. 114-529, at 2 (2016); *see also* DTSA, Pub. L. No. 114-153, 130 Stat. 376 (codified in scattered sections of 18 U.S.C.).
2. *See, e.g.*, JAMES POOLEY, TRADE SECRETS: HOW TO PROTECT YOUR IDEAS AND ASSETS 24 tbl.2-1 (1982) (describing the duration of a patent, circa 1982, as "17 years from issuance" and the duration of a trade secret as "[p]otentially unlimited as long as secret"); JAMES POOLEY, SECRETS: MANAGING INFORMATION ASSETS IN THE AGE OF CYBERESPIONAGE 71 (2015) [hereinafter POOLEY, SECRETS] (describing the duration of trade secrets as "[i]ndefinite" in comparison to patents' and copyrights' set term limits and in comparison to trademarks, whose duration is described as "[i]ndefinite so long as used").
3. *See* 15 U.S.C. § 1127.
4. *See* 18 U.S.C. § 1839(3)(B) (requiring that a trade secret "derive[] independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information"); *see also* UNIF. TRADE SECRETS ACT § 1(4) (UNIF. L. COMM'N 1985) [hereinafter UTSA]. For cases applying the independent economic value requirement, see generally 1 ROGER M. MILGRIM & ERIC E. BENSEN, MILGRIM ON TRADE SECRETS § 1.07A (LexisNexis 2020); 1 MELVIN F. JAGER, TRADE SECRETS LAW § 3:35 (West 2020); ELIZABETH A. ROWE & SHARON K. SANDEEN, CASES AND MATERIALS ON TRADE SECRET LAW 119-40 (2012).
5. *See infra* Part II.B.
6. 18 U.S.C. § 1839(3)(B); *see infra* Parts III-IV.

Trade secrets don't literally have to be "used" to be protected.[7] Modern trade secret statutes at the federal level and in nearly all states eschew any explicit use element, conferring trade secret status to "a wider class of usable but currently-unused information."[8] Instead, today's independent economic value requirement, which was intended to codify the common law concept of "competitive advantage,"[9] envisions various ways to derive economic value from keeping information a secret—ranging from selling or licensing information to others[10] to suppressing early-stage research related to a product[11]—and it gives rights to those who have "not yet had an opportunity or acquired the means to put a trade secret to use."[12]

But abandonment of trade secrets through failure to derive the requisite value is still a very real possibility, one that we think has been surprisingly underappreciated by courts and commentators alike.[13] For one thing, in a world in which technology and markets can move at the pace of months, not years, trade secrets can fail to derive economic value simply because they have become obsolete.[14] But trade secret abandonment can also happen due to the conduct of the owner. We identify three main scenarios.

First, a company that has been benefitting from a trade secret by selling products based on it can exit the market.[15] For example, there may come a day

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7. *Compare* RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939) ("A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business . . . ."), *with* UTSA, *supra* note 4, § 1 cmt. ("The definition of 'trade secret' contains a reasonable departure from the Restatement of Torts (First) definition which required that a trade secret be 'continuously used in one's business.' ").

8. Eric R. Claeys, *The Use Requirement at Common Law and Under the Uniform Trade Secrets Act*, 33 HAMLINE L. REV. 583, 583-84 (2010).

9. *See infra* Part III.A.

10. Actively licensing trade secrets to others means you are deriving value by letting others use or benefit from the secret, even if you have no plans to do so yourself. *See, e.g.*, Metallurgical Indus. Inc. v. Fourtek, Inc., 790 F.2d 1195, 1200 (5th Cir. 1986); *see also, e.g.*, *infra* Parts II.C, III.A-.C, IV.A-.C & V.B (discussing licensing).

11. *See* 1 MILGRIM & BENSEN, *supra* note 4, § 1.02[1] & n.21 (citing cases recognizing that "negative" research has value).

12. UTSA, *supra* note 4, § 1 cmt.

13. We are not the first to draw an analogy between trade secret law's value element and trademark abandonment. Eric Claeys argues that because modern trade secret law under the UTSA eschews a strict "use" requirement, trade secret owners, in contrast to trademark owners, are allowed to "abandon or temporarily suspend deployment of the intellectual work" and nonetheless retain control over it. Claeys, *supra* note 8, at 587-91. However, as noted below, we disagree with Claeys's suggestion that the UTSA's independent economic value requirement allows this infinite term of protection. *See id.* at 608; *see also infra* note 179.

14. *See* cases cited *infra* Part IV.A.

15. *See infra* Part IV.B.1.

when the Coca-Cola Company stops making soft drinks or licensing others to do so. If that happens, the formula for Coke would no longer derive independent economic value from not being known to others.[16] The information may still be secret, and it may still be valuable to *someone*, including a former Coca-Cola employee, a competitor like PepsiCo, or members of the general public who might like to know how the famous drink was made. But it isn't valuable to the company anymore as a result of being kept secret—which is what the statute requires.

Second, a company can take a product off the market and replace it with a newer version.[17] For example, suppose Microsoft develops and keeps secret the source code for its original word-processing program, but it continues over decades to replace the original program with newer versions, all the way to Microsoft Word version 47.3. At some point the source code for the original program would no longer derive independent economic value from being kept secret; releasing it to the world would not harm Microsoft's existing business.[18]

Lastly, a company might develop a secret but then choose not to enter the market at all.[19] There, too, the secret doesn't derive independent economic value for the company due to its secrecy. To be sure, there may be good business reasons for a company to strategically quash a project and to refuse others a license if asked. For example, the company may want to sell a different product and not have an alternative version cannibalize its market. The statutory independent economic value requirement accommodates that need. If a company shelves a product that would otherwise compete directly with its products, this is a clear case of deriving value from maintaining secrecy.[20] But when a company decides not to pursue or license a line of business altogether, the secret fails to confer the necessary "actual" or even "potential" economic value.[21]

16. *See* 18 U.S.C. § 1839(3)(B).

17. *See infra* Part IV.B.2.

18. *But see* Dow Corning Corp. v. Xiao, 283 F.R.D. 353, 354 (E.D. Mich. 2012) (using Apple iPhones as a hypothetical example and noting that "[t]he availability of the iPhone 4S does not render the trade secrets associated with the iPhone 4 of 'no economic value'"). On source code secrecy, see generally Sonia K. Katyal, *The Paradox of Source Code Secrecy*, 104 CORNELL L. REV. 1183 (2019) (discussing the implications of increased reliance on trade secrecy to protect algorithms).

19. *See infra* Part IV.B.3.

20. *See id.* (discussing strategic shelving to avoid cannibalization and the somewhat analogous circumstance of deriving value from "negative know-how").

21. *See* 18 U.S.C. § 1839(3)(B); *see also* UTSA, *supra* note 4, § 1(4)(i). For a discussion of the implication of the statute's use of the word "potential," see Part III.C below.

Although commentators recognize the existence of the independent economic value element,[22] they underappreciate the role that it plays in setting a trade secret's end date. Our review of the cases shows that courts lack a clear framework for assessing independent economic value and instead routinely allow plaintiffs to rely on circumstantial evidence and highly questionable presumptions to overcome any meaningful burden to prove they are deriving the requisite value from their secrets.[23]

To solve this problem, we argue that courts should draw on trademark law's abandonment doctrine. In order to avoid losing their rights, trademark owners who cease using their trademarks in commerce for a certain period of time have the burden to prove an intent to resume use in the "reasonably foreseeable future."[24] Trade secret law could benefit from adopting a parallel conception of abandonment. Trade secret plaintiffs who are not deriving the requisite value at the time of the defendant's alleged misappropriation would have to demonstrate they had an intent to resume doing so in the reasonably foreseeable future or provide some other reason their information was affording them a competitive advantage.[25] If the plaintiff can't satisfy this burden of proof, courts should deem the trade secret abandoned; it should not be possible to argue, after someone else finds value in a secret, that you saw value in it all along.[26] Importantly, no statutory amendment is required to institute this conception of abandonment. Properly understood, trade secret law already incorporates abandonment. We simply provide a clearer way to interpret what it means for a trade secret to derive independent economic value.[27]

22. *See, e.g.*, 1 MILGRIM & BENSEN, *supra* note 4, § 1.07A ("In simple terms, a trade secret has 'independent economic value' if it gives its owner a competitive advantage, as would be the case if the secret imparted qualities to a product that were unmatched in the marketplace." (footnote omitted)); POOLEY, SECRETS, *supra* note 2, at 63 (observing that a trade secret owner must show "value from secrecy," which requires showing that the "secret matters to [the owner's] business because it gives [the owner] some incremental advantage over [its] competitors").

23. *See infra* Part III.C; *see also, e.g.*, Eric E. Johnson, *Trade Secret Subject Matter*, 33 HAMLINE L. REV. 545, 556-58 (2010).

24. *See* Silverman v. CBS Inc., 870 F.2d 40, 46 (2d Cir. 1989); 15 U.S.C. § 1127 ("A mark shall be deemed to be 'abandoned' . . . [w]hen its use has been discontinued with intent not to resume such use.").

25. As we will explain, the trade secret owner has to show it's deriving independent economic value at the point of misappropriation. We discuss the implications of this timing in Parts III.A & V below.

26. *See infra* Part V.

27. *See* 18 U.S.C. § 1839(3)(B).

Trade secret abandonment has some surprising implications.[28] Perhaps the most surprising is that employees might have more freedom to operate under trade secret law than is commonly believed. Once a company has abandoned a trade secret, people who know the secret—most likely, the company's employees or independent contractors who were exposed to the company's information—would be free to disclose or implement it themselves.[29] Trade secret holders might not like this. But we think it's right as a matter of statutory interpretation[30] and very important for innovation policy because it gives trade secrets that others have discarded a path to enter the market or the public domain. Both innovation and the historical record will benefit.[31]

Trade secret abandonment can also help solve a very real problem facing one important class of people: employee–inventors. It is not uncommon for someone who invented an idea while employed at a firm to want to leave and implement the idea herself if the firm won't. But currently, it's hard to do that without getting sued.[32] Employers can pop up later to demand their share of the pie when someone else demonstrates that the secret really was worth pursuing.[33] Trade secret abandonment provides a bit more room for employee–inventors whose employers didn't use their ideas to take them elsewhere and start anew.[34]

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28. *See infra* Part V.

29. At least under trade secret law. We discuss employers' separate contractual rights against departing employees in Part V.C below.

30. *See infra* Part III.

31. *See infra* Parts I & V.

32. *See* ORLY LOBEL, YOU DON'T OWN ME: HOW *MATTEL V. MGA ENTERTAINMENT* EXPOSED BARBIE'S DARK SIDE 152-57 (2018) [hereinafter LOBEL, YOU DON'T OWN ME] (explaining how Mattel "like many other conglomerates, goes to extreme measures to deter employees from leaving and competing with them."); ORLY LOBEL, TALENT WANTS TO BE FREE: WHY WE SHOULD LEARN TO LOVE LEAKS, RAIDS, AND FREE RIDING 141-69 (2013) [hereinafter LOBEL, TALENT] (discussing various scenarios in which employees can be sued by their employers for using inventions they create on the job); *see generally* Charles Tait Graves & James A. DiBoise, *Do Strict Trade Secret and Non-competition Laws Obstruct Innovation?*, 1 ENTREPRENEURIAL BUS. L.J. 323, 332 (2006) (discussing widespread use of noncompetition agreements at companies such as Microsoft to stop employees from pursuing innovation outside the company); Orly Lobel, *The New Cognitive Property: Human Capital Law and the Reach of Intellectual Property*, 93 TEX. L. REV. 789, 794-835 (2015) (discussing a wide range of legal restrictions placed on employees, and in particular on employee–inventors, including noncompetition contracts, nondisclosure agreements, trade secret laws, and many others).

33. *Cf.* Brown v. Alcatel USA, Inc., No. 05-02-01678-CV, 2004 WL 1434521, at *1-3 (Tex. App. June 28, 2004) (compelling employee to disclose idea he developed to his employer); *see also* LOBEL, TALENT, *supra* note 32, at 141-44 (discussing *Alcatel*).

34. Again, employers who have abandoned trade secrets may well still have contractual rights against departing employees. We discuss these rules and critiques in Part V.C.2 below.

In Part I, we introduce the problem. Trade secret law, in the conventional view, confers a property right for an indefinite period of time and without the usual quid pro quo of disclosure. If we accept this view, owners can sit on their rights, keeping their secrets while declining to do anything with them.

In Part II, we challenge the conventional view by delving into the history of trade secret doctrine. We reframe trade secrets as more akin to trademarks and show that, at common law, trade secrets could be lost—abandoned—due to nonuse.

In Part III, we consider and reject the idea that modern trade secret law dramatically changed that common law norm. We argue the statutory independent economic value requirement in fact incorporates a similar, if much more nuanced, requirement that the owner derive economic value from keeping its information secret. Unfortunately, we also show that many courts essentially read "independent economic value" out of the statute by allowing plaintiffs to rely on weak inferences and assertions of hypothetical value rather than meaningful evidence. As a result, trade secret owners today can effectively achieve trade secrets "in gross," not unlike in some areas of trademark law.[35]

In Part IV, we reinvigorate the concept of abandonment by identifying several instances in which a trade secret can fail to derive economic value from secrecy and thus properly be deemed abandoned.

Finally, in Part V, we complete the circle, showing how trademark law's abandonment framework could be applied in trade secret law in order to clarify the rule that a trade secret expires when the owner no longer derives independent economic value from it. We argue that this approach makes good policy sense, encourages innovation and employee mobility, and helps solve one important problem facing employee–inventors.

I. Keeping Secrets

Trade secrets diverge from other IP rights in a problematic way: Trade secrets require, and thus encourage, secrecy; and yet trade secrets also last forever. This generates a variety of policy concerns that, we argue, necessitate viewing trade secrets in a new light.

35. *See infra* notes 197-200 and accompanying text.

A. IP Rights Generally Expire

Patent and copyright owners obtain a right to exclude others and have no "duty to use" the covered subject matter.[36] This means patent and copyright plaintiffs can enforce patents and copyrights even if the plaintiffs don't make any products, and even if they appear to be engaging in trolling behavior to earn quick settlements.[37] Indeed, research suggests more than half of all patent plaintiffs are nonpracticing entities of some type.[38]

But those rights, while expansive, come with serious strings attached. They only last for "limited [t]imes,"[39] and the public generally gets something in return in the form of new information. For example, obtaining a patent requires disclosing the invention to the public along with the details that a hypothetical "person having ordinary skill in the art" needs to practice it.[40]

36. *See* Oskar Liivak & Eduardo M. Peñalver, *The Right Not to Use in Property and Patent Law*, 98 CORNELL L. REV. 1437, 1445-46 (2013) (discussing the Supreme Court's holding in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 424 (1908), that because an invention is the "'absolute property' of the inventor, '[h]e may withhold a knowledge of it from the public, and he may insist upon all the advantages and benefits which the statute promises to him,'" which "included the right not to practice the patent" (alteration in original) (footnote omitted)); Matthew Sag, *Copyright Trolling, An Empirical Study*, 100 IOWA L. REV. 1105, 1108 n.9 (2015) (documenting an increase in copyright lawsuits filed against thousands of John Doe defendants at a time, and noting that, while "[n]ot all plaintiffs in such suits are [nonpracticing]," "these massive [multi-defendant John Doe suits]" look similar to patent trolling); *see also* Shyamkrishna Balganesh, *The Uneasy Case Against Copyright Trolls*, 86 S. CAL. L. REV. 723, 732 (2013) (defining a "copyright troll" as "an entity whose business revolves around the systematic legal enforcement of copyrights in which it has acquired a limited ownership interest").

37. *See generally* Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 COLUM. L. REV. 2117 (2013) (discussing "bottom-feeder" trolls that seek nuisance-value settlements); David L. Schwartz & Jay P. Kesan, Essay, *Analyzing the Role of Non-practicing Entities in the Patent System*, 99 CORNELL L. REV. 425 (2014) (discussing the need for empirical data to understand the litigation costs and settlement expenses incurred by defendants in nonpracticing entity cases).

38. Lemley & Melamed, *supra* note 37, at 2123; Christopher A. Cotropia, Jay P. Kesan & David L. Schwartz, *Unpacking Patent Assertion Entities (PAEs)*, 99 MINN. L. REV. 649, 674 (2014) (finding that operating companies brought a minority of patent lawsuits from 2010 to 2012); Colleen V. Chien, *Patent Trolls by the Numbers* (Santa Clara Univ. Sch. of L., Legal Stud. Rsch. Paper No. 08-13, 2013), https://perma.cc/95E6-KTPT.

39. U.S. CONST. art. 1, § 8, cls. 1, 8 ("Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . . .").

40. Jeanne C. Fromer, *Patent Disclosure*, 94 IOWA L. REV. 539, 546, 570 (2009) ("To enable the invention, the patent applicant must demonstrate in the specification to 'any person skilled in the [relevant] art [how] . . . to make and use the [invention]' without 'undue experimentation.'" (alteration in original) (footnote omitted) (first quoting 35 U.S.C. § 112; and then quoting Monsanto Co. v. Syngenta Seeds, Inc., 503 F.3d 1352, 1360 (Fed. Cir. 2007))).

And patents expire after a set statutory term of twenty years from the date of application.[41] In other words, a patent gives the owner the right to exclude others from using an invention that the owner itself does not use, but the invention has to be disclosed to the public, and the patent right inevitably ends.

Copyrights are similar in these respects. Copyright owners do not technically have to publish or do anything with their content.[42] But typically, copyright owners publicly disclose their content since dissemination of the work is how they obtain financial returns.[43] The exceptions are generally things like private letters that the author has no interest in disclosing.[44] Copyrights have other built-in limits. Unlike patents, copyrights are enforceable only against people who actually copy the work, not against independent creators.[45] Copyright law has a robust fair use doctrine and a series of compulsory licenses that permit uses of a copyrighted work in the public interest.[46] Most importantly, like a patent, a copyright will one day expire. The term is much longer than for patents—typically, the life of the author plus seventy years.[47] And copyright owners like Disney fight tooth and nail to make it longer with each passing decade.[48] But the existence of a statutory expiration date is a central feature of both the patent and the copyright systems.

41. 35 U.S.C. § 154(a)(2). Patents often also expire earlier due to failure to pay statutorily required maintenance fees. *See* Saurabh Vishnubhakat, *Expired Patents*, 64 CATH. U. L. REV. 419, 430 n.79 (2015) (explaining that failure to pay maintenance fees "results in the expiration of the patent").

42. *See* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 564 (1985) ("The right of first publication encompasses not only the choice whether to publish at all, but also the choices of when, where, and in what form first to publish a work.").

43. *See id.* at 547 (noting that, "[i]n practice, the author commonly sells his rights to publishers who offer royalties in exchange for their services in producing and marketing the author's work").

44. *See, e.g.*, Salinger v. Random House, Inc., 811 F.2d 90, 99-100 (2d Cir. 1987) (noting that even though J.D. Salinger had "disavowed any intention to publish [his letters] during his lifetime," "[p]ublic awareness of the expressive content of the letters [would] have to await either Salinger's decision to publish or the expiration of his copyright"), *opinion supplemented on denial of reh'g*, 818 F.2d 252 (2d Cir. 1987).

45. Arnstein v. Porter, 154 F.2d 464, 468 (2d Cir. 1946).

46. *See* 17 U.S.C. §§ 107, 114, 115.

47. *Id.* § 302(a).

48. *See* Eldred v. Ashcroft, 537 U.S. 186, 193-94 (2003) (upholding as constitutional the Copyright Term Extension Act, Pub. L. No. 105-298, § 102(b), (d), 112 Stat. 2827-28 (1998) (codified as amended at 17 U.S.C. §§ 302, 304)); Chris Sprigman, *The Mouse That Ate the Public Domain: Disney, the Copyright Term Extension Act, and* Eldred v. Ashcroft, FINDLAW (Mar. 5, 2002), https://perma.cc/7E26-U2ZX.

B. Trade Secrets Don't (Seem to) Expire

Trade secrets, at first blush, seem very different. Trade secrets come with the right to prevent certain others—including former employees or others who received the secret in confidence—from using or disclosing the trade secret.[49]

Unlike patents and copyrights, trade secrets by definition are not disclosed to the public, since trade secret holders must take "reasonable measures" to keep the information secret in order for it to be protected under trade secret law.[50] What's more, trade secrets, unlike patents and copyrights, do not necessarily expire. So long as the trade secret is not disclosed, it "can be protected for an unlimited time."[51] Trade secret protection, the saying goes, "begins and ends with the life of the secrecy."[52] This means that while a

49. *See* 18 U.S.C. § 1839(3), (5) (defining trade secret and misappropriation); *see also* UTSA, *supra* note 4, § 1(2), (4) (same).

50. *See* 18 U.S.C. § 1839(3); *see also* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 475 (1974).

51. *See* H.R. REP. NO. 114-529, at 2 (2016) ("This confidential business information can be protected for an unlimited time, unlike patents, and requires no formal registration process."). Numerous commentators repeat this conventional wisdom. *See, e.g.*, *What Is a Trade Secret?*, ROCKET LAW., https://perma.cc/RDV5-5BWV (archived Oct. 8, 2020) ("Protection lasts only as long as the trade secret remains that way, but can last forever if nobody discloses the secret. . . . Remember, your only protection for trade secrets comes from keeping the secret. Take all precautions necessary to do that, and you can, in theory, protect your secret forever."); *see also* 1 PETER S. MENELL, MARK A. LEMLEY, ROBERT P. MERGES & SHYAMKRISHNA BALGANESH, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2020, at 32 tbl.1-1 (2020) (comparing all four IP regimes in a chart and describing a trade secret's protection as lasting "[u]ntil [it] becomes public knowledge"); Michael Risch, *Why Do We Have Trade Secrets?*, 11 MARQ. INTELL. PROP. L. REV. 1, 11 (2007) ("Trade secrets are treated exactly opposite [patent and copyright]—the trade secret owner is rewarded for keeping information that is neither new nor original away from the public for an unlimited duration. Thus, information that could not be patented or copyrighted is still protected for as long as the owner can keep the information secret."); W. Nicholson Price II, *Expired Patents, Trade Secrets, and Stymied Competition*, 92 NOTRE DAME L. REV. 1611, 1621 (2017) ("The trade secret trade-off is different [from the patent bargain]: no expiration, and potentially lower costs, but a narrower scope and the ability of competitors to invent-around or reverse-engineer."); Deepa Varadarajan, *The Trade Secret–Contract Interface*, 103 IOWA L. REV. 1543, 1552 (2018) ("Nor does a trade secret have a fixed term; instead, protection expires once the secret information is publicly disclosed (e.g., in a patent), becomes known within an industry, or is readily ascertainable from a commercial product."); *id.* at 1565 ("Unlike patents and copyrights . . . trade secret protection is indefinite."); Katyal, *supra* note 18, at 1213 ("A trade secret can be limitless in its duration, as long as it remains a secret, in contrast to the twenty-year protection afforded to patents.").

52. Newell v. O.A. Newton & Son Co., 104 F. Supp. 162, 166 (D. Del. 1952) ("The protection begins and ends with the life of the secrecy and the secrecy to be protected depends upon the degree of public knowledge."); *see also* Progressive Prods., Inc. v. Swartz, 258 P.3d 969, 976 (Kan. 2011) ("[T]rade secret law creates a property right that is defined by the extent to which the owner of the secret protects that interest from disclosure to others."); 3 LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION,

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"patented invention is dedicated to the public upon expiration of the patent[,] . . . a trade secret may not enter the public domain until" its owner allows it to be disclosed "or someone else discovers it independently."[53]

There are prominent examples of secrets that have been kept for more than a century. The canonical example is the formula for Coke, which supposedly remains as much a trade secret today as when the company first sold the soft drink in the nineteenth century.[54] Modern trade secrets, like the algorithm Google uses to power its search engine, may be even more resilient against disclosure. They are typically hard to reverse engineer, and there are fewer human employees involved who might otherwise leave and transfer their residual know-how to a competitor.[55] "As a practical matter," when industries rely on software and computing devices in lieu of humans, this "secrecy and trade secrecy protection . . . can last indefinitely."[56]

C. The Problem with Infinite Secrecy

If we accept the conventional view, it raises a problem for public welfare. Trade secret owners earn a perpetual right to prevent others from using or disclosing the secret information—even if they themselves are not using it and have no plans to do so. Their employees cannot take the knowledge to use elsewhere, even for totally different projects.[57] A basic precept of patent law's

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TRADEMARKS & MONOPOLIES § 14:34 (West 2020) ("[T]he period of protection is usually indefinite; it begins and ends with the life of the secret.").

53. 3 ALTMAN & POLLACK, *supra* note 52, § 14:34 (discussing the implications of an unlimited duration of protection combined with the lack of a requirement of commercial use).

54. *See, e.g.*, Julie S. Turner, Comment, *The Nonmanufacturing Patent Owner: Toward a Theory of Efficient Infringement*, 86 CALIF. L. REV. 179, 190 n.45 (1998) (asserting that Coca-Cola has maintained its "secret formula" as a trade secret since 1899 and citing cases in which the company sought to enforce its trade secret). In 2011, *This American Life* claimed to have discovered the secret formula for Coca-Cola. Brian Braiker, *Is This the Secret Coke Recipe?*, ABC NEWS (Feb. 14, 2011, 3:11 PM), https://perma.cc/CK7M-6Q39 (citing *Original Recipe*, THIS AM. LIFE (Feb. 11, 2011), https://perma.cc/8HWH-YK7L). The company denied that it is the real thing. Braiker, *supra*.

55. *See, e.g.*, Jeanne C. Fromer, *Machines as the New Oompa-Loompas: Trade Secrecy, the Cloud, Machine Learning, and Automation*, 94 N.Y.U. L. REV. 706, 725-26 (2019); *see generally* FRANK PASQUALE, THE BLACK BOX SOCIETY: THE SECRET ALGORITHMS THAT CONTROL MONEY AND INFORMATION (2015) (discussing the variety of problems stemming from increased societal reliance on automated decisionmaking whose details and processes are hidden from public view, and analogizing this to a "black box society"); Katyal, *supra* note 18, at 1191 (arguing that "closed source code produces a dilemma for public transparency in an age of AI").

56. Fromer, *supra* note 55, at 726.

57. *Cf.* Joseph P. Fishman & Deepa Varadarajan, *Similar Secrets*, 167 U. PA. L. REV. 1051, 1091-103 (2019) (arguing that trade secret law should not prevent totally unforeseeable uses by former employees). *But cf.* Camilla A. Hrdy, Response, *Should Dissimilar Uses of*

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norm of forced disclosure is that others can learn useful technical information from what came before, especially after the patent expires and others are free to use the claimed invention.[58] But trade secret law can block the people who are best suited to understand a technology from deploying it, even if its original developers have long abandoned it. Information becomes trapped inside the firm.

This is especially problematic given that the best uses for an innovation can be hard to predict in advance. For instance, in the medical field, therapies that were originally designed for one purpose sometimes turn out to have unforeseen therapeutic efficacy in other contexts.[59] Just because a company decides an invention isn't worth pursuing doesn't mean a third party wouldn't find a use for it.[60] But a secret locked in a company's vault will never make it to that higher-value user.

The loss to society goes beyond lost innovations. The historical record also suffers. While the patent record piles up, representing a detailed history of technological advancement (and failure), much of the universe of trade secret information remains unknown and potentially unknowable. A company may have a library of documents in its basement documenting the steps it took from the beginning to the end of a certain line of inquiry. Yet the public may never see this information. Our understanding of technological progress would be incomplete without at least some former trade secrets.[61]

Trade Secrets Be Actionable?, 168 U. PA. L. REV. ONLINE 78, 83-86 (2019) (critiquing this suggestion to alter the infringement standard with respect to legitimate trade secrets, due in part to the risk of disclosure).

58. Fromer, *supra* note 55, at 713. Whether patents actually disclose useful information is a matter of some dispute, and it may depend on the technology at issue. *Compare* Mark A. Lemley, *The Myth of the Sole Inventor,* 110 MICH. L. REV. 709, 745-49 (2012) (noting evidence that the disclosure function of patents doesn't work well), *with* Lisa Larrimore Ouellette, *Who Reads Patents?,* 35 NATURE BIOTECHNOLOGY 421, 421-22 (2017) (finding that scientists in some fields read patents and find useful information in them).

59. *See, e.g.,* Peter J. Hotez, Alan Fenwick & David H. Molyneux, *Collateral Benefits of Preventive Chemotherapy—Expanding the War on Neglected Tropical Diseases,* 380 NEW ENG. J. MED. 2389, 2389-91 (2019) (discussing the benefits of preventive chemotherapy beyond its original scope in combating certain tropical diseases); *id.* at 2390 (noting that "preventive chemotherapy is showing substantial collateral benefits for two neglected skin diseases—scabies and yaws").

60. *See* Mark A. Lemley, *The Economies of Improvement in Intellectual Property Law,* 75 TEX. L. REV. 989, 1049-50 (1997) (explaining why inventors might not make the most efficient use of new ideas and might fail to license the ideas to those who would).

61. *Cf.* Frank Oppenheimer, *A Rationale for a Science Museum,* 11 CURATOR: MUSEUM J. 206, 206-07, 209 (1968) (advocating for an "environment in which people can become familiar with the details of science and technology," and proposing ways to help people learn about "the development of both science and technology and its roots in the past").

Finally, as many commentators have observed, trade secrecy creates a special problem for information that is of high public interest.[62] If the alleged trade secret is something the public needs to know—say, dangerous procedures going on in a meatpacking facility,[63] or information about which retail stores participate in the national food-stamp program[64]—there is a real problem with a rule that says people *never* get to learn this information, even after it has lost its commercial utility.[65]

II. Trade Secret Law as Unfair Competition

It turns out the assumption that trade secrets do not expire so long as they are kept secret is not always true. Infinite trade secrets like Coke's formula are the exception rather than the rule. Trade secrets can expire in the same way

62. As David Levine has observed while discussing trade secret protection for information relating to public infrastructure, "the possibility that the information will never enter the public domain is very real. Whatever benefits the public might gain from unfettered access to the information [are] lost, so long as secrecy is maintained . . . ." David S. Levine, *Secrecy and Unaccountability: Trade Secrets in Our Public Infrastructure*, 59 FLA. L. REV. 135, 157 (2007); *see also* Pamela Samuelson, *First Amendment Defenses in Trade Secrecy Cases*, *in* THE LAW AND THEORY OF TRADE SECRECY: A HANDBOOK OF CONTEMPORARY RESEARCH 269, 286-95 (Rochelle C. Dreyfuss & Katherine J. Strandburg eds., 2011) (discussing limited First Amendment defense to trade secret claims); Elizabeth A. Rowe, *Striking a Balance: When Should Trade-Secret Law Shield Disclosures to the Government?*, 96 IOWA L. REV. 791, 793-94, 821-22 (2011) (discussing the rules that apply when government itself seeks to compel disclosure of trade secrets to the government); Rebecca Wexler, *Life, Liberty, and Trade Secrets: Intellectual Property in the Criminal Justice System*, 70 STAN. L. REV. 1343, 1356-71 (2018) (discussing trade secret privilege in the criminal justice system); Deepa Varadarajan, *Business Secrecy Expansion and FOIA*, 68 UCLA L. REV. (forthcoming 2021) (manuscript at 30-34), https://perma.cc/J38K-B2BC (discussing the recent expansion of the Freedom of Information Act exemption for trade secrets or confidential information).

63. *See* CBS, Inc. v. Davis, 510 U.S. 1315, 1315-18 (1994) (Blackmun, J., in chambers) (holding that enforcing a trade secret injunction against CBS would trigger the First Amendment prohibition against prior restraint on expression, and allowing CBS to televise illicitly obtained footage of meatpacking operations).

64. *See* Food Mktg. Inst. v. Argus Leader Media, 139 S. Ct. 2356, 2366 (2019) (denying a Freedom of Information Act request and holding that store-level Supplemental Nutrition Assistance Program redemption data qualified for an exemption from disclosure for confidential business information).

65. As we'll discuss, at least some courts have recognized this problem in the context of requests for public records. See the discussion of *Taylor v. Babbitt*, 760 F. Supp. 2d 80 (D.D.C. 2011), in Part IV.B below. *See also, e.g.*, State *ex rel.* Besser v. Ohio State Univ., 732 N.E.2d 373, 378-81 (Ohio 2000) (per curiam) (holding that most of the information Ohio State University claimed as trade secrets did not qualify for an exemption from an Ohio Public Records Act request, due in part to failure to derive independent economic value).

that trademarks do—when they are legally abandoned due to failure to do anything with them.

A. Trade Secret Law's Closest Cousin: . . . Trademark Law?

Trade secrets are often assessed alongside patents as mechanisms to protect inventions.[66] But trade secret law's "closest cousin" within intellectual property law was not, historically, patent law.[67] It was trademark law.[68] Today, commentators do not often discuss the two areas of law together, viewing them as serving different purposes: to promote innovation and efficient sharing of information in the case of trade secrets, and to help consumers quickly locate products and encourage sellers to invest in product quality in the case of trademarks.[69] But both trademarks and trade secrets were originally

66. The common view of trade secrets and patents as interchangeable forms of protection appears prominently in the Supreme Court's opinion in *Kewanee Oil Co. v. Bicron Corp.*, where the Court compared the two, and ultimately concluded that Ohio's trade secret law was not preempted by federal patent law due to its relative weakness compared to patents. 416 U.S. 470, 480-82, 484-92 (1974) (defining three categories of trade secrets based on whether a patentable invention is involved); *see also* Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311, 326 (2008) ("We grant rights over secret information for the same reason we grant rights in patent and copyright law—to encourage investment in the research and development that produces the information.").

67. *See, e.g.*, Art Neill, *Intellectual Property 101: What Your Business Needs to Know About Trade Secret Law*, FORBES (July 31, 2017, 2:43 PM EDT), https://perma.cc/35W6-755K ("Trade secret's closest cousin in the IP world is patent law."); *see also* Deepa Varadarajan, *Trade Secret Precautions, Possession, and Notice*, 68 HASTINGS L.J. 357, 361 (2017) ("Notably, trade secret law differs from patent law, its closest cousin, in that it has no formal ex ante notice requirement.").

68. Scholars have previously made similar comparisons between trade secrets and trademarks. *See, e.g.*, Sharon K. Sandeen, *Identifying and Keeping the Genie in the Bottle: The Practical and Legal Realities of Trade Secrets in Bankruptcy Proceedings*, 44 GONZ. L. REV. 81, 84 (2008) ("Trade secret law is more akin to trademark law because it too developed at common law. As originally conceived, the purpose of trademark and trade secret law was not to protect property *per se*, but to prevent competitors from engaging in activities that exceed the bounds of legitimate competition." (footnote omitted)); Claeys, *supra* note 8, at 584 (observing that trademark law "is a very close cousin to trade secrecy"); *see also* Varadarajan, *supra* note 67, at 373-74, 374 n.99 (noting the analogy between a trade secret owner's failure to take reasonable secrecy precautions and "a trademark user's failure to police third-party uses of the mark[, which] may result in the loss of protection"); Rockwell Graphic Sys., Inc. v. DEV Indus., Inc., 925 F.2d 174, 179 (7th Cir. 1991) (suggesting that trade secret law's reasonable secrecy precautions requirement is analogous to "the duty of the holder of a trademark to take reasonable efforts to police infringements of his mark, failing which the mark is likely to be deemed abandoned").

69. *See, e.g.*, Fishman & Varadarajan, *supra* note 57, at 1054 n.7 ("The major IP subfield missing from our discussion [of trade secret law's infringement standard] is trademark law. We don't focus on it because, unlike the other regimes that center on promoting innovation and creativity, trademarks' traditional purpose is reducing consumer

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protected together under the common law doctrine of unfair competition.[70] Unfair competition was not limited to traditional trademark infringement. It included, among many other things, several varieties of "passing off" one's goods as those of another seller; disparagement of a rival's goods; and misappropriation of trade secrets.[71] Indeed, trademark and trade secret law were so closely intertwined that earlier versions of the Lanham Act proposed protecting them under the same federal statutory regime.[72]

B. Trademark Law's "Use" Requirement and Corollary of Abandonment Due to Nonuse

Trademark protection is triggered by use of the mark to identify the source of goods or services.[73] As the Supreme Court recognized early in trademark's history, trademark rights are established by "use."[74] No matter

confusion."). For statements of the well-accepted modern functions of trade secret law and trademark law, respectively, see *Kewanee Oil*, 416 U.S. at 481-82; and *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-64 (1995).

70. *See* HARRY D. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS § 1 (2d ed. 1921); ALTMAN & POLLACK, *supra* note 52, ch. 14 (treating trade secrets as a branch of unfair competition law); *see also, e.g.*, BARTON BEEBE, THOMAS F. COTTER, MARK A. LEMLEY, PETER S. MENELL & ROBERT P. MERGES, TRADEMARKS, UNFAIR COMPETITION, AND BUSINESS TORTS 3 (2d ed. 2016) (defining unfair competition law). On trademark law's unfair competition origins prior to the passage of the Lanham Act in 1946, see FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS 122-45 (1925); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1860-63 (2007); Jeremy N. Sheff, *Marks, Morals, and Markets*, 65 STAN. L. REV. 761, 769 (2013); and Irina D. Manta, *Branded*, 69 SMU L. REV. 713, 722-23 (2016).

71. NIMS, *supra* note 70, §§ 1, 141-161; *see also id.* § 283 (noting the erroneous view among some commentators that "nothing should be termed unfair competition which does not involve an act of passing off"); *id.* ch. XIX (discussing a long list of "miscellaneous forms of unfair competition" (capitalization altered)). For a recent discussion of the unfair competition origins of trade secret law, see Lynda J. Oswald, *The Role of "Commercial Morality" in Trade Secret Doctrine*, 96 NOTRE DAME L. REV. 125, 139-64 (2020).

72. *See, e.g.*, Sharon K. Sandeen, *The* Erie/Sears/Compco *Squeeze:* Erie*'s Effect on Unfair Competition and Trade Secret Law*, 52 AKRON L. REV. 423, 436-44 (2018) (discussing efforts to federalize the law of unfair competition, including both trademark and trade secret law); *see also* Richard F. Dole, Jr., *The Uniform Deceptive Trade Practices Act: Another Step Toward a National Law of Unfair Trade Practices*, 51 MINN. L. REV. 1005, 1042-43 (1967) (discussing the draft amendment to section 43(a) of the Lanham Act, which would have made unlawful several varieties of unfair competition, including misappropriation of trade secrets).

73. 15 U.S.C. § 1127 (defining a trademark as, among other things, "any word, name, symbol, or device" that is "use[d] in commerce . . . to identify and distinguish [a person's] goods . . . and to indicate the source of the goods").

74. *See* Trade-Mark Cases, 100 U.S. 82, 94 (1879) ("The trade-mark recognized by the common law is generally the growth of a considerable period of use, rather than a

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how much time and effort an owner spends developing a trademark, the mark cannot be protected unless it is used in commerce.[75] The use also has to be "bona fide," meaning "made in the ordinary course of trade," as opposed to a mere strategic "token use" to reserve a right in a mark.[76]

The corollary of trademark law's "use in commerce" requirement is the expiration-by-abandonment doctrine.[77] Just as a trademark cannot be obtained absent or prior to use in commerce, a trademark is deemed legally abandoned if the owner ceases to use it in commerce.[78] "Once abandoned, a mark returns to the public domain" so that it "may, in principle, be appropriated for use by other actors in the marketplace."[79]

The upshot is that if the company abandons the mark, others can and do use the mark to brand their own goods—even if they adopt the mark precisely because the public still recognizes the mark in connection with the old,

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sudden invention."); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 413-14 (1916) ("[T]he right grows out of use, not mere adoption."); United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97-98 (1918) ("There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed."); *see also* RESTATEMENT (FIRST) OF TORTS § 719 (AM. L. INST. 1938) ("A designation is not a trade-mark until it is adopted for the purpose of denominating the goods to which it is affixed and is so used in marketing them.").

75. *See* 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16:12 (West 2020); *see also, e.g.*, Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1610 (2007); Manta, *supra* note 70, at 719; William McGeveran, *Selfmarks*, 56 HOUS. L. REV. 333, 347 (2018); Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 779; Alexandra J. Roberts, *Trademark Failure to Function*, 104 IOWA L. REV. 1977, 1981 n.10, 1984 n.27 (2019).

76. *See* 15 U.S.C. § 1127. Since 1988, it has been possible to apply for an intent-to-use application (ITU) upon demonstrating a "bona fide intention" to use the mark in the near future. *See* Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 103, 102 Stat. 3935, 3935-37 (codified as amended at 15 U.S.C. § 1051(b)). However, the registrant must eventually use the mark in commerce for the registration to be effective; the priority of an ITU registration is backdated to the ITU filing date so long as the mark holder uses the mark and converts to a "use" registration within six months extendable up to three years. 15 U.S.C. § 1051(b), (d); *see also* Jake Linford, *Trademark Owner as Adverse Possessor: Productive Use and Property Acquisition*, 63 CASE W. RSRV. L. REV. 703, 722, 756 n.259 (2013).

77. *See* ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 146 (2d Cir. 2007) ("The abandonment doctrine derives from the well-established principle that trademark rights are acquired and maintained through use of a particular mark.").

78. 15 U.S.C. § 1127 ("A mark shall be deemed to be 'abandoned' . . . [w]hen its use has been discontinued with intent not to resume such use."); *see also* Jake Linford, *Valuing Residual Goodwill After Trademark Forfeiture*, 93 NOTRE DAME L. REV. 811, 821 (2017) ("A trademark can . . . expire if the mark owner suspends use of the mark and cannot show a clear intent to resume use . . . .").

79. *ITC Ltd.*, 482 F.3d at 147 (citing Indianapolis Colts, Inc. v. Metro. Balt. Football Club P'ship, 34 F.3d 410, 412 (7th Cir. 1994)).

abandoned use.[80] That rule applies even when a company's use has been longstanding.[81]

C. Trade Secret Law's Old "Use" Requirement

Given trade secret and trademark laws' common origins, it should not be surprising that trade secrets, too, originally had to be used in order to be protected.[82] The existence of a bad act or breach of a duty was not, as a general matter, sufficient to support an action for trade secret misappropriation if the trade secret was no longer used in a business.[83] Under the old rule, "use" did not necessarily have to be performed by the trade secret holder in its own business; an original developer could transfer or license the trade secret to another business for monetary compensation.[84] But absent use of the trade secret by

80. Cal. Cedar Prods. Co. v. Pine Mountain Corp., 724 F.2d 827, 828 (9th Cir. 1984) ("[T]he correct law is that the first party to use an abandoned trademark in a commercially meaningful way, after its abandonment, is entitled to exclusive use and ownership of the trademark and trade dress."); Major League Baseball Props. Inc. v. Sed Non Olet Denarius Ltd., 817 F. Supp. 1103, 1130-31 (S.D.N.Y. 1993) (holding that the Brooklyn Dodgers baseball team had abandoned the name by moving to Los Angeles), *vacated pursuant to settlement*, 859 F. Supp. 80 (S.D.N.Y. 1994). New adopters may, however, have to take measures to prevent confusion with the prior user. *See Indianapolis Colts*, 34 F.3d at 412-13.

81. In *Equitable National Life Insurance Co. v. AXA Equitable Life Insurance Co.*, the defendant was a large life insurance company that had been called "The Equitable" since almost 1859. 434 F. Supp. 3d 1227, 1234 (D. Utah 2020), *appeal dismissed*, No. 20-4008, 2020 WL 4188026 (10th Cir. Feb. 5, 2020). In 2014, after the company had been acquired by AXA S.A., it changed its brand name to "AXA," dropping the word "Equitable." *Id.* After AXA S.A. sold down its interest in the insurance unit in 2018, AXA decided to change its name back to "Equitable." *Id.* at 1234-35. But in the meantime, another company had adopted the "Equitable" name for a life insurance subsidiary. *Id.* at 1236-37. Even though that other company undoubtedly captured AXA Equitable's longstanding goodwill, the court preliminarily enjoined AXA from getting its old name back. *Id.* at 1247-48, 1256-57. It had abandoned the name, so the newer Equitable was now the senior user and the one with a proper claim to the mark. *Id.* at 1241-45.

82. The trio of Supreme Court cases mentioned in note 74 above were not limited to trademarks. Rather, the Court indicated that, *for any species of unfair competition*, the legal rights in question are only recognized to the extent they are "appurtenant to an established business or trade." United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97-98 (1918). As the Court put it in *Hanover Star Milling Co. v. Metcalf*, "[t]his essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement. In fact, the common law of trade-marks is but a part of the broader law of unfair competition. . . . [T]he right grows out of use, not mere adoption." 240 U.S. 403, 413 (1916).

83. See RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939).

84. One of the first trade secret cases in the United States involved the sale of a chocolate mill "together with [the former owner's] exclusive right and art or secret manner of making chocolate." Vickery v. Welch, 36 Mass. (19 Pick.) 523, 525-26 (1837); Robert Denicola, *The Restatements, the Uniform Act and the Status of American Trade Secret Law, in*

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some business, there was no protectable trade secret.[85] Take, for example, the case of *Victor Chemical Works v. Iliff*.[86] An employee, a foreman named Ellsworth Iliff, developed a process while working for his employer, Victor Chemical Works, and thereafter left and cofounded a new company to use the same process in direct competition with Victor.[87] On the modern understanding of trade secret liability, Iliff's case looks terrible. But a court, applying the common law circa 1921, held that Victor could not prevent Iliff from using a process (which Iliff himself had developed[88]), because Victor was no longer using the process itself.[89] Victor, the court wrote, first began using the process "about April, 1912," and "continued to so use that process until shortly before Iliff left its employ, *when it abandoned it*."[90]

The court recognized that Victor's "abandonment" due to nonuse was only temporary; Victor eventually resumed using the process again.[91] Yet the court held that no injunction was warranted. Not only did the court require that the plaintiff be using the trade secret at all relevant times for which it sought

THE LAW AND THEORY OF TRADE SECRECY, *supra* note 62, at 18, 18 n.4 (noting that the first American trade secret case was "probably" *Vickery*); *see also* Cincinnati Bell Foundry Co. v. Dodds, 10 Ohio Dec. Reprint 154, 154-56 (Super. Ct. 1887) (accepting the principle that a trade secret can be transferred like property from one business to another); 1 MILGRIM & BENSEN, *supra* note 4, § 1.02 (discussing *Ferroline Corp. v. General Aniline & Film Corp.*, 207 F.2d 912, 921 (7th Cir. 1953), where the plaintiff "had intermittently used the trade secret through a licensee (its wholly owned subsidiary)").

85. Some courts instead viewed trade secrets as tort-like rights that enforced standards of commercial morality regardless of the secrecy of the information. *See, e.g.*, E. I. Du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917) ("The word property as applied to . . . trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. . . . Therefore the starting point . . . is not property . . . but that the defendant stood in confidential relations with the plaintiffs, or one of them."). *But see* Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CALIF. L. REV. 241, 294-96 (1998) (critiquing the argument that a major purpose of trade secret law is to "enforc[e] the informal norms of an industry"); Lemley, *supra* note 66, at 320-23 (challenging "the tort theory of secrecy"); *infra* Part V.C.3.

86. 132 N.E. 806 (Ill. 1921); *see also* Claeys, *supra* note 8, at 588-89 (discussing *Iliff* and its treatment); 1 JAGER, *supra* note 4, § 5:7 (citing *Iliff* as a leading early example of the use-based approach to trade secrecy).

87. *Iliff*, 132 N.E. at 807-09.

88. *Id.* at 812-13.

89. *Id.* at 813.

90. *Id.* at 809 (emphasis added).

91. The court stated that Victor abandoned it "temporarily at least, and was not using that process when this suit was begun." *Id.* But the court noted that Victor eventually "returned to the use of this process some time after the suit was begun and was using it at the time of the trial." *Id.* It was dispositive for the court that Victor was not using the process at the time it brought suit and sought an injunction preventing Iliff from using it. *Id.* at 813.

protection,[92] but the court also held that, under the rules of equity, Victor could not obtain an injunction absent a showing that it would otherwise suffer "irreparable injury." Because Victor had ceased using the process by the time it brought the lawsuit seeking to enjoin Iliff and his company from using it, it would not be equitable for the court to grant the injunction.[93] No harm, no foul.

Under the rule of common law cases like *Iliff*, trade secret law required use of the trade secret in order to obtain a remedy. To be fair, nonuse cases were rare, perhaps because plaintiffs were less likely to sue if they weren't using the secret.[94] But this use requirement, and its corollary rule of abandonment due to nonuse, was memorialized in the First Restatement of Torts. The First Restatement was drafted in 1939 and used as the major source of law in most jurisdictions prior to the adoption of the Uniform Trade Secrets Act (UTSA).[95] The First Restatement expressly provided, in relevant part, that a trade secret consisted of information "*which is used in one's business*, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. . . . A trade secret is a process or device *for continuous use in the operation of the business*."[96]

This old "use in business" requirement kept trade secrets tethered to actual commercial activity, in the same way that trademark's use in commerce requirement keeps trademarks connected to commerce and prevents trademark owners from developing rights "in gross."[97] The old trade secret use

92. *Id.* at 812 ("To be entitled to relief in this case complainant was required to prove that it was using the process of manufacture [claimed as a trade secret] . . . .").

93. *Id.* at 813 ("Complainant had ceased to use the lime process . . . before bringing its suit. If a contract is palpably unfair and inequitable and complainant is attempting to enforce an unconscionable bargain, it is not entitled either to the equitable remedy of injunction or of specific performance.").

94. We thank Roger Milgrim for this point. *See* 1 MILGRIM & BENSEN, *supra* note 4, § 1.02 (observing that "the fact of use" "appears in most trade secret cases, including those reviewed before the 1939 Restatement formulation of the definition of trade secrets"); *see also* Claeys, *supra* note 8, at 599 ("I doubt that common law courts used the use requirement to defeat pre-commercial use cases very often.").

95. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939); *see also* 1 MILGRIM & BENSEN, *supra* note 4, § 1.01 (discussing sources of trade secret law and early reliance on the definition stated in comment b to section 757 of the 1939 Restatement of Torts).

96. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (emphasis added).

97. "In gross" is a real-property term indicating legal rights that exist "divorced from the larger estate in which they inhere." Rights in gross are distinct from rights "appurtenant," which "cannot exist unconnected with the land, to the enjoyment and occupation of which it is incident." *See* Adam Mossoff, *Trademark as a Property Right*, 107 KY. L.J. 1, 26-28 (2018) (showing that many courts historically analogized trademarks to easements "appurtenant" to land, as distinguished from easements "in gross").

requirement also effectively replicated trademark's abandonment doctrine because once a trade secret was no longer used, like in *Iliff*, it was deemed abandoned and lost protection, even against a departing employee or other person who obtained it under a duty of confidentiality.[98]

While effective in setting an end date for the life of a trade secret, the First Restatement's use-in-business requirement created some major gaps in the law. First, what if misappropriation occurs before the trade secret owner gets the chance to use the secret? Perhaps the inventor isn't in a position to commercialize the invention herself, and wants to sell it to a company that can implement it, but has no way to do that without sharing it.[99] Or suppose an employed inventor comes up with an idea while doing research the company was paying her to do and, rather than disclosing it to the company, either leaves and starts a competing company to implement the idea or brings the idea to a major competitor.[100] In these sorts of precommercial cases, the secret has nascent, as-yet-unrealized economic value that should arguably be protectable. But it has not yet been "used in one's business" or necessarily given physical form, so the common law rule, read strictly, wouldn't protect it.[101]

When trade secrets were misappropriated before they were used in a business, many courts were uncomfortable totally denying a remedy, particularly when the generator of the idea was on the way toward doing

98. *Iliff*, 132 N.E. at 809; *see also, e.g.*, Claeys, *supra* note 8, at 587-91 (discussing *Iliff* as well as cases applying the First Restatement of Torts's use requirement); Swartz v. Schering-Plough Corp., 53 F. Supp. 2d 95, 101 n.7 (D. Mass. 1999) (dismissing plaintiff's trade secret claim relating to sunscreen invention, and appearing to accept defendant's argument that the First Restatement's "continuous use" requirement "implies that trade secret misappropriation incorporates an 'abandonment' exception that applies here").

99. Lemley, *supra* note 66, at 336 ("Trade secret laws can . . . serve as a partial solution to Arrow's Information Paradox. The paradox is this: In the absence of any legal protection, the developer of a potentially valuable but secret idea will have a difficult time selling that idea to someone who could make more efficient use of it." (footnote omitted)).

100. *See, e.g.*, SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244, 1259 (3d Cir. 1985) (denying trade secret protection to information that the plaintiff's former employees never disclosed to the plaintiff, because "[i]t is difficult to understand how information that was never revealed to [plaintiff] can be its 'trade secret' in the sense of information that is important in the conduct of one's business"). *But see* Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 430-31 (3d Cir. 1982) (granting trade secret protection to a process that the plaintiff used in its business and that its former employee purposefully memorized and brought to a competitor).

101. *See, e.g.*, Bristol v. Equitable Life Assurance Soc'y of the U.S., 5 N.Y.S. 131, 132 (Gen. Term 1889) ("It is difficult to conceive how a claim to a mere idea or scheme, unconnected with particular physical devices for carrying out that idea, can be made the subject-matter of property."), *aff'd*, 30 N.E. 506 (N.Y. 1892); *see also* Arthur R. Miller, *Common Law Protection for Products of the Mind: An "Idea" Whose Time Has Come*, 119 HARV. L. REV. 703, 735 (2006) (observing that "[m]ost idea-vendors" would not be able to protect their ideas under the "used in one's business" requirement).

something with it.[102] Requiring that a trade secret be in current use seemed unfair to inventors and sellers of ideas and to firms sponsoring early-stage research, who would be unable to obtain a remedy in the vulnerable period prior to actual commercial exploitation.[103]

Second, a blunt use requirement also casts doubt on whether "know-how," and especially negative know-how, could be a trade secret.[104] Negative know-how—knowledge of mistakes to be avoided—isn't "used" in the traditional way that, say, a machine or a process is used.[105] As a result, prior to passage of the UTSA, courts disagreed on whether negative know-how could be a trade secret.[106]

Lastly, the requirement that a trade secret be suitable for "*continuous* use in the operation of the business" limited protection for information with only

102. *See, e.g.*, Sinclair v. Aquarius Elecs., Inc., 42 Cal. App. 3d 216, 222 (Ct. App. 1974) (recognizing trade secret protection for a portable device for converting brain waves to audible form despite the fact that the inventor "did not utilize the device in *his* own business" given that "the device was [eventually] put to mass commercial production in [defendant's] business"); *see also* Robert C. Denicola, *The New Law of Ideas*, 28 HARV. J.L. & TECH. 195, 197 (2014) (noting that "[a] handful of common-law cases had considered the possibility of protecting ideas as trade secrets prior to the advent of the UTSA," and citing, for example, *Burten v. Milton Bradley Co.*, 763 F.2d 461, 462-63 (1st Cir. 1985), which applied Massachusetts common law of trade secrets to protect an idea for a game that the plaintiff was trying to sell to a toy manufacturer).

103. *See* Denicola, *supra* note 102, at 197 (concluding that "the common-law definition of a trade secret proved too narrow to provide adequate protection"); *see also* Miller, *supra* note 101, at 731 (asserting that courts denied protection "in the great majority of idea cases").

104. *See* Mycalex Corp. of Am. v. Pemco Corp., 64 F. Supp. 420, 425 (D. Md. 1946) (defining "know-how" as "factual knowledge not capable of precise, separate description" but which "gives to the one acquiring it an ability to produce something" with commercially necessary "accuracy or precision"), *aff'd*, 159 F.2d 907 (4th Cir. 1947); *id.* at 426 ("It may well be that, under certain circumstances, knowledge acquired as to how to avoid mistakes is of a secret character.").

105. *But see* On-Line Techs., Inc. v. Perkin-Elmer Corp., 253 F. Supp. 2d 313, 323, 329 (D. Conn. 2003) (citing 2 JAGER, *supra* note 4, § 7:20) (suggesting that "[n]egative knowledge is one form of 'using' trade secrets [under the Connecticut Uniform Trade Secrets Act] because one may 'use' a trade secret in ways other than direct manufacture and marketing," though ultimately finding insufficient evidence that the defendants "used" the claimed negative knowledge to develop their products), *aff'd in relevant part, vacated in other part*, 386 F.3d 1133 (Fed. Cir. 2004); *see also* 2 JAGER, *supra* note 4, § 7:20 ("'Use' is not limited to the traditional concept of manufacture or sale.").

106. *Compare, e.g.*, *Mycalex*, 64 F. Supp. at 426 ("It may well be that, under certain circumstances, knowledge acquired as to how to avoid mistakes is of a secret character."), *with* Detachable Bit Co. v. Timken Roller Bearing Co., 133 F.2d 632, 635 (6th Cir. 1943) ("The District Judge was of the view that if [the defendant] acquired any knowledge through its association with [the plaintiff], such knowledge related to mistakes to be avoided rather than to valuable practices revealed or disclosed in confidence. Perhaps such knowledge has its advantages but it is doubtful that it forms a legal or equitable basis for recovery.").

short-term relevance. The First Restatement explicitly stated that a trade secret "is not simply information as to single or ephemeral events in the conduct of the business, as, for example, the amount or other terms of a secret bid for a contract."[107] Courts applying the First Restatement would sometimes use this language to deny protection for secrets that were incredibly valuable to a business but only for a short window of time.[108] The results could be somewhat troubling. For instance, one court held that an attorney could not protect information about attractive corporate acquisitions that he had collected.[109] Anyone who has seen the famous play-made-movie *Glengarry Glen Ross* would likely be surprised to discover that the "Glengarry Leads," a list of prospective buyers of real estate,[110] would not actually have been protectable under the First Restatement's rule that information has to be in continuous use in the business.[111]

III. The Modern Independent Economic Value Requirement

Because of the concerns described above, the drafters of the UTSA intentionally dispensed with the First Restatement's "use" requirement.[112] Instead, the UTSA—now in force in all states except New York[113]—and the

107. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939).

108. *See, e.g.*, Wis. Elec. Power Co. v. Pub. Serv. Comm'n, 329 N.W.2d 178, 182 (Wis. 1983) (applying the First Restatement's "continuous use" requirement to deny protection for information relating to the pending purchase of "services and equipment to be used in the construction of a specific nuclear power plant").

109. Lehman v. Dow Jones & Co., 783 F.2d 285, 298 (2d Cir. 1986) (citing the RESTATEMENT (FIRST) OF TORTS § 757 cmt. b). A California court applying the First Restatement reached a similar decision with respect to real estate listings. *See* Cal Francisco Inv. Corp. v. Vrionis, 14 Cal. App. 3d 318, 322-23 (Ct. App. 1971).

110. "'Glengarry Leads' has become a synonym in the sales world for a list of hot prospects, or strong potential clients." *What Are the "Glengarry" Leads?*, THE ACTOR'S DETECTIVE (Jan. 6, 2012, 7:57 PM) (emphasis omitted), https://perma.cc/Z5VL-JMAJ.

111. This rule is still used in New York. *See infra* note 113.

112. On the drafting of the economic-value requirement and elimination of "continuous use" in business requirement, see Ramon A. Klitzke, *The Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277, 287 (1980); Sharon K. Sandeen, *The Evolution of Trade Secret Law and Why Courts Commit Error When They Do Not Follow the Uniform Trade Secrets Act*, 33 HAMLINE L. REV. 493, 524-26 (2010); and Richard F. Dole, Jr., *The Contours of American Trade Secret Law: What Is and What Isn't Protectable as a Trade Secret*, 19 SMU SCI. & TECH. L. REV. 89, 92-94 (2016). *See also* Gloria Mae Wong, Comment, *The Secret's Out: California's Adoption of the Uniform Trade Secrets Act—Effects on the Employer-Employee Relationship*, 20 LOY. L.A. L. REV. 1167, 1200-01 (1987) (comparing California law to the UTSA).

113. New York still utilizes the common law definition of a trade secret provided in comment b to section 757 of the First Restatement of Torts. *See, e.g.*, Paz Sys., Inc. v. Dakota Grp. Corp., 514 F. Supp. 2d 402, 407 (E.D.N.Y. 2007) (observing that "New York generally looks to section 757 of the first Restatement of Torts for its definition of a

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new federal Defend Trade Secrets Act (DTSA), which was modeled on the UTSA,[114] do not explicitly require that information be used in a business, and they protect information as a trade secret as long as it "derives independent economic value, actual or potential," from remaining a secret.[115]

It is tempting to assume that because modern trade secret law deliberately eliminated any requirement that a trade secret be used in one's business, trade secret protection is no longer contingent on ongoing commercial activity.[116] On this view, trade secrets can no longer be abandoned due to nonuse.[117] Rather, they look more like patents—IP rights that don't have to be practiced to be protected.

The reality is more complicated. We argue that, despite elimination of the use requirement, trade secret abandonment remains the law. Modern trade secret law now relies on the more nuanced requirement of independent economic value to tether a trade secret to actual economic activity and to set an end date for the life of a trade secret.

A. Codifying the Concept of Competitive Advantage

The key language of the UTSA provides that a trade secret consists of information that, among other things, "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from [the] disclosure or use" of the information.[118] The federal DTSA has

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trade secret" (quoting Softel, Inc. v. Dragon Med. & Sci. Commc'ns, Inc., 118 F.3d 955, 968 (2d Cir. 1997))). Massachusetts only recently switched over to the UTSA. Cases applying Massachusetts law thus required "continuous use" in the business until recently. *See, e.g.*, CardiAQ Valve Techs., Inc. v. Neovasc Inc., 708 F. App'x 654, 664-65 (Fed. Cir. 2017). For the full text of the new Massachusetts law, see *Massachusetts' New Trade Secrets Law (MUTSA): The Text*, FAIR COMPETITION L. (Aug. 6, 2018), https://perma.cc/LZ9G-9R3C.

114. *See* H.R. REP. NO. 114-529, at 5 (2016) ("The Act's definition of misappropriation is modeled on the Uniform Trade Secrets Act . . . .").

115. UTSA, *supra* note 4, § 1(4)(i); 18 U.S.C. § 1839(3)(B). There is some variation even among the states that have adopted the UTSA. Alabama, although it largely adopted the UTSA, still requires that a trade secret be, among other things, "used or intended for use in a trade or business" and have "significant economic value." ALA. CODE § 8-27-2(1)(a), (f) (2020).

116. *See infra* notes 139-40 and accompanying text.

117. *See, e.g.*, Claeys, *supra* note 8, at 584-85 (concluding that the UTSA drafters extended protection to "what I will call 'abandonment' cases"); *id.* at 612 (asserting that the UTSA's elimination of a use requirement was a significant departure from the common law on this point).

118. UTSA, *supra* note 4, § 1(4)(i); *see also* 1 MILGRIM & BENSEN, *supra* note 4, § 1.07A ("To be protectable as a trade secret, the claimed matter must derive independent economic value, actual or potential, from not being generally known to or readily ascertainable

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adopted a nearly identical requirement.[119] Independent economic value is a term of art and a nuanced concept that needs to be unpacked. We do so here.

Commentators universally agree that the UTSA's independent economic value requirement was intended to codify the common law's requirement that a trade secret give its owner a "competitive advantage" over others who do not know or use it.[120]

Even under the First Restatement a trade secret had to be "used in one's business," *and* it had to give the claimant "an opportunity to obtain an advantage over competitors who do not know or use it."[121] The Supreme Court itself has recognized that "[t]he economic value" of a trade secret "lies in the competitive advantage over others" that the entity alleging to own the trade secret "enjoys by virtue of its exclusive access."[122]

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through proper means by third parties who could obtain economic value from its disclosure or use." (footnotes omitted) (citing numerous cases applying this principle)).

119. *See* 18 U.S.C. § 1839(3)(B). The switch from the UTSA's plural "other persons" to the DTSA's singular "another person" was apparently not seen as a major alteration. *See* S. REP. NO. 114-220, at 10 (2016) ("[T]he Committee does not intend for the definition of a trade secret to be meaningfully different from the scope of that definition as understood by courts in States that have adopted the UTSA."); *see also* H.R. REP. NO. 114-529, at 5 (2016) ("The Act's definition of misappropriation is modeled on the Uniform Trade Secrets Act . . . .").

120. *See* 1 MILGRIM & BENSEN, *supra* note 4, § 1.07A ("[C]ompetitive advantage is the touchstone . . . ."); *see also* Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 900 (Minn. 1983) (en banc) ("This statutory element carries forward the common law requirement of competitive advantage."); Religious Tech. Ctr. v. Wollersheim, 796 F.2d 1076, 1090 (9th Cir. 1986) (same); Morlife, Inc. v. Perry, 56 Cal. App. 4th 1514, 1522 (Ct. App. 1997) ("The requirement that [information] must have economic value to qualify as a trade secret has been interpreted to mean that the secrecy of this information provides a business with a 'substantial business advantage.'"); Klitzke, *supra* note 112, at 282.

121. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939) ("A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, *and which gives him* an opportunity to obtain an advantage over competitors who do not know or use it." (emphasis added)). The Third Restatement of Unfair Competition, published in 1995 and intended to be compatible with the UTSA, delineates a similar concept, stating that "[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." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (AM. L. INST. 1995).

122. Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1001-02, 1012 (1984) ("The economic value of that property right lies in the competitive advantage over others *that Monsanto* enjoys by virtue of its exclusive access to the data, and disclosure or use by others of the data would destroy that competitive edge." (emphasis added) (applying the First Restatement)).

The commentary accompanying the UTSA indicates that the drafters saw the trade secret owner's competitive advantage as foundational to both the definition of a trade secret and to the owner's right to a remedy.[123]

What's more, as Sharon Sandeen has shown, the UTSA's drafters saw the common law competitive advantage concept as an important *limitation* on trade secrets. "Establishing that information is actually secret," she explains, "is only the first step in proving the existence of a protectable trade secret under the UTSA."[124] The drafters' purpose in adding the requirement that "the information must 'derive independent economic value, actual or potential,'" was "to increase the plaintiff's burden of proof in order to ensure that a claim for relief was not provided for illusory information or information of little import."[125]

Richard Dole, one of the UTSA's drafters, stated at the time that "[a] lot of mailing lists are not trade secrets. They aren't important enough. They may be stamped 'secret,' but they may not be sufficient to confer a competitive advantage and would not qualify as trade secrets under our act."[126]

The independent economic value requirement was meant to address such concerns by emphasizing that secrecy alone was not enough. A trade secret needed to be, in Dole's terminology, "important enough" to at least give its owner a chance of gaining a competitive edge.[127]

B. A Low Bar

Substantively, the competitive advantage a trade secret imparts can be minimal. The secret does not have to be novel or inventive in the patent law sense.[128] Indeed, according to the Third Restatement of Unfair Competition,

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123. *See, e.g.*, UTSA, *supra* note 4, § 1 cmt. (asserting that "[b]ecause a trade secret need not be exclusive to confer a competitive advantage, different independent developers can acquire rights in the same trade secret"); *see also id.* § 2 cmt. (explaining that "[l]ike all injunctive relief for misappropriation, a royalty order injunction is appropriate only if a misappropriator has obtained a competitive advantage through misappropriation and only for the duration of that competitive advantage"); *id.* § 7 cmt. (drawing a distinction between a contractual remedy and a trade secret remedy, and stating that "[t]his Act . . . applies to a duty to protect competitively significant secret information").

124. Sandeen, *supra* note 112, at 524.

125. *Id.* at 524-25 (quoting UTSA, *supra* note 4, § 1(4)(i)).

126. *Id.* at 524 (quoting Nat'l Conf. of Comm'rs on Uniform State L., Trade Secrets Act, Eighth Session 11 (Aug. 5, 1985)).

127. *Id.* (quoting Nat'l Conf. of Comm'rs on Uniform State L., Trade Secrets Act, Eighth Session 11 (Aug. 5, 1985)).

128. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. e (AM. L. INST. 1995) ("Although a trade secret can consist of a patentable invention, there is no requirement that the trade secret meet the standard of inventiveness applicable under federal patent

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the secret just has to provide an advantage that is "more than trivial."[129] This advantage can take a variety of forms: knowing how to make a better product; knowing there is market demand for a product; or even knowing what types of solutions won't work.[130] A company doesn't even have to be using the secret itself; it can derive value from licensing the information to others.[131] And, as noted in Subpart C, the information can relate to research, prototypes, or business endeavors that have yet to come to fruition.[132]

Indeed, generating examples that fail the "more than trivial" threshold can be tricky. James Pooley gives the hypothetical example of a firm that secretly paints its manufacturing equipment with racing stripes. "[T]hat may be amusing," Pooley writes, "but it doesn't give you any competitive advantage, so it couldn't qualify."[133]

But still, a trade secret must derive its economic value from a connection to trade and commerce in the real world—and specifically from the fact that it's being kept secret from other players in that world. As Sandeen explains, "the issue is not whether the asserted trade secrets have value in the abstract, but

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law."); *see also* 1 MILGRIM & BENSEN, *supra* note 4, § 1.08[2] ("[T]he courts do not require a patentable level of advance for matter to be protected as a trade secret.").

129. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. e ("A trade secret must be of sufficient value . . . to provide an actual or potential economic advantage over others who do not possess the information. The advantage, however, need not be great. It is sufficient if the secret provides an advantage that is *more than trivial*." (emphasis added)); *see also* Altavion, Inc. v. Konica Minolta Sys. Lab. Inc., 226 Cal. App. 4th 26, 62 (Ct. App. 2014) ("The actual or potential advantage 'need not be great,' but it must be 'more than trivial.'" (citing sources)).

130. *See, e.g.*, Spring Design, Inc. v. Barnesandnoble.com, LLC, No. 09-05185, 2010 WL 5422556, at *5 (N.D. Cal. Dec. 27, 2010) ("Indeed, information can have independent economic value even if its value comes from a 'negative' standpoint, such as 'the results of lengthy and expensive research which proves that a certain process will not work . . . .'" (quoting Courtesy Temp. Serv., Inc. v. Camacho, 222 Cal. App. 3d 1278, 1287 (Ct. App. 1990))); *see also, e.g.*, Joshua David Mellberg LLC v. Will, 96 F. Supp. 3d 953, 973-74 (D. Ariz. 2015) (rejecting the defendant's argument that the plaintiff failed to show it derived independent economic value from "'trade secrets that it has developed in its long history of business,'" and suggesting that such value might come from knowing "'that a certain process will not work'" (first quoting First Amended Complaint; and then quoting *Courtesy Temp. Serv.*, 222 Cal. App. 3d at 1287)).

131. Licensing trade secrets is a perfectly legitimate business model and counts as one way for a trade secret to derive independent economic value from not being known to others who want to use it. *See, e.g.*, NOVA Chems., Inc. v. Sekisui Plastics Co., 579 F.3d 319, 327-28 (3d Cir. 2009) (acknowledging that trade secret owners may license secret information without losing legal protections (citing JAMES POOLEY & CHARLES TAIT GRAVES, TRADE SECRETS § 8.06[1] (2009))).

132. *See infra* Part III.C.

133. *See* POOLEY, SECRETS, *supra* note 2, at 63.

whether they have value because they are secret, and such secrecy makes them valuable to others."[134]

Further, a trade secret must actually exist *at the time of the alleged act of misappropriation*; otherwise, there is no cause of action under trade secret law.[135]

This means, for example, that if a former employee leaves her job and uses her former employer's trade secrets, the former employer has a cause of action under trade secret law only if it can prove it was deriving actual or at least "potential" economic value at the time the allegedly unlawful use occurred.[136] If the trade secret owner is not doing so, they will not have a remedy.[137] What's more, even if a court does grant an injunction based on what used to be a live trade secret, the court must terminate the injunction once the trade secret has "ceased to exist."[138]

134. Sandeen, *supra* note 112, at 524; *see also Altavion*, 226 Cal. App. 4th at 62 ("The information must be 'sufficiently valuable to afford an economic advantage over others.'" (alterations omitted) (quoting Yield Dynamics, Inc. v. TEA Sys. Corp., 154 Cal. App. 4th 547, 565 (Ct. App. 2007))).

135. The DTSA states that "misappropriation" includes, in relevant part, "disclosure or use of *a trade secret of another* . . . by a person who . . . *at the time of disclosure or use,* knew or had reason to know that the knowledge of *the trade secret* was . . . acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret." 18 U.S.C. § 1839(5)(B)(ii)(II) (emphasis added); *see also* UTSA, *supra* note 4, § 1(2)(ii)(B)(II) (similar). By contrast, there is no cause of action against entities that use or disclose a trade secret that, at the time of the use or disclosure, has already been revealed to the public in a patent application. *See* BondPro Corp. v. Siemens Power Generation, Inc., 463 F.3d 702, 706 (7th Cir. 2006) ("A trade secret that becomes public knowledge is no longer a trade secret."); *see also* Rockwell Graphic Sys., Inc. v. Dev Indus., Inc., 925 F.2d 174, 179 (7th Cir. 1991) ("[I]f the plaintiff has allowed his trade secret to fall into the public domain, he would enjoy a windfall if permitted to recover damages merely because the defendant took the secret from him, rather than from the public domain as it could have done with impunity.").

136. Notably, Massachusetts's recently adopted version of the UTSA, which diverges in certain respects from the model, incorporates this timing into the definition of a trade secret itself. *See* Act of Aug. 10, 2018, ch. 228, § 19, 2018 Mass. Acts 1017 (codified at MASS. GEN. LAWS ch. 93, § 42(4)(i) (2020)) (defining a "trade secret" as information that, among other things "*at the time of the alleged misappropriation, provided economic advantage, actual or potential, from not being generally known* to . . . others who might obtain economic advantage from its acquisition, disclosure or use" (emphasis added)).

137. The UTSA permits injunctive relief only if the alleged misappropriator "obtained a competitive advantage through misappropriation *and only for the duration of that competitive advantage*." UTSA, *supra* note 4, § 2 cmt. (emphasis added).

138. *Id.* § 2(a) ("Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.").

C. A "Reasonable Departure" from the First Restatement

While the UTSA deliberately eliminated the First Restatement's requirement that a trade secret be "continuously used in one's business,"[139] elimination of that requirement had very specific purposes: to extend protection to "a plaintiff who has not *yet* had an opportunity or acquired the means to put a trade secret to use," and to provide protection for negative know-how, such as "the results of lengthy and expensive research [that] proves that a certain process will *not* work" and that "could be of great value to a competitor."[140]

The drafters added the qualifier "potential" economic value, along with "actual" economic value, for the same reason: to emphasize that information need not be currently valuable to the business but need only have "potential" future value.[141] This change ensured more reliable protection for prototypes, research, and early-stage projects, and it corrected the unfair gap in the law for startups and inventors trying to commercialize their ideas through sharing.[142]

The upshot is that, under the UTSA and now the DTSA, a trade secret's independent economic value can be prospective and even somewhat aspirational.[143] As Pooley writes:

> The value you claim doesn't have to exist in the moment; it's enough that its advantage be "potential." This means that you can discover a new formula or product design and put it on the shelf if it's not ready or if for any other reason you don't want to take it to market yet.[144]

139. *See* UTSA, *supra* note 4, § 1 cmt. ("The definition of 'trade secret' contains a reasonable departure from the Restatement of Torts (First) definition which required that a trade secret be 'continuously used in one's business.'"); *see also* Sandeen, *supra* note 112, at 527 & n.170; Klitzke, *supra* note 112, at 288.

140. UTSA, *supra* note 4, § 1 cmt. (first emphasis added).

141. *See id.*; *see also, e.g.*, Altavion, Inc. v. Konica Minolta Sys. Lab. Inc., 226 Cal. App. 4th 26, 65 (Ct. App. 2014) (reasoning that, in light of the UTSA's reference to "potential" value and the drafters' intent to expand protection to "'a plaintiff who has not yet had an opportunity or acquired the means to put a trade secret to use,'" the fact that a plaintiff's technology "is not incorporated into a product on the market does not preclude a finding of independent economic value." (quoting UTSA, *supra* note 4, § 1 cmt.)).

142. *See supra* notes 99-103 and accompanying text.

143. POOLEY, SECRETS, *supra* note 2, at 63-64; *accord* Klitzke, *supra* note 112, at 288-89; *see also* UTSA, *supra* note 4, § 1 cmt.; Leatt Corp. v. Innovative Safety Tech., LLC, No. 09-cv-01301, 2010 WL 1526382, at *5-6 (S.D. Cal. Apr. 15, 2010) (holding that a prototype for a neck brace was protectable even though it had not yet been marketed, and stating that "information can have independent economic value even if there is no actual product on the market utilizing the information or it relates solely to test failures").

144. POOLEY, SECRETS, *supra* note 2, at 63.

Still, as just explained, the requisite value has to exist at the time of the defendant's alleged misappropriation.[145] If Pooley's hypothetical company develops a new product design and then puts it on the shelf for years with no plans to pursue it further, the company should have to explain how this information gives it even a "potential" advantage over others in the market. There may be good reasons for putting an idea on a shelf, as we explain below.[146] But a trade secret plaintiff should have to prove that the shelved secret has value.[147]

D. Presuming Independent Economic Value

In principle, courts recognize that plaintiffs have the burden to prove independent economic value and to explain how their claimed secrets afford a competitive advantage.[148] However, in practice, many courts rely on a series of presumptions to prove independent economic value and accept evidence that really doesn't show such value at all.

In cases where the plaintiff is *actually using* its trade secrets in its business, proving "actual or potential economic value" is unlikely to be problematic. Actual usage in a business is pretty direct evidence that the information has "more than trivial" economic value to the business.[149]

But when a plaintiff is no longer using or even licensing its trade secrets, or has never used them at all, an assertion that they impart economic value becomes much more tenuous. In these scenarios, many courts allow claimants

145. *See supra* note 135 and accompanying text.

146. *See infra* notes 240-48 and accompanying text.

147. The burden is always on the plaintiff to demonstrate independent economic value. *See, e.g.*, Cent. Tr. & Inv. Co. v. Kennedy, No. SD31658, 2013 WL 268687, at *5 (Mo. Ct. App. Jan. 24, 2013) (granting the defendants' motion for summary judgment because "[i]t is clear that the 'burden of proof rests upon [the plaintiff] to substantiate its asserted interest in its trade secrets'" and the plaintiff failed to cite any evidence in the record showing that its claimed information "had any recognizable extrinsic or intrinsic value" (quoting Healthcare Servs. of the Ozarks, Inc. v. Copeland, 198 S.W.3d 604, 611 (Mo. 2006) (en banc))), *aff'd en banc sub nom.* Cent. Tr. & Inv. Co. v. SignalPoint Asset Mgmt., LLC, 422 S.W.3d 312 (Mo. 2014).

148. *See, e.g.*, State *ex rel.* Besser v. Ohio State Univ., 732 N.E.2d 373, 378-79 (Ohio 2000) (per curiam) (observing that even though the UTSA no longer requires that a trade secret be continuously used in one's business, there still must be evidence that the information alleged to be a trade secret "retains potential, independent economic value from not being readily ascertainable by proper means by competitors").

149. Notably, the Third Restatement of Unfair Competition states that the fact that a plaintiff uses the claimed trade secret in the operation of its business is itself "some evidence" of the information's value to the business. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. e (AM. L. INST. 1995).

to rely on a series of presumptions and "circumstantial evidence" to prove that their information has value.[150]

Below, we show that much of what courts accept as evidence of independent economic value is not enough, on its own, to prove the claimed trade secrets have actual or even potential value. The result is that courts risk granting trade secret status to information from which the putative owner never did or no longer does derive value.

1. Development cost as evidence of independent economic value

The most common type of evidence courts cite as an indication of value is the plaintiff's costs of development.[151] As David Quinto and Stuart Singer put it, "[courts] reason that if the secret were not valuable, the plaintiff would not have expended substantial resources to develop it."[152]

The problem with this presumption is that evidence of a trade secret owner's development costs does not tell a court anything about whether the owner actually derives value from keeping the information a secret. At best, development costs are circumstantial evidence of potential economic value to others, and not necessarily very good circumstantial evidence.

In *Electro-Craft Corp. v. Controlled Motion, Inc.*, the Supreme Court of Minnesota astutely noted that the "time and money" the trade secret owner

150. *See id.* (noting that a claimant may rely both on "direct" evidence of independent economic value, "relating to the content of the secret and its impact on business operations," or "circumstantial" evidence, such as "the amount of resources invested by the plaintiff in the production of the information, the precautions taken by the plaintiff to protect the secrecy of the information, and the willingness of others to pay for access to the information" (citation omitted)); *see also, e.g.*, Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc., 923 F. Supp. 1231, 1253 (N.D. Cal. 1995) (noting that a plaintiff can prove a competitive advantage conferred by a trade secret using both direct and circumstantial evidence (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. e)).

151. For examples of heavy reliance on this type of evidence, see *NaturaLawn of America, Inc. v. West Group, LLC*, 484 F. Supp. 2d 392, 399 (D. Md. 2007) ("Plaintiff has developed these lists over time. It clearly takes effort (establishing goodwill) and money (advertising) to establish any customer base. Therefore, plaintiff's customer lists are trade secrets."); and *Joshua David Mellberg LLC v. Will*, 96 F. Supp. 3d 953, 974 (D. Ariz. 2015) (noting that plaintiff "expended over $30 million" and developed the information over a "'long history of business,'" all of which "'suggest that the trade secrets [at issue] have economic value'" (quoting the record)).

152. *See* DAVID W. QUINTO & STUART H. SINGER, TRADE SECRETS: LAW AND PRACTICE 103 (2d ed. 2012) ("It is often difficult to show that a trade secret has independent economic value because, after all, it is not offered for sale. For that reason, courts frequently allow a secret's economic value to be established through inference."); *see also* 1 MILGRIM & BENSEN, *supra* note 4, § 1.07A (noting that "courts will generally conclude that the necessary independent economic value requirement is met if the trade secret would be useful to a competitor and would require cost, time, and effort to duplicate").

expended in developing its motors "does not support a finding of competitive advantage unless, under the present state of the art, a prospective competitor could not produce a comparable motor without a similar expenditure of time and money."[153] In other words, just because the plaintiff spent significant time and money developing a secret, this did not prove the information was valuable to plaintiff's competitors—who might have been able to achieve that same result with far less effort.

What's more, evidence of *past* development costs says little about whether a trade secret derives independent economic value today. As explained above, a trade secret must actually exist at the time of the misappropriation in order for that misappropriation to be actionable.[154] But in some industries, "obsolescence is measured in seasons and not years."[155] Merely citing to development expenditures undertaken years in the past, no matter how extraordinary they were, is not enough to sustain the plaintiff's burden to show that its information continues to impart a competitive advantage at the time the plaintiff is trying to enforce its rights.

2. Reasonable efforts to maintain secrecy

Courts may also presume information's value from the fact that the plaintiff tried to keep it secret. As Quinto and Singer explain, the idea is that "if the secret were not valuable, the plaintiff . . . would not have undertaken extraordinary means to protect its secrecy."[156] Thus, so long as the plaintiff satisfies the statute's "reasonable measures" requirement, the plaintiff doesn't have to separately prove independent economic value.[157]

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153. 332 N.W.2d 890, 900-01 (Minn. 1983) (en banc).

154. 18 U.S.C. § 1839(5); *see also* UTSA, *supra* note 4, § 1.

155. *See* Inflight Newspapers, Inc. v. Mags. In-Flight, LLC, 990 F. Supp. 119, 130 (E.D.N.Y. 1997) ("In an industry where obsolescence is measured in seasons and not years, the hardware was not entitled to trade secret protection.").

156. *See* QUINTO & SINGER, *supra* note 152, at 103.

157. Then-Judge Richard Posner used similar reasoning in *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc.*, where he asserted that requiring a trade secret owner to take "reasonable" secrecy precautions helps prove, among other things, "that the secret has real value. . . . The information . . . cannot have been worth much if [the plaintiff] did not think it worthwhile to make serious efforts to keep the information secret." 925 F.2d 174, 179 (7th Cir. 1991); *see also* 1 MILGRIM & BENSEN, *supra* note 4, § 1.04 (asserting that one "rationale for the requirement [that a trade secret owner take reasonable measures to protect secrecy] is that . . . the lack of such efforts is 'persuasive evidence' that the trade secret has no value"); David D. Friedman, William M. Landes & Richard A. Posner, *Some Economics of Trade Secret Law*, 5 J. ECON. PERSPS. 61, 63 (1991) (discussing the tradeoffs between securing patent protection and securing trade secret protection, and addressing how much investment in secrecy is reasonable from the law and economics perspective); *cf.* Lemley, *supra* note 66, at 348-49, 349 nn.161-62 (suggesting

footnote continued on next page

The converse of this argument makes some sense as a reason to *deny* protection. If the plaintiff hasn't bothered to expend resources to protect its information, presumably the plaintiff doesn't care about its ostensible trade secret enough to prevent theft by outsiders. A court used this reasoning recently in *Abrasic 90 Inc. v. Weldcote Metals, Inc.*[158] The plaintiff company (Abrasic) sued a former employee after he left to set up a competing abrasives business and took with him files containing information about Abrasic's pricing, customers, and suppliers.[159] The court denied Abrasic's motion for a preliminary injunction, citing the company's failure to meet even the minimal threshold for economic value. As the court put it, Abrasic's "almost total failure to adopt even fundamental and routine safeguards for the information at issue belies its claim that the information has economic value to its competitors and makes it quite unlikely that [Abrasic] will ultimately prevail on its trade secret claim."[160]

Unwillingness to spend time and money to protect a secret indicates you think it has no value, but the fact that you do spend money to protect it doesn't mean you are justified in doing so. Placing valueless information under lock and key may seem illogical, but it could be true that the plaintiff is just wrong in its subjective belief that the information has value to the market. What's more, secrecy precautions can be very cheap. If it turns out that what the plaintiff did to protect its secrets required expending insignificant resources, then why should a court accept this as evidence of even perceived value? Finally, security precautions are often general rather than specific. Companies may require badged entry into their facilities, for instance, or they may conduct background checks on new employees. Those precautions might serve as indications that there is *something* in the facility worth protecting, but they don't show that any particular piece of information in the facility is a valuable secret.[161]

Blanket nondisclosure agreements or confidentiality stamps, for instance, are cheap to draft, and yet courts frequently accept them as evidence of both "reasonable efforts" to maintain secrecy and the value of whatever is stamped

that the "reasonable efforts" requirement itself may actually lead to wasteful investments in secrecy).

158. 364 F. Supp. 3d 888 (N.D. Ill. 2019).

159. *Id.* at 891.

160. *Id.* at 898; *see also* Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 902 (Minn. 1983) (en banc) (noting the absence of even rudimentary security precautions).

161. *Cf.* Victoria A. Cundiff, *Maximum Security: How to Prevent Departing Employees from Putting Your Trade Secrets to Work for Your Competitors*, 8 SANTA CLARA COMPUT. & HIGH-TECH. L.J. 301, 310-311 (1992) (noting the tendency to "over-legend[]" documents and recommending using legends selectively in ways that "isolate" critical information).

confidential.[162] On the other hand, in *Yield Dynamics, Inc. v. TEA Systems Corp.*, the plaintiff (Yield) argued that the court should simply infer independent economic value from "the fact that Yield maintained [its software code] in confidence, and toward that end entered into nondisclosure agreements with Zavecz and other employees."[163] But the court held, we think correctly, that confidentiality alone did not show the code possessed the requisite value.[164] In fact, it was not clear from the record whether Yield kept the code secret because it perceived the code to be valuable or simply because Yield had instituted a "blanket policy of nondisclosure."[165]

3. Willingness of others to pay for access to the information

Another form of circumstantial evidence sanctioned by the Third Restatement is the willingness of others to pay for access to the information.[166]

Current licensing of a secret to others is actually direct, not circumstantial, evidence of a trade secret's independent economic value.[167] Licensing is a legitimate way to derive value from trade secrets. Courts have been clear that licensing a trade secret to others does not destroy the trade secret so long as the

162. *See* David S. Almeling, Darin W. Snyder, Michael Sapoznikow, Whitney E. McCollum & Jill Weader, *A Statistical Analysis of Trade Secret Litigation in State Courts*, 46 GONZ. L. REV. 57, 80-83 (2010) (finding that "[c]onfidentiality agreements with employees are the reasonable measure that courts cite most often in both federal and state cases"). Also note that owners may be able to enforce contracts covering confidential information even if a court finds that the owners failed to take "reasonable secrecy precautions" under trade secret law. *See* Varadarajan, *supra* note 51, at 1566-68; *id.* at 1567 (observing that trade secret owners may thus "elide [the reasonable secrecy precautions requirement] through strategic use of contract law").

163. *See* 154 Cal. App. 4th 547, 566 (Ct. App. 2007).

164. *Id.*; *see also id.* at 560-72 (discussing the meaning of "independent economic value" and explaining why plaintiff failed to meet the standard).

165. *Id.* at 566-67.

166. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. e (AM. L. INST. 1995).

167. Numerous cases point to current licensing activities as sufficient evidence of deriving economic value. *See, e.g.*, Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., Inc., 923 F. Supp. 1231, 1253 (N.D. Cal. 1995) (finding that the plaintiffs' unpublished spiritual scriptures provided "an actual or potential advantage over others" who did not possess the information, in part because the scriptures provided "'a source of substantial revenue . . . in the form of licensing fees paid by Churches that are licensed to use the Advanced Technology'" (quoting the president of a plaintiff organization)). On trade secret licensing, see generally 2 ROGER M. MILGRIM & ERIC E. BENSEN, MILGRIM ON LICENSING § 11.06 (LexisNexis 2020) (footnotes omitted):

> [W]hen we speak of a trade secret license, by and large we are employing a convenient, universally accepted short-hand term to describe a transaction in which trade secret disclosure is made to a disclosee, subject to a variety of basic conditions, which typically include some form of cash consideration, and may include other consideration, such as rights to the licensee's improvements.

owner makes only "limited disclosure[s]" that maintain the information's secrecy.[168] Indeed, a major justification for trade secret protection is to permit trade secret holders to sell their information and encourage efficient market transactions.[169]

So if a court has evidence of information's current value in an existent licensing market, it is straightforward to conclude that the secret is deriving independent economic value from being unknown to others. The fact that other players in the market are currently willing to pay to use or own a trade secret is far better evidence of economic value to "other persons"[170] than a plaintiff's own subjective perception of value. A court would arguably benefit more from knowing how others value the information than from knowing how much time and money a plaintiff spent on development or on security precautions.[171] This is especially true given that, in the high-technology context, information's value may be highly uncertain, and a license agreement itself reflects only the parties' best guess as to that value.[172]

But as mentioned above, the UTSA also speaks of "potential" value. And here is where the chain of inferences becomes more problematic. Pointing to "potential" value makes sense in cases involving technology that is still in development—which, recall, is the very reason the term "potential" was

168. *See, e.g.*, Metallurgical Indus. Inc. v. Fourtek, Inc., 790 F.2d 1195, 1200 (5th Cir. 1986).

169. *See* Lemley, *supra* note 66, at 336 (arguing that trade secret laws can "encourage disclosure" by allowing the developer of a "potentially valuable but secret idea" to more easily sell it to "someone who could make more efficient use of it"); *see also* Robert P. Merges, *A Transactional View of Property Rights*, 20 BERKELEY TECH. L.J. 1477, 1501 (2005) (noting that "many patent license agreements also include a provision for the licensing of ancillary trade secrets and know-how," and suggesting that "the primary purpose of patents" may be "to spearhead the transfer of the really valuable stuff—the associated unpatented information" (emphasis omitted)).

170. *See* UTSA, *supra* note 4, § 1(4)(i). As noted in note 119 above, the DTSA switched "other persons" to "another person," indicating that to derive value by licensing to only a single entity may be sufficient. 18 U.S.C. § 1839(3)(B).

171. *See, e.g.*, Wellogix, Inc. v. Accenture, LLP, 716 F.3d 867, 875 (5th Cir. 2013) (holding that the plaintiff, Wellogix, introduced sufficient evidence that its technology had "'value' because other companies partnered with Wellogix, and . . . third-party investors valued Wellogix at more than $27 million" (citation omitted) (quoting *In re* Bass, 113 S.W.3d 735, 739 (Tex. 2003))).

172. *See* 3 MILGRIM & BENSEN, *supra* note 167, ch. 18 (discussing the wide variety of monetary (and other) consideration used in formulating trade secret and technology licensing agreements); *see also, e.g.*, Michal Shur-Ofry & Ofer Tur-Sinai, *Constructive Ambiguity: IP Licenses as a Case Study*, 48 U. MICH. J.L. REFORM 391, 423, 426-27 (2015) (observing that IP licenses are drafted in environments of high degrees of uncertainty).

added.[173] An inventor shouldn't lose the ability to protect secrets merely because it hasn't yet commercialized or perfected them.[174]

For example, in *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, the issue was whether a "concept" for a toy train track was protectable as a trade secret—even though the toy was barely developed at the time of misappropriation.[175] All that existed was a rough prototype: a piece of wooden train track with "'cross-cuts and changes in the [track's] surface'" that made a "'clickety-clack' sound, but the train did not run smoothly over the track because the grooves were cut 'a little bit too deep.'"[176] Yet the toy maker succeeded in proving that this preliminary, imperfect train-track toy concept had value, in part because the toy maker's expert testified that the toy "would have commanded a premium royalty under a negotiated license agreement."[177]

But pointing to a "potential" licensing market cannot, on its own, be enough in every case. Plaintiffs who haven't done or tried to do anything with their information other than keep it secret can't just sit back and argue that their secrets have "potential" value in some purely hypothetical licensing market. If they could do so, *every* secret would have "potential" value.

Although some commentators have drawn attention to this problem,[178] others seem willing to accept this tautological approach to value. Eric Claeys, for example, has asserted that given that the statute "speaks of 'actual *or potential*' economic value, the Act's text grants in a claimant the right to blockade non-owners and non-licensees from using secrets he or she could but is choosing now not to use."[179]

173. *See supra* notes 141-47 and accompanying text.

174. *See, e.g.*, Editions Play Bac, S.A. v. W. Publ'g Co., No. 92 Civ. 3652, 1993 WL 541219, at *7 (S.D.N.Y. Dec. 28, 1993) (finding that the "fact that two companies in the educational publishing field were willing to pay Play Bac for the rights to produce and market [a game concept] in the United States could support an inference that the information contained in the 'Game Concept' was not known and carried independent economic value").

175. 342 F.3d 714, 726-28 (7th Cir. 2003).

176. *Id.* at 718-19, 726 (first quoting expert witness trial testimony; then quoting fact witness trial testimony; and then quoting fact witness trial testimony).

177. *Id.* at 726.

178. *See, e.g.*, Levine, *supra* note 62, at 155 (observing that "courts have rejected arguments that information cannot be a trade secret where its value is merely a 'hypothetical possibility'" (citing *Joint Stock Society v. UDV North America, Inc.*, 104 F. Supp. 2d 390, 409 (D. Del. 2000), in which materials related to old vodka formulas were ordered to "remain under seal" because they had "the potential to confer independent economic value upon the [former user]")).

179. Claeys, *supra* note 8, at 608 (emphasis added); *see also id.* at 599 (asserting that "[b]ecause the [UTSA] focuses on potential economic value without any reference to use, claimants who satisfy the other elements of trade secrecy are entitled to be free from misappropriation whether or not they deploy their secrets for commercial advantage").

Some courts adopt this expansive view. For instance, in *Geraci v. Macey*, the plaintiff (Geraci) accused the defendants of misappropriating its proprietary software code.[180] The defendants argued at summary judgment that Geraci's software program "lacked value from its secrecy because it was not intended for sale or licensing, and [was] no longer in use."[181] The court disagreed. True, the software was no longer in use and was not actually being licensed to others. But the court simply concluded, without evidence, that it was "not a stretch to infer that using proprietary software to run a high-volume practice" might theoretically "impart a competitive advantage for a consumer bankruptcy law practice."[182]

Another court took this interpretation of independent economic value to its (il)logical endpoint, reasoning that a trade secret's competitive advantage does not end so long as its owner could hypothetically charge someone for the right to use the secret one day. In *Dow Corning Corp. v. Xiao*, the defendant argued that a trade secret relating to a since-superseded, first-generation technology had lost its competitive advantage, thereby becoming "obsolete."[183] The court disagreed, writing that "[t]he only thing that will necessarily determine obsolescence is whether some firm was willing to pay for the . . . technology during the period of time relevant to this action."[184] Put another way, so long as someone, somewhere, might "potentially" think the secret is worth paying for, it must satisfy the independent economic value requirement.[185] If this is the rule, it would be virtually impossible to fail the value requirement. Even Pooley's outlandish example of the firm that secretly paints its manufacturing equipment with racing stripes could survive because someone might pay for the right to do that.[186]

4. Efforts by defendants to obtain the information

Going even further down the rabbit hole, some courts have held that a plaintiff can prove that its information has "potential" licensing value simply by pointing to acts by a defendant to obtain the information, especially if the

180. No. 14 CV 06876, 2016 WL 3671400, at *1-2 (N.D. Ill. July 11, 2016).

181. *Id.* at *6.

182. *Id.* The court stated that while it may not be strictly "necessary for running a consumer bankruptcy law practice," Geraci's practice-management software "*can be* an asset by allowing a high volume of consumer bankruptcy cases to be handled efficiently." *Id.* (emphasis added).

183. 283 F.R.D. 353, 354 (E.D. Mich. 2012). This case is discussed further in notes 220-27 below.

184. *Dow Corning*, 283 F.R.D. at 355.

185. We discuss the problems with this approach in Subpart E below.

186. *See* POOLEY, SECRETS, *supra* note 2, at 63.

defendant tried to obtain the secret by extreme means.[187] The idea is that if the defendant tried so hard to get the information, the information must be valuable to someone other than the trade secret owner, and that value must come from the fact that it is a secret.

Following this reasoning, some courts treat acts to obtain trade secrets as circumstantial evidence of trade secret value. For instance, in *AvidAir Helicopter Supply, Inc. v. Rolls-Royce Corp.*, Rolls-Royce claimed trade secrets in information needed to repair and overhaul its helicopter engines, in particular the Model 250 engine.[188] Defendant AvidAir operated an "overhaul shop" that helped prepare used engines for return to service,[189] and it allegedly misappropriated information Rolls-Royce possessed related to approved overhaul procedures for the Model 250, which was contained in "overhaul information letters."[190] AvidAir argued the overhaul letters did not contain trade secrets because Rolls-Royce didn't derive sufficient value from their secrecy.[191] But the court disagreed, finding some of the information must have been valuable to others given Rolls-Royce's past investments in research and testing[192] and the fact that AvidAir had chosen to obtain the documents from Rolls-Royce rather than independently developing them.[193]

Broad application of this rule generates a problematic tautology. So long as there is a person seeking access, the information must derive independent economic value from not being known to others. This reasoning may make some sense in "improper means" cases filed against third parties. For example, flying over a chemical plant to take pictures of a chemical process would be

187. For an example of using extreme means to gain access to trade secrets, see *Pioneer Hi-Bred International v. Holden Foundation Seeds, Inc.*, 35 F.3d 1226, 1239 (8th Cir. 1994) (observing that the defendant had a "long history" of attempts to obtain Pioneer's genetic material by searching nearby farms and "'doing anything he could to try to find out more about and grow Pioneer lines'" (quoting district court opinion, No. Civ. 81-60-E, 1987 WL 341211, at *12 (S.D. Iowa Oct. 30, 1987))).

188. 663 F.3d 966, 969-70 (8th Cir. 2011).

189. *Id.* "Federal regulations require[d] that an overhauled engine be certified for return to service," and "[i]n order to certify the return to service for a Model 250 engine, an overhaul shop [was required to] follow [an approved] procedure." *Id.* at 969.

190. *Id.* at 970 (capitalization altered).

191. *Id.* at 972-73.

192. *See id.* at 973; *see also id.* at 972 (stating the rule that compilations of nonsecret and secret information may have value due to the "expenditure of time, effort, and expense involved in its compilation [that] gives a business a competitive advantage").

193. *Id.* at 973-74 ("AvidAir's repeated attempts to secure the [letters] without Rolls-Royce's approval belies its claim that the information in the documents was readily ascertainable or not independently valuable.").

irrational unless there was something of value to be seen and the information wasn't available any other way.[194]

But this reasoning does not apply in most lawsuits—which are brought against former employees, not people who wrongfully acquired the secret. Unlike in "improper means" cases, the employee has not typically acquired the information improperly at all. Instead, the employee has usually acquired it during employment as a matter of course.

A still more extreme version of this reasoning would allow a plaintiff to prove information's economic value merely by citing to *the fact of litigation itself*. After all, if litigants are fighting over the right to use certain information, then that information surely must be of value. This reasoning would work even in the lawful-acquisition cases. For example, if an employee leaves after lawfully acquiring her former employer's secrets, the employer could bring a lawsuit and point to the mere cost of litigation as proving that the information has the requisite statutory value.

As Eric Johnson has observed, some commentators apparently accept this view. They "declare[] the issue [of independent economic value] to be more or less moot," reasoning that "'[t]he high cost of enforcing intellectual property rights suggests that plaintiffs will only commence litigation concerning information of considerable value.'"[195] Johnson argues that this effectively reads the economic value requirement out of the statute altogether.[196]

We agree with that criticism. Presuming value from the fact of litigation alone would dispense with the need to prove economic value altogether and could produce absurd results. For example, what if a company is suing to protect information that everyone involved in the dispute knows is valueless, merely to harass a competitor for unrelated reasons? This could pass a value standard based only on the fact of litigation.

194. *See* E. I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1013 (5th Cir. 1970). *But see* Sharon K. Sandeen, *Out of Thin Air: Trade Secrets, Cybersecurity, and the Wrongful Acquisition Tort*, 19 MINN. J.L. SCI. & TECH. 373, 374 (2018) (criticizing *Christopher* and its attempt to use trade secret law "to combat the wrongful acquisition of information through cyber-hacking or other means"); Bone, *supra* note 85, at 297-98.

195. Johnson, *supra* note 23, at 557 (quoting ROGER E. SCHECHTER & JOHN R. THOMAS, PRINCIPLES OF PATENT LAW 417 (2004)); *cf.* John R. Allison, Mark A. Lemley, Kimberly A. Moore & R. Derek Trunkey, *Valuable Patents*, 92 GEO. L.J. 435, 436 n.9, 437 (2004) (stating that "[w]e start from the assumption that litigated patents are at least a subset of the most valuable patents," but noting that this assumption is still being tested).

196. *See* Johnson, *supra* note 23, at 557 (emphasis omitted) (citation omitted):

> [F]or a couple of reasons, this declaration appears to be in error. To the extent value is not an issue in very many cases, that would seem largely to be because courts have no clear guidance on how to construe the issue. . . . [M]ore importantly, Schechter and Thomas's observation reads words out of the statutory language. Trade secrets must not merely have "value," they must have independent economic value. . . . [J]ust because litigation concerns something of value, it does not follow that the value is of the independent economic type.

Both of these evidentiary approaches—using another person's attempts to acquire a secret in order to prove that secret's value, or using the fact of litigation itself to prove a secret's value—suffer from a fatal flaw: They do not necessarily indicate that the trade secret owner was deriving economic value from keeping the information a secret, or that they were doing so at the time of the alleged misappropriation. This approach permits trade secrecy to operate in cases where someone else is entirely responsible for the information's value, and in scenarios where the owner itself initially believed the secret was not worth pursuing. That is not what the statute demands.

E. Trade Secrets in Gross

The upshot is that even though most courts recognize the existence of the statutory requirement to prove independent economic value, in practice courts tend to ignore or downplay it. They rely heavily on circumstantial evidence and presumptions rather than forcing trade secret plaintiffs to prove their information derives the requisite value. Past development costs, efforts to keep secrets, the mere possibility of future licensing, or simply the fact that the defendant wants to use the secret and the plaintiff wants to stop her from doing so—all of these have been deemed sufficient evidence.[197] The result is that courts are treating trade secrets as rights in gross that exist separately from the business in which the trade secret was developed.[198]

This circular reasoning boils down to the troubling axiom "[i]f value, then right."[199] If a trade secret's independent economic value can be proven with merely an allusion to a secret's "potential" licensing value or to the fact of the plaintiff's lawsuit itself, then proving independent economic value becomes a

197. *See, e.g.*, QUINTO & SINGER, *supra* note 152, at 103 (appearing to condone turning to "inference" to prove value given the difficulty of showing a trade secret has independent economic value when not offered for sale); 1 MILGRIM & BENSEN, *supra* note 4, § 1.07A (noting, without comment, that courts will "generally conclude that the necessary independent economic value requirement is met if the trade secret would be useful to a competitor and would require cost, time, and effort to duplicate"). *But see, e.g.*, Sandeen, *supra* note 112, at 524-26 (contending that the UTSA included the independent economic value requirement specifically in order "to increase the plaintiff's burden of proof in order to ensure that a claim for relief was not provided for illusory information or information of little import").

198. See the definition of rights "in gross," and related citations, in note 97 above.

199. *See, e.g.*, Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 406 (1990) ("'If value, then right' is an appealing axiom, for it is suggestive of real property and the relative ease with which claims in such cases are usually decided in favor of the property owner."). Courts' identification of a "cognizable IP harm" is "often circular: I have suffered an injury if the law gives me a right to collect money from your use, and often I have a right to collect money from your use if we view that use as injuring me." Mark A. Lemley & Mark P. McKenna, *Unfair Disruption*, 100 B.U. L. REV. 71, 124 (2020).

"vicious circle"[200] in which possession of secret information alone triggers a right to prevent use or demand license fees from others.

As explained above, sale or licensing of trade secrets to others can be a legitimate way to prove that information derives economic value from its secrecy.[201] But we think relying on a trade secret's "potential" value as a reference point for the right risks extending the lifetime of the trade secret too far into the future. If we accept conventional wisdom, even when plaintiff stops using the secret in its business altogether, it can still argue the secret retains "potential" value, since plaintiff might theoretically use the secret again someday. Still more alarming, a plaintiff might simply argue that it can choose to exercise its "licensing right" at any time, just like trademark owners argue they can choose to exercise a "merchandising right" at any time. This argument could lead to an infinite term of protection for information as trade secrets, even when the prior owner of that information has not yet done anything with the information or stopped using it long ago.

IV. Trade Secret Abandonment

The way many courts apply the independent economic value requirement has the potential to produce indefinite protection for trade secrets whether or not the secrets are adding any value to a business. Fortunately, at least some courts put some teeth in the independent economic value requirement. We argue that these cases demonstrate a surprising fact: Trade secrets can be abandoned.

Abandonment of a trade secret can happen when the information is no longer secret or when its former owner has ceased to take steps to preserve its secrecy.[202] But we also identify circumstances where failing to derive

200. Felix Cohen diagnosed the "vicious circle" in 1935, remarking on expanding theories of protection for trademarks and tradenames. "The vicious circle inherent in this reasoning is plain. It purports to base legal protection upon economic value, when, as a matter of actual fact, the economic value of a sales device [for example, a trademark] depends upon the extent to which it will be legally protected." Felix S. Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 815 (1935); *see also* Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137, 181-84 (2010).

201. *See supra* note 84 and accompanying text.

202. Indeed, some commentators have referred to a wide variety of ways to "abandon" a trade secret, including through disclosure to the public or through failure to take reasonable efforts to maintain secrecy. *See, e.g.*, 140 AM. JUR. 3D *Proof of Facts* § 81 (West 2020) (discussing various forms of "abandonment" under the Restatement of Torts, including through disclosure to third parties); Donald M. Zupanec, Annotation, *Disclosure of Trade Secret as Abandonment of Secrecy*, 92 A.L.R. 3d 138 (1979) (collecting federal and state cases where courts "considered whether, or under what circumstances, the disclosure of a trade secret by a party asserting a protectible interest in the trade

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independent economic value leads to abandonment even though the information remains secret. We divide these situations into two types. The first is obsolescence due to passage of time. The second is abandonment due to conduct, either action or inaction. As we will show, these latter situations look quite similar to the sorts of abandonment that used to occur under the old "use" regime.[203] And they resemble how trademarks are abandoned today through discontinuing use in commerce.

A. Expiration Due to the Passage of Time

Secrets that were once quite valuable to their owner can lose that value over time. When this happens, courts have held that the information is unprotectable as a trade secret due to failure to derive independent economic value from secrecy. As the Eighth Circuit put it in *Fox Sports Net North, LLC v. Minnesota Twins Partnership*, where it rejected Fox's attempt to protect outdated financial information as a trade secret, "obsolete information cannot form the basis for a trade secret claim because the information has no economic value."[204]

Some courts have held that information can become "obsolete," and thus fail to have independent economic value, after only a few months.[205] The plaintiffs in these cases didn't decide not to market a product or decide to

secret, or by a person acting pursuant to the authority of such a party, results in an abandonment of the element of secrecy of the trade secret" (footnotes omitted)).

203. *See supra* Part II.C.

204. 319 F.3d 329, 335-36 (8th Cir. 2003).

205. *See, e.g.*, Lexis-Nexis v. Beer, 41 F. Supp. 2d 950, 958-59 (D. Minn. 1999) (finding that the plaintiff failed to show that four-month-old knowledge of corporate business policies and strategies in a former employee's copied files continued to derive independent economic value in part because much of the information contained in these documents "will quickly become obsolete, thereby losing its independent economic value"); Katch, LLC v. Sweetser, 143 F. Supp. 3d 854, 869 (D. Minn. 2015) (quoting *Fox Sports*'s rule that "'obsolete information cannot form the basis for a trade secret claim,'" and finding that business information may have gone stale as a result of market developments in the preceding month); WEG Elec. Corp. v. Pethers, No. 16-cv-471, 2016 WL 1441793, at *3 (D. Minn. Apr. 12, 2016) (finding that information "four to twenty-four months old" had minimal "independent economic value," and noting that "[c]ustomer lists, pricing lists, and operation strategies may lose their economic value over the course of a few months"); Cortz, Inc. v. Doheny Enters., No. 17-cv-02187, 2017 WL 2958071, at *12 (N.D. Ill. July 11, 2017) (holding that claimed information about vendor pricing would be "stale at this point or irrelevant now" due to a change in corporate structure and market conditions); CH Bus Sales, Inc. v. Geiger, No. 18-cv-02444, 2019 WL 1282110, at *10 (D. Minn. Mar. 20, 2019) (expressing skepticism that "generic 'market information' listed in [the] complaint plausibly alleges a 'trade secret' under either the [Minnesota Uniform Trade Secrets Act] or the DTSA" in part because "the information was already months-old when [the defendant] joined [a competitor], and is getting older with each passing day of litigation" (citation omitted)).

deliberately sit on a right. Instead, they brought claims based on stale information that courts found was virtually valueless by the time of the alleged misappropriation. Truly outdated information, such as a campaign strategy based on four-year-old polling data, lacks the requisite statutory value.

We might think of these cases as "pure expiration" cases. Through very little action by the owner or anyone else, the information just lost its value over time. There aren't many such cases, for the simple reason that defendants aren't likely to misappropriate truly valueless information, and if they do misappropriate it, plaintiffs may not care. Society also doesn't lose much if obsolete information is protected (though a defendant can suffer from having to defend against a frivolous claim).

B. Abandonment Through Conduct

The more interesting cases arise when the information is still potentially valuable to someone, just not to the old trade secret owner. In these cases, the trade secret owner abandons its trade secrets through conduct that shows it is no longer gaining commercial advantage from the secret. This abandonment through conduct can be deliberate—such as in the case of intentional and even public shelving of a project—but, as we'll see, it doesn't have to be.[206]

1. Leaving the market

One of the clearest ways trade secrets can be abandoned through conduct is if the claimant has left the market and has no intention to reenter in the future. In such cases, the claimant can lose the ability to claim trade secret rights in information, even if it might like to prevent disclosure or charge for use.

An example is *Taylor v. Babbitt*.[207] The case began when antique aircraft enthusiasts sought to restore a 1930s-era vintage airplane, the "Fairchild F-45." The enthusiasts filed a series of Freedom of Information Act (FOIA) requests

206. This type of "unintentional" abandonment is also possible in trademark law, which treats a mark as abandoned either when a party intentionally stops using the mark *or* when it still would like to use the mark but fails to do so for a sufficiently long period and can't show intent to resume use. A defendant in a nonuse case may well subjectively intend to resume use, but the period of nonuse is sufficient to create a legal presumption that it intended to abandon the mark. *See* Exxon Corp. v. Humble Expl. Co., 695 F.2d 96, 102 (5th Cir. 1983) ("[A]n owner may not wish to abandon its mark but may have no intent to resume its use."). By contrast, Dave Fagundes and Aaron Perzanowski argue that abandonment in copyright law requires an intentional act. They distinguish unintentional cases as involving "forfeiture" for failure to comply with a prerequisite for protection. Dave Fagundes & Aaron Perzanowski, *Abandoning Copyright*, 62 WM. & MARY L. REV. 487, 536-37 (2020). The rather different purposes of copyright law, in which rights don't depend on use at all, could explain the difference.

207. 760 F. Supp. 2d 80 (D.D.C. 2011).

with the Federal Aviation Administration (FAA) seeking to compel the FAA to disclose technical design specifications and certification materials needed to restore the planes to flying condition.[208] The FAA denied the requests based on FOIA's Exemption 4, which protects qualifying trade secrets and confidential information from disclosure in a FOIA request.[209] The court rejected the secrecy claim.[210] It reasoned that the plane's manufacturer (Fairchild) had abandoned any trade secrets it once had by leaving the aircraft-manufacturing market. Although the Fairchild F-45 aircraft materials had been "commercially valuable when originally submitted" to the FAA in 1935, they did not "remain commercially valuable today."[211] This was "outdated, seventy-year-old technology" that Fairchild no longer used in manufacturing planes.[212] The court conceded that Fairchild could theoretically have sought to license the certification materials for use in the "antique" market.[213] Invoking the "vicious circle,"[214] the court might have concluded that the fact that aircraft enthusiasts wanted to use Fairchild's old information to restore antiques itself proved it had potential economic value.[215] But the court refused to accept this chain of reasoning.[216] Fairchild had left the market and was no longer deriving value from its secrets. In fact, Fairchild hadn't done *anything* with this seventy-year-old information, and nothing in the record indicated Fairchild had "any intention to do so in the future."[217] Fairchild had abandoned its trade secrets and could no longer enjoin others from using them.[218]

208. *Id.* at 81-83.

209. *Id.* at 85; *see also* 5 U.S.C. § 552(b)(4) (creating an exemption from FOIA requests for "trade secrets and commercial or financial information obtained from a person and privileged or confidential"). A trade secret, for purposes of Exemption 4, is slightly different than the UTSA's definition. *See* Food Mktg. Inst. v. Argus Leader Media, 139 S. Ct. 2356, 2362-63 (2019); *see also* Varadarajan, *supra* note 62, at 24.

210. *Taylor*, 760 F. Supp. 2d at 85-90.

211. *Id.* at 88.

212. *Id.*

213. *Id.* at 89-90.

214. *See* Cohen, *supra* note 200, at 815.

215. *See Taylor*, 760 F. Supp. 2d at 88 ("The FAA does not contend that the materials are valuable based on their current usefulness in manufacturing aircraft. Rather, the FAA asserts that the materials are commercially valuable in the antique aircraft market as a result of their 'obvious utility in repairing any of the few remaining F-45s.'" (citation omitted) (quoting FAA's brief)).

216. Importantly, the court distinguished cases where plaintiffs were still commercially benefitting from their secrets, including through use in different markets. *Id.* at 88-89 (noting that "courts have routinely found that information that provides its owner an advantage over its competitors is commercially valuable").

217. *Id.* at 89 ("Nowhere does the FAA assert that Fairchild currently competes in the antique aircraft market or that it has any intention to do so in the future.").

218. *Id.* at 90.

The secrets here aren't valueless; the defendants value the information. But trade secret claimants like Fairchild long ago gave up any interest in or claim to that value.

2. Superseding with newer generations of products

Information can derive value when it is not itself being deployed. It may be closely related to another product line or to an earlier generation of a current product line. That information derives value for the firm from being kept secret because if it were released, it would harm the current product's market or make it easier to reverse engineer the current product. Information about last year's product might be important because a competitor could use it to compete by making its own version of last year's product, or because it might make it easier for the competitor to develop a current-generation product.[219]

But the same might not be true across multiple generations of products. At some point, the information may no longer derive value from being secret, because any product created using it wouldn't effectively compete with products the trade secret owner is actually marketing or give away commercially relevant information to competitors. Thus, superseding older products with newer generations can potentially result in abandonment of the secrets in the old products.

In *Dow Corning Corp. v. Xiao*, the defendant (Xiao) allegedly misappropriated trade secrets related to the trichlorosilane and polysilicon businesses of the plaintiffs (Dow Corning).[220] Specifically, Dow Corning alleged that Xiao and his company misappropriated trade secrets linked to Dow Corning's "'first generation' fluid bed reactor technology," which Xiao obtained through a former Dow Corning employee, and used the secrets in "several multi-million dollar contracts with foreign firms."[221] Xiao argued that any trade secrets linked to Dow Corning's first-generation products were no longer protectable: They had "been rendered obsolete by the subsequent generations" of the fluid bed reactor technology that Dow Corning was now using instead of the older version.[222] Xiao relied on *Fox Sports* and the case law

219. *Cf.* Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 426 (3d Cir. 1982) (finding that the defendant misappropriated the plaintiff's trade secrets in the course of seeking to compete with the plaintiff's latest generation of latex paint products).

220. 283 F.R.D. 353, 354 (E.D. Mich. 2012).

221. *Id.*

222. *Id.* at 354, 360. The issue came up in Xiao's motion to compel disclosure. Xiao requested that the court order Dow Corning to produce "all [its] fluid bed reactor trade secrets," including information associated with both the "generation one" technology at issue in the case and "all subsequent generations." *Id.* at 360. Xiao made its arguments regarding value in the course of explaining why it sought discovery of all of this information:

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discussed above under which "[o]bsolete information cannot constitute a trade secret" because it "has no economic value."[223]

The court found that "[a]s a general matter, subsequent generations of technology do not necessarily render the prior generations obsolete" in the sense of having no economic value.[224] "Rather, multigenerational product diffusion is a relatively common marketing and production strategy."[225] To make this point, the court analogized to the iPhone: "Apple, for example, simultaneously sells several generations of the iPhone. The availability of the iPhone 4S does not render the trade secrets associated with the iPhone 4 of 'no economic value.'"[226] Likewise, the mere fact that Dow Corning utilized "subsequent generations of the fluid bed reactor technology" did not necessarily demonstrate that trade "secrets associated with the first generation technology had no economic value *during [the] period of time relevant to this action.*"[227]

The same issue arose in *MicroStrategy, Inc. v. Business Objects, S.A.*: The owner of the trade secrets (MicroStrategy) introduced a newer version of a product, potentially rendering information related to older versions obsolete.[228] But the court came out the opposite way from *Dow Corning*, finding trade secrets relating to the older version no longer derived value from secrecy and were thus legally abandoned (though the court did not use this term).[229]

The alleged trade secrets related to a "Competitive Recipe," which outlined a competitive strategy for MicroStrategy to deal with the products of the defendant (Business Objects).[230] Several years earlier, the court had found the Competitive Recipe to be a trade secret—indeed, a very valuable one—and had found Business Objects liable for misappropriation.[231] Nearly five years later, Business Objects petitioned the court to dissolve the injunction on the basis that

because "if the later generations are different, the generation one technology may be obsolete." *Id.* at 359-60.

223. *Id.* at 354 (quoting Xiao's motion to compel).

224. *Id.*

225. *Id.*

226. *Id.*

227. *Id.* at 354-55 (emphasis added).

228. 661 F. Supp. 2d 548, 552 (E.D. Va. 2009).

229. *Id.* at 554 ("The court finds that [defendant] . . . has established that this document no longer has any value, economic or otherwise, because the products it references are obsolete, and have been obsolete for several years now.").

230. *Id.*

231. *See* MicroStrategy Inc. v. Bus. Objects, S.A., 331 F. Supp. 2d 396, 422, 430-32 (E.D. Va. 2004) (finding in favor of the plaintiff on its trade secret claim).

the trade secrets had ceased to exist because the Competitive Recipe related entirely to products that had not been on the market for several years.[232]

The court agreed, observing that the Competitive Recipe was "approximately nine years old," was related to "products that [had] not been on the market for at least seven years," and had been replaced "with newer, different, and improved products, not contemplated by the Competitive Recipe."[233] Crucially, it was not just the passage of time that rendered the Competitive Recipe "valueless"; it was MicroStrategy's deliberate actions in taking the products referred to in the Competitive Recipe off the market.[234]

3. Declining to enter the market

Finally, a trade secret may lack independent economic value because the company decides never to enter the market at all. This happens all the time. Most startups fail; they may have grand ambitions, but they never put together the combination of employees, financing, products, and customers necessary to launch.[235] Even established companies often investigate new market opportunities, only to ultimately decide not to pursue them.[236] Xerox famously ran research centers that developed some of the most important new inventions of the last century, including semiconductors and modern operating systems, but never followed up on those inventions because they were outside the company's core markets.[237] For years, IBM published the *IBM Technical Disclosure Bulletin*, a list of new inventions it had decided not to pursue and therefore dedicated to the public.[238]

While these discarded ideas may ultimately become public, either because the company chooses to release them or through other means, countless

232. *MicroStrategy*, 661 F. Supp. 2d at 552; *see also* UTSA, *supra* note 4, § 2(a) (explaining that an injunction "shall be terminated" when a trade secret ceases to exist).

233. *MicroStrategy*, 661 F. Supp. 2d at 554-55.

234. *Id.* at 553-55.

235. *See* Bram Krommenhoek, *Why 90% of Startups Fail, and What to Do About It*, MEDIUM: THE STARTUP (Apr. 10, 2018), https://perma.cc/M2TL-GNPU.

236. *See* Joan Schneider & Julie Hall, *Why Most Product Launches Fail*, HARV. BUS. REV. (Apr. 2011), https://perma.cc/YSJ3-7MLD.

237. Tendayi Viki, *As Xerox PARC Turns 47, the Lesson Learned Is That Business Models Matter*, FORBES (July 1, 2017, 12:30 AM EDT), https://perma.cc/A2K8-ECYB.

238. The *IBM Technical Disclosure Bulletin* was published between 1958 and 1998. Some believe this was mainly for purposes of strategic disclosure to prevent others from patenting the ideas. Douglas Lichtman, Scott Baker & Kate Kraus, *Strategic Disclosure in the Patent System*, 53 VAND. L. REV. 2175, 2216 n.78 (2000) (suggesting a case study of strategic disclosures focusing on the *IBM Technical Disclosure Bulletin*). The bulletins are now available for a fee. *See Technical Disclosure*, TEXTWISE, https://perma.cc/ASP8-8W3W (archived Oct. 15, 2020). For library access, see *IBM Technical Disclosure Bulletin*, WORLDCAT, https://perma.cc/GZ6K-WFUX (archived Oct. 15, 2020).

prototypes and business concepts languish in corporate vaults, protected as "trade secrets" and destined never to see the light of day. By definition, it's hard to know how many undisclosed inventions there are or how many are ultimately independently invented by someone else.[239] But there is every reason to believe a considerable number of trade secrets are left to languish by companies that never actually put them to use. These inventions too should be deemed abandoned.

To be clear, not every secret that doesn't find its way to market (or into a patent) has been abandoned. Even secrets that don't relate to a product on the market can derive independent economic value from remaining unknown to competitors. Consider a pharmaceutical company researching a cure for a particular disease. If the company identifies two drugs that are equally effective at treating the disease, it will likely seek to market only one of them and shelve the other rather than paying the extra cost of a duplicative set of clinical trials. If it couldn't keep the other drug secret (or perhaps patent it), it would face competition from its own idea ("cannibalization").[240] The pharmaceutical company therefore derives economic value from keeping that idea out of the hands of those who would use it in direct competition with the drug it *is* marketing.

Legitimate trade secret cases are sometimes based on shelved inventions that the plaintiff had no plans to develop itself. In *Becton, Dickinson & Co. v. Cytek Biosciences Inc.*,[241] for instance, Becton, Dickinson (BD) had spent decades researching, developing, and producing products related to flow cytometers used to count and detect properties of human cells.[242] After BD shelved one of

239. The Supreme Court once estimated that "[e]ven were an inventor to keep his discovery completely to himself, something that neither the patent nor trade secret laws forbid, there is a high probability that it will be soon independently developed." Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 490-91 (1974). One of the authors offers evidence that the Court's intuition was correct. *See* Lemley, *supra* note 58, at 711 (demonstrating through surveys of hundreds of significant new technologies that "almost all of them are invented simultaneously or nearly simultaneously by two or more teams working independently of each other").

240. "The big problem with cannibals," the marketing wisdom goes, "is that they tend to drown out truly innovative ideas that can have a far more positive effect on a company's fortunes." Steve Landis, *Beware the Cannibal in Your Product Line*, HARV. BUS. REV. (June 14, 2013), https://perma.cc/82C3-WBEB (noting that "a great deal of Coke Zero's growth has come at the expense of the existing Diet Coke"); *see also* LOBEL, YOU DON'T OWN ME, *supra* note 32, at 106-08 (noting that Mattel, the owner of the market-dominant Barbie doll, was "extremely reluctant to introduce new toys" in part because it was "constantly worried that any new product it put out would compete with the company's own products").

241. Complaint, Becton, Dickinson & Co. v. Cytek Biosciences Inc., No. 18-cv-00933, 2018 U.S. Dist. LEXIS 85121 (N.D. Cal. May 21, 2018), 2018 U.S. Dist. Ct. Pleadings LEXIS 19518, ECF No. 1.

242. *Id.* ¶ 2.

its research and development projects in the flow cytometry field (Project Newton) and instead "prioritized other products over Project Newton,"[243] several employees, some of whom had worked on Project Newton, left BD and joined a competitor (Cytek), allegedly taking thousands of confidential files with them.[244] Less than two years later Cytek, "which for two decades had never produced or sold its own flow cytometer," began selling competing flow cytometer products under its own trademarks.[245]

This is not abandonment. BD still produced closely related products in the same field, so Cytek's new products, based on research BD had deliberately chosen not to pursue, would nonetheless compete with BD's remaining products. BD still derived independent economic value from keeping the information about its shelved project secret from competitors like Cytek.[246]

Where a company like BD decides not to employ a trade secret in the marketplace, the relevant question becomes whether concealment of that information directly benefits the company by preserving or supporting the market for a product or service it is providing.[247] That's true in the strategic shelving examples we just discussed, and it's also likely to be true in the case of "negative know-how." Keeping information about what doesn't work secret can still help a company succeed in some markets.[248] The company is still actively involved in a market, and disclosing the secret would give competitors an advantage in that market that they don't currently have.

By contrast, if the company doesn't enter a market at all and declines to license others the right to use its information when asked, it gains no

243. *Id.* ¶¶ 3-4.

244. *Id.* ¶¶ 4-6.

245. *Id.* ¶ 4.

246. *Id.* ¶ 128 (alleging that "information relating to each of these products or developing products . . . has great value to BD and would have significant economic value to its competitors"). Note that the complaint was ultimately dismissed (with leave to amend) due to BD's failure to identify its secrets with sufficient particularity. *Becton, Dickinson & Co.*, 2018 U.S. Dist. LEXIS 85121, at *6-8.

247. This requires the law to have some concept of what products compete with each other, or at least of which ones are sufficiently proximate that the use of a secret by another might affect the plaintiff's economic interests. Antitrust law has long focused on market definition, but IP regimes implicitly define markets too. *See* Mark A. Lemley & Mark P. McKenna, *Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP*, 100 GEO. L.J. 2055, 2056-60 (2012).

248. *See* Michal Shur-Ofry, *Access-to-Error*, 34 CARDOZO ARTS & ENT. L.J. 357, 361-62, 374 (2016) (arguing that more incentives for, and fewer restraints on, disclosing negative knowledge are needed). *But see* Charles Tait Graves, *The Law of Negative Knowledge: A Critique*, 15 TEX. INTELL. PROP. L.J. 387, 388 (2007) (criticizing "the doctrine of negative know-how" as "conceptually unworkable and [for] serv[ing] mainly as an anticompetitive threat to employee mobility").

independent economic value from the information and shouldn't be able to prevent others from using it.

V. Building a Clearer Framework for Abandoning Trade Secrets

As we have seen, a trade secret owner can indeed abandon its trade secrets by failing to derive independent economic value from them. Unfortunately, because courts do not talk expressly about trade secret abandonment, their decisions are inconsistent, and some courts have been willing to presume independent economic value long after the trade secret owner has relinquished any legitimate claim to the information.[249]

To solve this problem, we argue that courts should draw on trademark law's abandonment doctrine, which expressly provides that trademarks no longer used in commerce cannot be legally protected.[250] To be clear, we are not suggesting that the DTSA or the UTSA need to be amended to add an abandonment provision. To the contrary, as we have noted, we think the principle of abandonment is *already* part of trade secret law properly understood. But it is not always properly understood. Drawing from the established body of trademark abandonment law can help courts better understand and apply the trade secrets statutes we already have.

A. The Trademark-Based Framework

In trademark law, courts have a clear framework for assessing whether a trademark has been abandoned by its owner through a failure to use it in commerce.[251] Section 45 of the Lanham Act provides that "[a] mark shall be deemed to be 'abandoned' . . . [w]hen its use has been discontinued with intent not to resume such use."[252] Section 45 further provides that intent not to resume use of the mark "may be inferred from circumstances" and that "[n]onuse for 3 consecutive years shall be prima facie evidence of abandonment."[253]

249. *See supra* Part III.D.

250. *Cf.* Claeys, *supra* note 8, at 588-99 (drawing an analogy between trade secret law's old use requirement and trademark law's abandonment doctrine).

251. While trademark abandonment is generally presumed from a period of nonuse, it can be express and completely intentional. A trademark owner can literally send the USPTO a letter officially surrendering rights to a registered trademark. *See, e.g.*, Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd., 627 F.2d 628, 629 & n.1 (2d Cir. 1980).

252. 15 U.S.C. § 1127.

253. *Id.*

Courts have interpreted this to mean that a trademark has been abandoned by its owner if the owner is no longer using the trademark in commerce[254] and the owner has no intent to resume use of the mark in the "reasonably foreseeable future."[255] If the trademark owner has ceased using the mark for the statutory period of three consecutive years, nonuse is presumed and the owner must justify the period of nonuse and demonstrate that it intended to resume use in the reasonably foreseeable future.[256] If it cannot do so, the trademark is deemed abandoned and becomes free for others to use.[257]

For example, in *Major League Baseball Properties, Inc. v. Sed Non Olet Denarius*, a district court in New York applied this framework to hold that the corporate owners of the "Brooklyn Dodgers" trademark legally abandoned the term after the team left New York and moved to Los Angeles.[258] The owners "had not used the term 'Brooklyn Dodgers' for trademark purposes for at least 23 years following their departure from Brooklyn."[259] The fact that the corporate owner engaged in "occasional licensing" of the name and sold novelty items of mere "historical interest" did not suffice to show bona fide trademark use in commerce sufficient to overcome abandonment.[260] The

254. "Use" of a trademark defeats an allegation of abandonment only if "the use includes placement on goods sold or transported in commerce; is bona fide; is made in the ordinary course of trade; and is not made merely to reserve a right in a mark." Electro Source, LLC v. Brandess-Kalt-Aetna Grp., Inc., 458 F.3d 931, 936 (9th Cir. 2006) (footnote omitted).

255. Silverman v. CBS Inc., 870 F.2d 40, 45-46 (2d Cir. 1989) ("There are . . . two elements for abandonment: (1) non-use and (2) intent not to resume use."); *id.* at 46 (interpreting the statutory phrase "intent not to resume" to mean "intent not to resume within the reasonably foreseeable future"). The "intent not to resume" prong is assessed only if trademark use has already ceased. This means that an intent to stop using in the future does not matter if there is still, in fact, use. *Electro Source*, 458 F.3d at 937-38 (citing *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 675-76 (7th Cir. 1982), which held that the continued use of a trademark in good faith on billboard displays defeated abandonment despite the owner's intent to cease use in the future).

256. 15 U.S.C. § 1127. Companies can rebut this presumption by showing extenuating circumstances and reasons for the long delay so long as they are actually taking steps to resume use. *See, e.g.*, Crash Dummy Movie, LLC v. Mattel, Inc., 601 F.3d 1387, 1390-92 (Fed. Cir. 2010) (finding intent to resume use of a toy mark by a company that obtained the mark by assignment but first needed to retool the toy to meet its own safety standards); *Silverman*, 870 F.2d at 45-46.

257. *See, e.g.*, *Silverman*, 870 F.2d at 46; *see also* Exxon Corp. v. Humble Expl. Co., 695 F.2d 96, 97-98, 104 (5th Cir. 1983) (remanding to determine whether Exxon's brand maintenance program supported "a finding that Exxon had sufficient intent to resume use of the Humble mark so as to avoid its loss").

258. 817 F. Supp. 1103, 1130-31 (S.D.N.Y. 1993), *vacated pursuant to settlement*, 859 F. Supp. 80, 81 (S.D.N.Y. 1994).

259. *Id.* at 1130.

260. *Id.*

owners were unable to meet their burden to demonstrate an "intent to resume commercial use" of the Brooklyn Dodgers mark after they left Brooklyn in 1958 "or at anytime within the ensuing quarter century."[261]

We think the trademark abandonment framework supplies an effective lens through which to construe trade secret law's statutory independent economic value requirement. Courts should require a claimant to show either that it is currently deriving economic value from keeping the information secret or that it has an intention to do so in the "reasonably foreseeable future." If that's not the case, the claimant should have to provide some reason the information still imparts a competitive advantage, even if it does not relate to any currently marketed product. The trademark example will help courts understand that abandonment is possible and that it serves as an end date for the life of a trade secret.

The trademark abandonment framework we suggest here isn't exactly a change in trade secret law. As we have seen, state and federal trade secret statutes, when construed in light of trade secret law's common law origins and the UTSA's "reasonable departure" from the old "use" mandate, recognize abandonment already. But making abandonment explicit should clarify the law and prevent courts from misunderstanding it.[262] Abandonment allows courts to draw on an established body of precedent from a sister IP regime. Trade secret law could draw from trademark law to flesh out details, like a presumption of abandonment after a certain period of nonuse. And as we show below, it may also serve as the key to a longstanding problem for employed inventors and employee mobility.

B. Defining Trade Secret Abandonment

A trade secret can impart a competitive advantage even if it is not used in the business or related to a currently marketed product. This is because keeping information secret from competitors may itself generate a competitive

261. *Id.* at 1131.

262. One difference between trade secret and trademark abandonment is that, in trademark law, abandonment is a defense to a claim of trademark infringement, one that some courts have said must be "strictly proved," *see* Prudential Ins. Co. of Am. v. Gibraltar Fin. Corp. of Cal., 694 F.2d 1150, 1156 (9th Cir. 1982), perhaps even by clear and convincing evidence, *see* Grocery Outlet Inc. v. Albertson's Inc., 497 F.3d 949, 952-54 (9th Cir. 2007) (disagreeing, through concurring opinions, as to whether the standard is clear and convincing evidence or preponderance of the evidence). In trade secret law, by contrast, showing that the secret has independent economic value is part of the plaintiff's affirmative case. *See* ROWE & SANDEEN, *supra* note 4, at 358 (explaining that a plaintiff has the "burden of pleading and proving," among other things, its ownership of a trade secret and that a defendant may argue that the claimed information "does not have independent economic value").

advantage. In this Subpart, we articulate the boundaries of trade secret abandonment.

Consider various scenarios involving the most famous trade secret of all time: the formula for Coca-Cola. The Coca-Cola Company has introduced multiple reformulations of its famous soft drink—from the original formula, which included cocaine,[263] to the disastrous "New Coke" (intended as a replacement for the original formula),[264] to "C2" (intended as a lower calorie, but not zero calorie, version of Coke that could exist alongside Diet Coke).[265]

Imagine Coca-Cola reintroduces New Coke and takes the old Coke off the market. Is the formula for old Coke still a trade secret? Yes, because keeping the original formula a secret prevents other companies from competing directly with New Coke. If other companies could make old Coke, they could use it to compete with New Coke.

Now imagine that Coca-Cola introduces New Coke but, as actually happened, the launch is a flop, so Coca-Cola shelves New Coke and brings back old Coke. Is New Coke—which failed and generated no profits—valuable enough to be a trade secret? The answer, again, is yes, because it potentially competes with the old Coke and thus derives at least potential economic value from remaining a secret; that value just has to be "more than trivial."[266]

By contrast, if Coca-Cola leaves the soda business altogether without an intent to resume marketing Coke or any related products in the reasonably foreseeable future, the secret formula for Coke would no longer derive economic value from being unknown to others.[267] It would be abandoned.

263. *See* Coca-Cola Co. v. Koke Co. of Am., 254 U.S. 143, 145-47 (1920) (rejecting the claim that the term "Coca-Cola" was deceptively misdescriptive once the soda no longer contained cocaine).

264. *See New Coke*, WIKIPEDIA, https://perma.cc/D58W-2JS5 (last updated Sept. 13, 2020).

265. *See* Schneider & Hall, *supra* note 236 (discussing the failure of Coca-Cola's C2).

266. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. e (AM. L. INST. 1995) (explaining that the competitive advantage created by a trade secret "need not be great" and that "[i]t is sufficient if the secret provides an advantage that is more than trivial").

267. Bankruptcy represents a slightly distinct scenario. The failure of the company as a whole, where the entire company could be reorganized or sold to someone who is still using it, does not necessarily result in abandonment. A trade secret can survive bankruptcy if the owner takes appropriate steps and another entity purchases the trade secret and begins deriving value from it. On the treatment of trade secrets in bankruptcy and the steps a debtor must take to preserve trade secrets, see generally Lars S. Smith, *Trade Secrets in Commercial Transactions and Bankruptcy*, 40 IDEA: J.L. & TECH. 549, 570 (2000) (noting that "[t]he debtor has an obligation to include trade secrets on its schedule of assets, and to disclose the assets to the trustee"); and Sandeen, *supra* note 68, at 92-93 (noting that a debtor "has the duty to 'carefully, completely, and accurately' identify all of its property interests," including its trade secrets (quoting Cusano v. Klein, 264 F.3d 936, 946 (9th Cir. 2001))).

The prospect of licensing a secret you won't ever use yourself does make things more complicated. Unlike in trademark law, which at least historically was skeptical of licensing trademarks in gross, without accompanying business goodwill, there is no inherent limitation on licensing trade secrets to others for money.[268] So long as the licensing firm takes reasonable measures to retain secrecy in the course of licensing,[269] it is free to license however it wants.[270]

However, the trade secret owner must be deriving that value, whether from licensing or use or from strategic shelving, at the time the misappropriation occurs, or it must at least have a provable intention to do so in the reasonably foreseeable future. If it isn't in the market at all, a firm cannot simply point to the defendant's desire to use the information as proof of its "potential" licensing value and use that "potential" as a justification for an infinite term of protection.

C. Legal and Policy Implications

Introducing a clearer abandonment rule would have significant implications in two key contexts: (1) former employees who want to reuse trade secrets that their old employers are no longer using (or never used), and (2) third parties who try to access trade secrets that the holders have legally abandoned.

1. Giving abandoned trade secrets new life

In trademark law, it is not uncommon for companies to reuse and revive the reputational value of trademarks that prior owners have abandoned.[271]

268. *See* Irene Calboli, *Trademark Assignment "With Goodwill": A Concept Whose Time Has Gone*, 57 FLA. L. REV. 771, 780 (2005) ("Trademark assignments without associated goodwill are invalid and can lead to the cancellation of the assigned mark if a mark is used to misrepresent the source of the marked products." (citing 15 U.S.C. § 1064(3) (2000))).

269. Taking reasonable measures in the process of licensing is not always easy. It likely means, at a minimum, entering confidentiality agreements that expressly prohibit licensees from sharing secrets with third parties and that require licensees to undertake their own precautions. It likely also requires monitoring what licensees do with secrets. *See* ALEXANDER I. POLTORAK & PAUL J. LERNER, ESSENTIALS OF LICENSING INTELLECTUAL PROPERTY 73-74 (2004) (explaining that an essential feature of an effective trade secret license is an obligation to maintain confidentiality and related terms).

270. Even under the old "use" regime, the law was relatively clear that trade secret owners could license their secrets to outsiders without losing trade secret protection. *See, e.g.*, Ferroline Corp. v. Gen. Aniline & Film Corp., 207 F.2d 912, 922 (7th Cir. 1953) (upholding a contract that conveyed a trade secret process, as well as physical plant and equipment, to another company).

271. *See, e.g.*, Cal. Cedar Prods. Co. v. Pine Mountain Corp., 724 F.2d 827, 830 (9th Cir. 1984).

Abandoned trademarks that have been given new life by unrelated newcomers include "The Brooklyn Dodger" for a sports bar,[272] "Duraflame" for fake fire logs,[273] and "FRONTIER" and "PAN AM" as airline and travel school names.[274] The same can happen for trade secrets once they have been legally abandoned: They can come back to life with a new owner.

A surprising implication of our thesis concerns a former employee or another person who acquires a trade secret lawfully while under a duty to maintain secrecy. If she seeks to do something with the trade secret after its original owner has abandoned it, she should legally be able to do so, at least under trade secret law. This is true regardless of whether the employee has potentially violated a legal duty to her employer by disclosing or using the former employer's expired trade secrets. The employer no longer has a trade secret so it no longer has a cause of action.[275] But the information is still not generally known to the world, and it may have value to others. Like an abandoned trademark, it is ripe for someone else to pick up and recycle.

We think allowing departing employees to take and use abandoned trade secrets improves the world. By definition, a trade secret is abandoned only in situations where the company has stopped deriving economic value from keeping the information secret or where it never did so to begin with. The company may even be out of the market altogether. If it is, we see no reason why the secret should lie fallow if someone else can make productive use of it. And departing employees—especially employees who themselves invented since-abandoned secrets—are likely to be particularly good users of those ideas.

272. *See* Major League Baseball Props., Inc. v. Sed Non Olet Denarius, Ltd., 817 F. Supp. 1103, 1108 (S.D.N.Y. 1993), *vacated pursuant to settlement*, 859 F. Supp. 80 (S.D.N.Y. 1994). For footage of the sports bar, see kboyle77, *Brooklyn Dodger Sports Bar*, YOUTUBE (Sept. 24, 2010), https://perma.cc/YU9Y-STBM.

273. *See Cal. Cedar Prods.*, 724 F.2d at 830-31 (holding that California Cedar could protect its "major investment" in marketing "Duraflame firelogs" since it was the first to use the Duraflame mark in commerce after express abandonment of the Duraflame mark by the prior owner, which had withdrawn from the artificial firelog market).

274. Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1249 (2007); *see also* Pan Am. World Airways, Inc. v. Panamerican Sch. of Travel, Inc., 648 F. Supp. 1026, 1031 (S.D.N.Y.), *aff'd*, 810 F. 2d 1160 (2d Cir. 1986); Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd., 627 F.2d 628, 629 (2d Cir. 1980).

275. *See* Lemley, *supra* note 66, at 314 (arguing that a "virtue of treating trade secrets as IP rights" is that it "limits business tort claims to circumstances in which there is really a secret to be protected"); *see also* Charles Tait Graves, *Trade Secrets as Property: Theory and Consequences*, 15 J. INTELL. PROP. L. 39, 41 (2007) (noting that there is a tension between this "property rights approach" to trade secrets and the "relational approach," which "treat[s] information as legally protectable when[ever] an employee has learned the information under a confidentiality agreement").

They are the most likely to have worked with the ideas, to know their ins and outs, including their uses and flaws, and to be motivated to continue that work.

Employee–inventors in particular would benefit from the ability to take their own discarded ideas with them when they leave a company. Employees who invent must generally assign their inventions to the company.[276] Fair enough, they are being paid to invent. But inventors tend to be smart, motivated people who discover and develop ideas because they find the ideas interesting or because they want to make the world a better place, not simply for a paycheck. It is extremely demoralizing to be told that the project you spent the last several years of your life working on—and which developed valuable new information the world doesn't have—is being shelved and that no one will ever use or benefit from it.[277]

Those employees should be able to take their own ideas with them when they leave. If the company was right that the idea wasn't worth pursuing, no harm is done. But if the employee was right, the world will gain a new company and a new idea it would otherwise never have seen. The employer, by contrast, doesn't lose much: It wasn't going to develop the idea anyway and had

276. Even if there is no assignment contract, employees who are "hired to invent" typically do not own what they invent in the scope of their duties. *See* Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARV. J.L. & TECH. 1, 5 (1999) ("Even in the absence of a contract, the employer owns the inventive output of an employee who is 'hired to invent'—i.e., whose primary job responsibility is to solve a specific technical problem."). Some states limit common law rules that purport to assign all inventions to employers. *See, e.g.*, CAL. LAB. CODE § 2870(a) (West 2020) (providing that an employee-invention assignment agreement "shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's [resources] *except* for those inventions that either" (1) relate to the employer's business or its "anticipated research or development," or (2) "[r]esult from work performed by the employee for the employer" (emphasis added)).

277. *See* LOBEL, YOU DON'T OWN ME, *supra* note 32, at 9 (describing the frustrations of Carter Bryant, a former Mattel employee who was eventually accused of stealing Mattel's trade secrets, caused by "seeing too many good ideas shelved under the wheels of bureaucracy—flung into the intellectual *basura*, the trash heap, buried in the graveyard of discarded pitches"); Mattel, Inc. v. MGA Ent., Inc., 782 F. Supp. 2d 911, 941, 959-63 (C.D. Cal. 2011) (describing allegations that Bryant breached contractual and common law duties to Mattel, and misappropriated Mattel trade secrets, by failing to disclose Bratz fashion-doll concept and prototypes prior to leaving Mattel); *see also, e.g.*, Steven Cherensky, Comment, *A Penny for Their Thoughts: Employee–Inventors, Preinvention Assignment Agreements, Property, and Personhood*, 81 CALIF. L. REV. 595, 657-66 (1993) (critiquing preinvention assignment agreements that transfer future employee inventions to the employer, and suggesting that more limitations on alienability might be justified given that inventions "embody the personality of their inventor"); Viva R. Moffat, *Human Capital as Intellectual Property? Non-competes and the Limits of IP Protection*, 50 AKRON L. REV. 903, 911-12, 925 (2016) (drawing attention to "personal autonomy and dignitary concerns" for workers in debates over noncompetes, asserting that a noncompete can serve to "alienat[e] . . . a portion of the labor, knowledge, and skills of an individual person").

no directly competing products on the market. There are also larger impacts on society since there is every reason to believe that free employee mobility is accompanied by dissemination and sharing of information and drives new innovation.[278]

To be clear, the inventor isn't the only one who could take the idea. If it is truly abandoned, *any* employee or contractor who has access to the idea can run with it. The inventor might have an edge—she developed the idea and presumably understands it better than others who learned it from her. But if it's not the inventor who takes the idea, and if it's other employees at the firm who learned it from her on the job, well, too bad for the inventor. The trade secret has been abandoned. Anyone with access to it is free to take it and try to give it new life. Trademark law allows such a "race" to reclaim abandoned trademarks.[279] Racing for an abandoned brand can be somewhat troubling since consumers might be confused about who is selling a product called "Coke" if it's not the Coca-Cola Company, given that Coke is likely to have significant residual goodwill.[280] But racing to implement an unpatented idea that the public has not yet seen, and from which the public might never otherwise benefit,[281] seems like a good thing, not a bad thing. It's called competition, and in the absence of a protectable IP right it is the norm in our economy.

True, there is a risk that departing employees (or others with lawful access to trade secrets, like contractors) will claim a secret was "abandoned" by their former employer when it wasn't. For example, an employee might develop an invention while doing research that her company was paying her to do and,

278. *See* Mark A. Lemley & James H. A. Pooley, *California Restrictive Employment Covenants After* Edwards (Stanford Pub. L. Working Paper No. 1295606, rev. 2013), https://perma.cc/Q8EC-6H8E; LOBEL, TALENT, *supra* note 32, 141-69; Lobel, *supra* note 32, at 790-93; Matt Marx, *The Firm Strikes Back: Non-compete Agreements and the Mobility of Technical Professionals*, 76 AM. SOCIO. REV. 695, 696, 709-10 (2011); Matt Marx & Lee Fleming, *Non-compete Agreements: Barriers to Entry . . . and Exit?*, 12 INNOVATION POL'Y & ECON. 39, 48-51, 54 (2012); Matt Marx, Jasjit Singh & Lee Fleming, *Regional Disadvantage? Employee Non-compete Agreements and Brain Drain*, 44 RSCH. POL'Y 394, 395-96 (2015); J.J. Prescott, Norman D. Bishara & Evan Starr, *Understanding Noncompetition Agreements: The 2014 Noncompete Survey Project*, 2016 MICH. ST. L. REV. 369, 462-63 (finding that firms often impose noncompetes even where they are unlawful). *But see* Jonathan M. Barnett & Ted Sichelman, *Revisiting Labor Mobility in Innovation Markets* 4-5 (USC Gould Sch. of L., Legal Stud. Rsch. Paper No. 16-15, 2016), https://perma.cc/VB6Y-Y9AR (criticizing these studies).

279. *See* Dogan & Lemley, *supra* note 274, at 1249.

280. *See generally* Linford, *supra* note 78, at 844-46 (discussing the phenomenon of residual goodwill and the potential harms to consumers from allowing subsequent protection for marks with residual goodwill).

281. As we explained in Part I.C above, the secret might otherwise remain secret and be kept under lock and key indefinitely.

rather than disclose the invention to the company, just leave and start a competing business or sell the invention to a major competitor.

But that's already an issue anyway. Departing employees sometimes claim to have come up with an idea so soon after leaving a job that their former employer determines, not unreasonably, that the employee must simply have concealed the idea during their employment and waited until departing to disclose it.[282] The law permits employers to mitigate this risk by contract. Companies often require employee–inventors to sign so-called "trailer clauses," which give the employer rights to inventions the employee develops within a short time after the employee leaves.[283] Even with an enforceable trailer clause in place, there is always the risk that the former employee will simply wait out the duration of the term and conveniently announce the discovery after the trailer clause's expiration date. For example, in *General Signal Corp. v. Primary Flow Signal, Inc.*, the former employee asserted that his breakthrough occurred just *five days* after the expiration of the six months specified in a trailer clause.[284]

Nonetheless, despite this ever-present risk, courts have held that these trailer clauses cannot last forever. Courts strike down overly long trailer clauses because they understand that too long a period of control would threaten employee mobility.[285] They thus tend to restrict trailer clauses to a short period.[286] Otherwise, the law "would choke the inventive capacity of the

282. *See* Ingersoll-Rand Co. v. Ciavatta, 542 A.2d 879, 883-84 (N.J. 1988) (describing a breach of employment contract claim based on a holdover clause where an employee "completed his first sketch of the [invention] . . . approximately two months after Ingersoll-Rand fired him").

283. *See id.* at 885 (discussing a one-year "holdover" agreement under which the employee promised to assign certain inventions he created "during a one-year period following termination"); *see also* POOLEY, SECRETS, *supra* note 2, at 46 ("[T]here is *always* some chance to game the system by keeping those new ideas a secret until the employee has left for the next job. . . . so the 'holdover clause' was developed . . . ." (emphasis added)).

284. *See* No. Civ. A. 85-0471B, 1987 WL 147798, at *4 (D.R.I. July 27, 1987) (finding that "the concept of the '434 patent must have existed in Mr. Halmi's mind before his employment with GSC ended" and that "Mr. Halmi therefore violated his agreement with GSC").

285. Pooley, for example, notes that the trailer clause is a "blunt instrument for protecting secrecy, in that it can cause a lot of collateral damage to the well-intentioned innovator." *See* POOLEY, SECRETS, *supra* note 2, at 46; *see also, e.g.*, *Ingersoll-Rand*, 542 A.2d at 896 (declining to enforce a holdover agreement after concluding that enforcement of the agreement would work an undue hardship on the employee–inventor).

286. Trailer clauses of particularly long or indefinite duration can be held unenforceable and run afoul of the antitrust laws. *See, e.g.*, United Shoe Mach. Co. v. La Chapelle, 99 N.E. 289, 293 (Mass. 1912) (holding that a provision that would assign an employee's inventions to an employer for ten years after the employee's termination "projects itself so far beyond the period of actual employment and payment of wages that it appears plainly to be in aid of the unlawful combination"); *see also, e.g.*, Dorr-Oliver,

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defendant for a period so long after his employment ceased that his usefulness to himself or to any competitor would be extinguished in most instances."[287]

Introducing abandonment into trade secret law will not dramatically increase the inescapable risk of an employee using employer information in new endeavors. While there is some risk of moral hazard, we think the risk is no worse than with the ordinary departing-employee case, and the harm is much less severe. After all, to win on abandonment the employee (or other defendant) has to show that the company (or other plaintiff) knew about the idea and had no intention to use it in the reasonably foreseeable future. If it turns out that the employee actually ran off with an unfinished prototype before it could be brought to market, the idea would have "potential" economic value to the employer, and the abandonment defense would fail.[288]

Indeed, we might reasonably be more concerned about employers gaming the system by belatedly claiming plans to use the secret after the employee takes it. Recall that this is exactly what happened in *Victor Chemical Works v. Iliff*, where the plaintiff employer decided to resume use of an abandoned process only after it saw a former employee using it.[289] Other companies periodically come out of the woodwork and claim that they really had some good idea and just never pursued it, but that the company that did pursue the idea should pay them.[290] Trademark abandonment doctrine can help detect and prevent these sorts of after-the-fact claims by forcing trade secret holders to prove, not just allege, that they are deriving value from their secrets.[291]

2. Are those who take abandoned secrets liable for breach of contract?

Other theories of recovery, such as breach of contract or fiduciary duty, may still be available against an employee who uses or discloses another's

Inc. v. United States, 432 F.2d 447, 452 (Ct. Cl. 1970) (per curiam) ("In construing and applying hold-over clauses, the courts have held that they must be limited to *reasonable times* and to *subject matter* which an employee worked on or had knowledge of during his employment." (emphasis added) (citation omitted)).

287. *La Chapelle*, 99 N.E. at 293.

288. *See supra* notes 141-47 and accompanying text.

289. 132 N.E. 806, 809 (Ill. 1921).

290. *See, e.g.*, Hannah Albarazi, *Uber Must Face $1B Trade Secrets Suit, Jury Finds*, LAW360 (Feb. 21, 2020, 7:49 PM EST), https://perma.cc/C6FN-C7ZK (finding that Celluride, which claims to have developed the idea for a ride-sharing app in 2002 but never did anything with it, could bring a claim against Uber, which deployed the idea in 2010).

291. As explained in Part III, the statutory definition of "misappropriation" supports this interpretation since it requires that a trade secret be deriving independent economic value from secrecy at the time of the misappropriation. 18 U.S.C. § 1839(5); *see also supra* notes 135-38 and accompanying text.

abandoned trade secrets.[292] The UTSA specifically does not preclude breach of contract claims.[293] Some courts have enforced confidentiality agreements[294] against departing employees even if they are accused only of taking non-trade secret information, and even if those agreements last, on their face, "for all time."[295]

There is also significant case law within the licensing context (including some dicta from the Supreme Court) suggesting that trade secret licenses can still be enforced even after the licensed information has been publicly disclosed.[296] This case law is not actually inconsistent with our abandonment

292. *See generally* Richard F. Dole, Jr., *The Contract Exception to the Uniform Trade Secrets Act and Its Implications for the Federal Defend Trade Secrets Act*, 34 SANTA CLARA HIGH TECH. L.J. 362, 375-78 (2018) (discussing the variable enforceability of covenants not to disclose or use confidential information that are not trade secrets).

293. *See* UTSA, *supra* note 4, § 7(b)(1) ("This [Act] does not affect: (1) contractual remedies, whether or not based upon misappropriation of a trade secret . . . ." (alteration in original)).

294. Not all employees have express confidentially agreements. For example, a recent article found only 60% of departing employee defendants in the trade secret cases it reviewed were subject to an employment contract, a number that we find surprisingly small. *See* Kurt M. Saunders & Nina Golden, *Skill or Secret?—The Line Between Trade Secrets and Employee General Skills and Knowledge*, 15 NYU J.L. & BUS. 61, 86 n.113 (2018). True, contractual duties of confidentiality can be implied. *See, e.g.*, Reeves v. Alyeska Pipeline Serv. Co., 926 P.2d 1130, 1135, 1142 (Alaska 1996) (per curiam). But it's not a fait accompli. There has to be sufficient notice that the information at issue is intended to be treated as confidential. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. c (AM. L. INST. 1995) (noting that although the employment relationship ordinarily justifies an inference that the employee consents to a duty of confidence with respect to information acquired through the employment, the employee must know or have "reason to know" the information is confidential and be put "on notice" that the information is confidential).

295. *See, e.g.*, Coady v. Harpo, Inc., 719 N.E.2d 244, 246, 250-51 (Ill. App. Ct. 1999) (enforcing a confidentiality agreement requiring a former employee of *The Oprah Winfrey Show* "'to keep confidential, during her employment and thereafter, all information about the [production company], Ms. Winfrey, her private life, and [the production company's] business activities [that] [the employee] acquired during or by virtue of her employment,'" even though the agreement "remain[ed] effective for all time and with no geographical boundaries" (quoting a letter from the production company to the employee)); *see also* Orthofix, Inc. v. Hunter, 630 F. App'x 566, 571-73 (6th Cir. 2015) (holding that the absence of trade secrets does not generally render nondisclosure agreements, as opposed to noncompete agreements, unenforceable for failure to be limited in time or geographic scope).

296. Some courts, including in the famous Listerine case, have held that licenses can be enforced even after the trade secret has become public. *See* Warner-Lambert Pharm. Co. v. John J. Reynolds, Inc., 178 F. Supp. 655, 665 (S.D.N.Y. 1959) ("A secret formula or trade secret . . . may be discovered by someone else almost immediately after the agreement is entered into. . . . But that does not mean that one who acquires a secret formula or a trade secret through a valid and binding contract is then enabled to escape from an obligation to which he bound himself simply because the secret is discovered by a third party or by the general public."), *aff'd per curiam*, 280 F.2d 197 (2d Cir. 1960);
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theory, since we think information that is being licensed is deriving actual value. But it suggests at a more general level that trade secret owners could, in theory, permanently prohibit their employees from using or disclosing abandoned trade secrets, despite the fact that the employer by definition isn't using, licensing, or otherwise deriving value from those abandoned secrets.

Contracts that tie up non-trade secret information, especially ones without any time limit, are controversial and have been criticized even within well-established legal sources like the Third Restatement of Unfair Competition.[297] But the divergent case law means that, depending on the jurisdiction, an employee who uses trade secrets that have been legally abandoned by her employer might still find herself liable for breach of contract if she leaves and uses or discloses the secret.

Allowing protection for merely "confidential" information that doesn't meet the standards for a trade secret undermines the purpose of having limitations on what can be a trade secret—including the requirement of secrecy itself.[298] Likewise, there are serious costs to allowing companies that aren't deriving value from their trade secrets to prevent employees from doing so after they leave.

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see also 1 JAGER, *supra* note 4, § 6:1 (discussing the "famous 'Listerine' case" and the issue of when trade secret rights and obligations end); Kimble v. Marvel Ent., LLC, 135 S. Ct. 2401, 2405, 2408 (2015) (confirming the rule that a patentee cannot continue to receive royalties for sales made after his patent expires, but distinguishing licenses involving "expired" trade secrets).

297. The Third Restatement of Unfair Competition takes the position that "[a] promise to refrain from the use or disclosure of commercial information is ordinarily unenforceable unless the information is sufficiently secret to justify the restraint." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 41 cmt. d (AM. L. INST. 1995). Further, the *Restatement* notes that "because of the public interest in preserving access to information that is in the public domain, such an agreement will not ordinarily estop a defendant from contesting the existence of a trade secret." *Id.* § 39 cmt. d. A number of cases support this view, which seems at odds with *Warner-Lambert*'s rule that a license can last beyond the existence of the trade secret. *See, e.g.*, Gary Van Zeeland Talent, Inc. v. Sandas, 267 N.W.2d 242, 249-50 (Wis. 1978); Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 265 (S.D. Cal. 1958), *aff'd per curiam*, 283 F.2d 695 (9th Cir. 1960). For criticisms of legal restraints on the use or disclosure of non-trade secret information, see, for example, Charles Tait Graves & Elizabeth Tippett, *UTSA Preemption and the Public Domain: How Courts Have Overlooked Patent Preemption of State Law Claims Alleging Employee Wrongdoing*, 65 RUTGERS L. REV. 59, 60-64 (2012) (discussing the preemptive effects of the UTSA and of patent law on noncontract claims for theft of information that is not a trade secret); and Orly Lobel, *Enforceability TBD: From Status to Contract in Intellectual Property Law*, 96 B.U. L. REV. 869, 884-86 (2016) (discussing the limitations on enforcing contracts covering non-trade secret information).

298. *See* Lemley, *supra* note 66, at 350-51 (critiquing the law's willingness to allow companies to contract around trade secrets and suggesting the best rule is to "prevent parties from opting out of particular rules of trade secret law, at least to the extent they rely on trade secret rather than contract remedies").

To the extent this is the law, we think it should be reexamined, at least for some of the scenarios we've discussed, like employee–inventors. Courts in some states have placed temporal and geographic limits on the enforcement of nondisclosure agreements.[299] Contracts scholars have argued that courts should not enforce confidentiality agreements that amount to "hush contracts" when they impose negative externalities on society.[300] Especially for truly expired secrets, a sweeping contractual restriction against the person who invented it seems to violate public policy. Society loses out on the new ideas it would otherwise receive from allowing reuse and disclosure of abandoned secrets.[301]

Even if a court does enforce a contractual restraint with respect to abandoned trade secrets, the remedy should be limited to damages. Money is adequate to compensate a former trade secret owner who no longer cares about the information apart from its hypothetical licensing value.[302] At most, a court should award a "reasonable royalty" based on what the parties would have agreed to in a hypothetical licensing deal.[303]

299. Revere Transducers, Inc. v. Deere & Co., 595 N.W.2d 751, 761 (Iowa 1999) ("Some states . . . either because of statutory law or public policy, require some form of geographic or time limitations in order for a nondisclosure agreement to be enforceable."); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 41 reporters' note cmt. d (AM. L. INST. 1995) ("Some courts, reviewing nondisclosure agreements under the standards traditionally applied to covenants not to compete, require not only a protectable interest in the information but also both durational and geographic limitations.").

300. *See, e.g.*, David A. Hoffman & Erik Lampmann, *Hushing Contracts*, 97 WASH. U. L. REV. 165, 199 (2019) (arguing that in assessing the enforceability of confidentiality contracts relating to sexual harassment, courts should "explicitly focus their analysis on third-party harm," and arguing that "public policy is best thought of as primarily a doctrine about limiting the externalities that result from private contracts"); *see also id.* at 191 (noting that the "vast majority" of cases involving confidentiality clauses "concerned NDAs about trade secrets coupled with noncompetition clauses").

301. *See generally* Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1034-36, 1046-50 (2005) (observing that the term "intellectual property" has been used to describe the "traditional legal disciplines of patents, copyrights, and trademarks and encroaches as well into such neighboring bodies of law as trade secrets," and criticizing the property metaphor as placing undue restrictions on ideas).

302. *See* Deepa Varadarajan, *Trade Secrecy Injunctions, Disclosure Risks, and* eBay*'s Influence*, 56 AM. BUS. L.J. 879, 881-82, 909-10 (2019) (discussing trends following *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), and observing that injunctions may not be warranted in trade secret cases where "the plaintiff is not itself commercially utilizing the trade secret"); *see also* Elizabeth A. Rowe, eBay*, Permanent Injunctions, and Trade Secrets*, 77 WASH. & LEE L. REV. 553, 565-73 (2020) (discussing how courts are applying the *eBay* factors to deny or limit injunctions in trade secret cases).

303. *See* Douglas G. Smith, *Application of Patent Law Damages Analysis to Trade Secret Misappropriation Claims: Apportionment, Alternatives, and Other Common Limitations on Damages*, 25 SEATTLE U. L. REV. 821, 841-44 (2002) (discussing how courts use "reasonable royalty" damages in trade secret cases).

3. Wrongful acquisition of abandoned secrets

So far, we have only discussed public interest disclosures and entrepreneurship by former employees. But what about wrongful acquisitions? Surely, the reader might object, you aren't saying *just anyone* can take the secret and do whatever they want with it? The employee situation is a far cry from the more nefarious trade secret misappropriation scenario where a third party "improperly" acquires the expired trade secrets. Misappropriation by improper means violates what one court called "the standard of morality expected in our commercial relations."[304] Much of that improper conduct—bribery, computer hacking, trespass, and the like—is also illegal under other laws, and it will remain illegal. But "improper means" also covers conduct that, while not illegal, is, well, just improper.[305]

So are we suggesting that abandoned trade secrets—say, information contained in a box of moldy papers in a company's discarded trash—are abandoned even with respect to an improper acquirer like someone who (legally) digs through the trash on the street? What if a spy uses an airplane to circle a chemical company's abandoned factory from public airspace to discern how the company used to perform a process?[306]

We think the answer has to be yes. Definitionally, once the trade secret is abandoned due to the former owner's failure to derive independent economic value from it, the trade secret should really be deemed abandoned—even with respect to someone who acquires the information using "improper means."[307]

This may seem troubling. In patent, copyright, and trademark law, when the right expires or is abandoned, it enters the public domain and others can use the subject matter.[308] That's the whole point. But trade secret law's expiration is distinct for a fundamental reason: The information was protected in the first place only because it was secret. It remains inaccessible to anyone

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304. E. I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1016 (5th Cir. 1970).

305. *See generally* Don Wiesner & Anita Cava, *Stealing Trade Secrets Ethically*, 47 MD. L. REV. 1076 (1988) (assessing over a decade of case law involving bad acts, in which trade secret law appeared to serve as a means of enforcing standards of commercial morality).

306. *Cf. Christopher*, 431 F.2d at 1013.

307. *See* 18 U.S.C. § 1839(5) (defining misappropriation of a trade secret in part as using "improper means" to acquire that secret); *id.* § 1839(6) (defining "improper means" of acquiring a trade secret as including "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means").

308. *See* Fagundes & Perzanowski, *supra* note 206, at 498-99. *But see* Anupam Chander & Madhavi Sunder, *The Romance of the Public Domain*, 92 CALIF. L. REV. 1331, 1332 (2004) (critiquing the assumption "that because a resource is open to all by force of law, it will indeed be equally exploited by all").

utilizing proper means.[309] Recognizing the existence of abandoned secrets means permitting, at least under trade secret law, some acts of improper acquisition like spying.[310]

This might seem to condone a "law of the jungle" that trade secret law is said to condemn.[311] But a few mitigating factors make this outcome less problematic. First, as one of us has noted, the modern trend is to view trade secrets as IP rights.[312] This suggests we should emphasize the demands of innovation policy, under which allowing third parties to do productive things with long-expired trade secrets makes sense, and downplay the older tort theory of trade secret protection, which emphasizes the condemnation of morally dubious acts.[313] So maybe we should be no more troubled by a defendant's use of an expired secret than by her use of an expired patent.

Second, the third party must know there is a secret to be had and where it might be found. Employees and contractors may know this because they invented the secret or at least have dealt with the company, but third parties likely won't even know about the existence of abandoned secrets, so they will have little incentive or ability to try to steal those former secrets.

Finally, most of the means third parties might use to get ahold of expired secrets also violate some other tort or criminal law. And those laws should suffice to discourage unproductive or dangerous social behavior. Unlike the contract signed by the departing employee—which, assuming it's even enforceable, should only earn the company compensation for its losses (presumably zero dollars in the case of abandoned secrets)—the penalties for burglary or computer hacking are quite severe. While it is possible that third parties will find some lawful, yet still "improper," way to get information they know exists, employees are much better positioned to use a secret once the company abandons it.

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309. *See* 18 U.S.C. § 1839(3) (defining a trade secret as information that, among other things, has been the subject of the owner's reasonable efforts to retain secrecy and is not "generally known to" or "readily ascertainable through proper means" by others).

310. Recall that a trade secret must exist at the time of the act of misappropriation. *Id.* § 1839(5) (stating that misappropriation includes "acquisition *of a trade secret* of another by a person who knows or has reason to know that the trade secret was acquired by improper means" (emphasis added)); *id.* § 1839(6) (defining improper means); *see also supra* note 135 and accompanying text.

311. *See Christopher*, 431 F.2d at 1016.

312. *See* Lemley, *supra* note 66, at 324-26.

313. *See id.* at 321-23 (challenging the "tort theory of secrecy" as the primary justification for trade secret laws).

Conclusion

The classic story that trade secrets don't expire, but instead persist as long as they are kept secret, isn't always true. Trade secrets can also expire when they are abandoned due to failure to derive value from their secrecy. Trade secret abandonment is rare, but it is very real. It can occur when a company leaves the market, when it leaves behind an obsolete generation of a product even though it continues in the market, or when it decides never to pursue an avenue of research at all.

Courts ostensibly recognize the requirement of independent economic value, but they have never thought about those cases coherently as involving abandonment. Instead, courts tend to *presume* that trade secrets have the requisite value, sometimes applying reasoning as circular as saying that "someone wants to use it, and it could thus 'potentially' be licensed for value."

Conceptualizing trade secret law's independent economic value requirement as the basis for abandonment allows us to draw on trademark law, a sister IP regime with longstanding and well-developed law. It gives us a coherent way to think about the end of a trade secret's life. If correctly applied, it encourages the dissemination of information that could not otherwise be known or developed. And it frees up space for employee–inventors, who can use secrets that their original owners have given up on. The public can benefit from abandoning trade secrets.