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All the King's Horses-Irreparable Harm in Trade Secret Litigation

Edmond Gabbay

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INTRODUCTION

Fueled by two decades of scientific advancement, the United States has experienced explosive technological growth in the computer,[1] biotechnology[2] and communications[3] industries. This explosion has not only produced a vastly increased potential for profit,[4] but has also led to a large number of defections by skilled employees, who establish competing businesses or accept lucrative offers from existing competitors.[5] It has also resulted in a shortened life-span for new technology,[6] which increases costs[7] relative to sales revenues and makes it necessary for businesses to improve capital efficiency.[8] These effects have produced a competitive marketplace[9] in which the misappropriation of

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1. *See* Gilburne & Johnston, *Trade Secret Protection for Software Generally and in the Mass Market*, 3 Computer L.J. 211, 214 (1982); Raysman & Brown, *Protection of Confidential Data*, N.Y.L.J., Oct. 11, 1983, at 1, col. 1; *Technologies for the 80's*, Bus. Wk., July 6, 1981, at 48, col. 1; *Hungry for Capital to Sustain the Boom*, Bus. Wk., June 1, 1981, at 78, col. 2.

2. *See Biotech Comes of Age*, Bus. Wk., Jan. 23, 1984, at 84, col. 1; *Technologies for the 80's*, Bus. Wk., July 6, 1981, at 52, col. 1.

3. *See* Practising Law Institute, Telecommunications Common Carriers in a Competitive Era 27 (1983); *Hungry for Capital to Sustain the Boom*, Bus. Wk., June 1, 1981, at 78, col. 1.

4. *See* Whitebook & Tosi, *Protecting Computerland's Fragile New Trade Secrets*, Cal. Law., Oct. 1982, at 43–44; *Technologies for the 80's*, Bus. Wk., July 6, 1981, at 48, 48; *Hungry for Capital to Sustain the Boom*, Bus. Wk., June 1, 1981, at 74, 78, col. 2.

5. Hutter, *Pursuing Ex-Employees Who Misappropriate Trade Secrets: Pre-Trial Considerations*, Litigation, Spring 1980, at 39 [hereinafter cited as Hutter I]; Hutter, *Trade Secret Misappropriation: A Lawyer's Practical Approach to the Case Law*, 1 W. New Eng. L. Rev. 1, 2-3 (1978) [hereinafter cited as Hutter II]; Levitin, *Trade Secret Piracy*, 14 Clev.-Mar. L. Rev. 157, 158-59 (1965); Robison, *The Confidence Game: An Approach to the Law About Trade Secrets*, 25 Ariz. L. Rev. 347, 347-48 (1983); *Developments in the Law—Competitive Torts*, 77 Harv. L. Rev. 888, 950-53 (1964); Raysman & Brown, *supra* note 1, at 1-2.

6. Eighth Annual Judicial Conference of the Court of Customs and Patent Appeals, 92 F.R.D. 183, 274 (1981) (Patent and Trademark Breakout Session) (remarks of Roger M. Milgrim); *see* Hofer, *Business Warfare Over Trade Secrets*, Litigation, Summer 1983, at 8; Whitebook & Tosi, *supra* note 4, at 44; *Hungry for Capital to Sustain the Boom*, Bus. Wk., June 1, 1981, at 74, at col. 1.

7. *See* Hutter II, *supra* note 5, at 2; *Hungry for Capital to Sustain the Boom*, Bus. Wk., June 1, 1981, at 74, col. 2.

8. *See* Norman, *Another Biotechnology Company Bites the Dust*, 217 Science 1016 (1982); *Hungry for Capital to Sustain the Boom*, Bus. Wk., June 1, 1981, at 74, col. 2.

9. Hutter II, *supra* note 5, at 2 & n.1; Levitin, *supra* note 5, at 158; Maruchnics, *Industrial Trade Secrets, Their Use and Protection*, 4 Clev.-Mar. L. Rev. 69, 69 (1955); Wolk, *Some Legal Aspects of Industrial Espionage*, Prac. Law., Apr. 1963,

trade secrets is common.[10] Such misappropriation costs American businesses billions of dollars annually[11] and contravenes the public's interest in encouraging research and innovation by reducing incentives to develop new technology.[12]

The first, and often determinative, step in protecting against unauthorized disclosure or use of trade secrets is to seek the issuance of a preliminary injunction.[13] One of the key determinations in the issuance of such an injunction is whether the plaintiff will suffer irreparable harm in the absence of equitable relief.[14] Unfortunately, however, few guidelines exist in making this determination, and the cases are irreconcilable and unpredictable. A close review of the cases reveals that disagreement over the basis of liability may be the source of much of the problem.[15]

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at 87; Raysman & Brown, *supra* note 1, at 1; *see* Bender, *Trade Secret Protection of Software*, 38 Geo. Wash. L. Rev. 909, 911-12 (1970) [hereinafter cited as Bender I].

10. *See* Arthurs, *Sword in Hand, IBM Stands Watch Over Its Jewels*, Legal Times, Mar. 12, 1984, at 1, 34; Hofer, *supra* note 6, at 8; Nicholson & Sandza, *The Espionage Boom*, Newsweek, July 5, 1982, at 54. The misappropriation generally results from disclosure or use of secret information by an ex-employee who has gone to work in a competing enterprise, Harding, *Trade Secrets and the Mobile Employee*, 22 Bus. Law. 395, 396 (1967); *Developments in the Law—Competitive Torts*, 77 Harv. L. Rev. 888, 950-53 (1964); Note, *Industrial Secrets and the Skilled Employee*, 38 N.Y.U. L. Rev. 324, 328 (1963) [hereinafter cited as *Industrial Secrets*]; Lewin, *Putting a Lid on Corporate Secrets*, N.Y. Times, Apr. 1, 1984, § 3, at 1, col. 2, at 30, col. 1; *see* 12 R. Milgrim, Business Organizations § 5.04[3], at 5-103 (1983), or from some type of industrial espionage, *see* 12 R. Milgrim, *supra*, § 5.05, at 5-123; Bartenstein, *Research Espionage: A Threat to Our National Security*, 17 Food Drug Cosm. L.J. 813, 818-19 (1962); Hofer, *supra* note 6, at 9; Wolk, *supra* note 9, at 88; Comment, *Corporate Privacy: A Remedy for the Victim of Industrial Espionage*, 1971 Duke L.J. 391, 394-95; *Industrial Secrets*, *supra*, at 326.

11. Hofer, *supra* note 6, at 8; Hutter II, *supra* note 5, at 3; Comment, *Industrial Espionage: Piracy of Secret Scientific and Technical Information*, 14 UCLA L. Rev. 911, 911 (1967) [hereinafter cited as *Industrial Espionage*].

12. Bender I, *supra* note 9, at 910; *Industrial Espionage*, *supra* note 11, at 913.

13. *See* E. Kintner & J. Lahr, An Intellectual Property Law Primer 240 (2d ed. 1982); Hutter I, *supra* note 5, at 39.

14. Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 204 (E.D. Pa. 1982); System Concepts, Inc. v. Dixon, 669 P.2d 421, 427 (Utah 1983); 11 C. Wright & A. Miller, Federal Practice and Procedure § 2948, at 430 (1973). Although courts employ different standards in granting preliminary injunctions, it is universally recognized that the plaintiff must demonstrate irreparable harm. *See, e.g.*, Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 681 (7th Cir. 1983); FMC Corp. v. Varco Int'l, Inc., 677 F.2d 500, 502 (5th Cir. 1982); SK&F, Co. v. Premo Pharmaceutical Laboratories, Inc., 625 F.2d 1055, 1066 (3d Cir. 1980); Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc., 596 F.2d 70, 72 (2d Cir. 1979); Dakota Wholesale Liquor, Inc. v. Minnesota, 584 F.2d 847, 848 (8th Cir. 1978); Washington Metropolitan Area Transit Comm'n v. Holiday Tours, Inc., 559 F.2d 841, 844 (D.C. Cir. 1977); William Inglis & Sons Baking Co. v. ITT Continental Baking Co., 526 F.2d 86, 87 (9th Cir. 1975).

15. See *infra* notes 71-80 and accompanying text.

Part I of this Note defines the concept of trade secret and compares the two competing theories of liability: the property theory and the confidential relation theory. Part II discusses the nature of preliminary injunctions and irreparable harm, both in general and in trade secret cases. Finally, this Note examines the types of injuries that are likely to occur in trade secret cases and the factors that bear on their irreparability.

I. The Scope of Trade Secret Protection

The Restatement of Torts defines a trade secret as:

> any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.[16]

The language of the Restatement suggests several things about the nature of trade secrets. First, it appears that any type[17] of business information,[18] including ideas,[19] can be the subject of a trade secret.

16. Restatement of Torts § 757 comment b (1939). The second Restatement eliminated this provision because the law of unfair competition had developed to the extent that it should be treated separately from the law of torts. Restatement (Second) of Torts, Introductory Note to Division Nine (1979). This definition, however, is still widely accepted. See infra note 23 and accompanying text.

17. Smith v. Dravo Corp., 203 F.2d 369, 373 (7th Cir. 1953) ("[A]lmost any knowledge or information used in the conduct of one's business may be held by its possessor in secret."); *see* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 683 (7th Cir. 1983) (exact definition of trade secret is not possible); Lear Siegler, Inc. v. Ark-Ell Springs, Inc., 569 F.2d 286, 288-89 (5th Cir. 1978) (trade secret is elusive concept); American Can Co. v. Mansukhani, 216 U.S.P.Q. (BNA) 1094, 1099 (E.D. Wis. 1982) (exact definition of trade secret is not possible); Rohm & Haas Co. v. Adco Chem. Co., 213 U.S.P.Q. (BNA) 723, 751 (D.N.J. 1981) (trade secret cases "are not marked by any discernable consistency"), *rev'd on other grounds*, 689 F.2d 424 (3d Cir. 1982); Anaconda Co. v. Metric Tool & Die Co., 485 F. Supp. 410, 421 (E.D. Pa. 1980) (law provides no precise definition of trade secret); ILG Indus. v. Scott, 49 Ill. 2d 88, 92, 273 N.E.2d 393, 395 (1971) ("A definition of the possible objects of trade secrecy is undoubtedly subject to variations and change as the facts of any particular case might dictate."); Restatement of Torts § 757 comment b (1939) ("An exact definition of a trade secret is not possible."); 2 R. Callman, Unfair Competition, Trademarks & Monopolies § 14.06, at 35 (4th ed. 1981) ("Almost any subject matter can be claimed to be a trade secret.").

18. Smith v. Dravo Corp., 203 F.2d 369, 373 (7th Cir. 1953); 12 R. Milgrim, *supra* note 10, § 2.02, at 2-13.

19. *See* Belt v. Hamilton Nat'l Bank, 108 F. Supp. 689, 691 (D.D.C. 1952), *aff'd*, 210 F.2d 706 (D.C. Cir. 1953); Downey v. General Foods Corp., 31 N.Y.2d 56, 61, 286 N.E.2d 257, 259, 334 N.Y.S.2d 874, 877 (1972); Libott, *Round the Prickly Pear: The Idea-Expression Fallacy in a Mass Communications World*, 14 UCLA L. Rev. 735, 762 (1967). In fact, trade secret law may be the only way to protect ideas. The

Second, the information must be secret; matters of public or general knowledge are not protected.[20] Finally, the information must be used[21] for business purposes and must provide a competitive advantage[22] to the owner of the trade secret.

The overwhelming majority of courts employ the Restatement definition.[23] No systematic guidelines, however, have been developed by

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Copyright Act affords protection only to "original works of authorship fixed in . . . tangible [media] of expression," 17 U.S.C. § 102(a) (1982), and expressly denies protection to ideas embodied in protected works, *id.* § 102(b). The Patent Act does not expressly deny protection to ideas, but the requirement that an invention be reduced to practice in order to be patentable, 35 U.S.C. § 102(g) (1976), effects the same result.

20. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 475 (1974); Carson Prods. Co. v. Califano, 594 F.2d 453, 461 (5th Cir. 1979); Clark v. Bunker, 453 F.2d 1006, 1009 (9th Cir. 1972); Sheridan v. Mallinckrodt, Inc., 568 F. Supp. 1347, 1352 (N.D.N.Y. 1983); Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 205-06 (E.D. Pa. 1982); *In re* Arthur Treacher's Franchisee Litig., 537 F. Supp. 311, 321 (E.D. Pa. 1982); American Can Co. v. Mansukhani, 216 U.S.P.Q. (BNA) 1094, 1099 (E.D. Wis. 1982); Eaton Corp. v. Appliance Valves Corp., 526 F. Supp. 1172, 1179 (N.D. Ind. 1981); Neil & Spencer Holdings Ltd. v. Kleen-Rite, Inc., 479 F. Supp. 164, 169 (E.D. Mo. 1979); Restatement of Torts § 757 comment b (1939); 12 R. Milgrim, *supra* note 10, §§ 2.03, 2.07[1]. Generally, absolute secrecy is not required, Henry Hope X-Ray Prods., Inc. v. Marron Carrel, Inc., 674 F.2d 1336, 1340 (9th Cir. 1982); Sheridan v. Mallinckrodt, Inc., 568 F. Supp. 1347, 1352 (N.D.N.Y. 1983), and thus, an employer can disclose information to its employees without losing protection, Anaconda Co. v. Metric Tool & Die Co., 485 F. Supp. 410, 421-22 (E.D. Pa. 1980); Restatement of Torts § 757 comment b (1939); *see* 2 R. Callman, *supra* note 17, § 14.11, at 52; 12 R. Milgrim, *supra* note 10, § 2.07[2].

21. Courts differ in the way they define the term "use." As a means of assuring that the information does in fact lend competitive advantage, some courts limit the term to actual use by the plaintiff, and deny protection to secret information derived from unsuccessful experimentation or to information that the plaintiff cannot presently exploit. *See* Hurst v. Hughes Tool Co., 634 F.2d 895, 899-900 (5th Cir.), *cert. denied*, 454 U.S. 829 (1981); Materials Dev. Corp. v. Atlantic Advanced Metals, Inc., 172 U.S.P.Q. (BNA) 595, 606 (Mass. Super. Ct. 1971). Yet, this type of information may in fact be of some value by saving the plaintiff time and money, and many courts will afford protection in such cases. 12 R. Milgrim, *supra* note 10, § 2.02[1], at 2-15; *e.g.*, Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 683 (7th Cir. 1983); Standard Brands, Inc. v. Zumpe, 264 F. Supp. 254, 260 (E.D. La. 1967); Harris Mfg. Co. v. Williams, 157 F. Supp. 779, 787-88 (W.D. Ark. 1957); Affiliated Hosp. Prods., Inc. v. Baldwin, 57 Ill. App. 3d 800, 807, 373 N.E.2d 1000, 1006 (1978).

22. E.I. Du Pont De Nemours & Co. v. United States, 288 F.2d 904, 911 (Ct. Cl. 1961); E.W. Bliss Co. v. Struthers-Dunn, 291 F. Supp. 390, 400 (S.D. Iowa 1968), *rev'd on other grounds*, 408 F.2d 1108 (8th Cir. 1969); 12 R. Milgrim, *supra* note 10, § 2.09, at 2-96.

23. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 474 (1974); Videotronics, Inc. v. Bend Elecs., 564 F. Supp. 1471, 1475 (D. Nev. 1983); McAlpine v. AAMCO Automatic Transmissions, Inc., 461 F. Supp. 1232, 1256 (E.D. Mich. 1978); Drill Parts & Serv. Co. v. Joy Mfg. Co., 439 So. 2d 43, 48 (Ala. 1983); Gilburne & Johnston, *supra* note 1, at 214-15; Hutter II, *supra* note 5, at 10; *see, e.g.*, Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 683 (7th Cir. 1983); Rohm & Haas Co.

which courts can determine if information is a trade secret because trade secret cases vary greatly.[24] Accordingly, the determination whether information qualifies as a trade secret must be made on a case-by-case basis.[25]

The protection of rights in secret information originated in Roman law,[26] which protected slave owners against competitors who sought to entice slaves to divulge the secrets of their masters.[27] The diminu-

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v. Adco Chem. Co., 689 F.2d 424, 431 (3d Cir. 1982); Henry Hope X-Ray Prods., Inc. v. Marron Carrel, Inc., 674 F.2d 1336, 1340 (9th Cir. 1982); Carson Prods. Co. v. Califano, 594 F.2d 453, 460-61 (5th Cir. 1979); Richter v. Westab, Inc., 529 F.2d 896, 900 n.1 (6th Cir. 1976); Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 205-06 (E.D. Pa. 1982); Eaton Corp. v. Appliance Valves Corp., 526 F. Supp. 1172, 1179 (N.D. Ind. 1981); Rapco Foam, Inc. v. Scientific Applications, Inc., 479 F. Supp. 1027, 1029 (S.D.N.Y. 1979); Pressure Science, Inc. v. Kramer, 413 F. Supp. 618, 625-26 (D. Conn.), *aff'd*, 551 F.2d 301 (2d Cir. 1976); Morton v. Rogers, 20 Ariz. App. 581, 584-85, 514 P.2d 752, 755-56 (1973); Basic Chems., Inc. v. Benson, 251 N.W.2d 220, 226 (Iowa 1977); Koch Eng'g Co. v. Faulconer, 227 Kan. 813, 827, 610 P.2d 1094, 1104 (1980); Space Aero Prods. Co. v. R.E. Darling Co., 238 Md. 93, 105, 208 A.2d 74, 79, *cert. denied*, 382 U.S. 843 (1965); J.T. Healy & Son, Inc. v. James A. Murphy & Son, Inc., 357 Mass. 728, 736, 260 N.E.2d 723, 729 (1970); Cherne Indus. v. Grounds & Assocs., 278 N.W.2d 81, 89-90 (Minn. 1979); National Rejectors, Inc. v. Trieman, 409 S.W.2d 1, 18-19 (Mo. 1966); Henkle & Joyce Hardware Co. v. Maco, Inc., 195 Neb. 565, 570-72, 239 N.W.2d 772, 775-77 (1976); Van Prods. Co. v. General Welding & Fabricating Co., 419 Pa. 248, 258-59, 213 A.2d 769, 775 (1965); Lowndes Prods., Inc. v. Brower, 259 S.C. 322, 327, 191 S.E.2d 761, 764 (1972); Mid-America Mktg. Corp. v. Dakota Indus., 281 N.W.2d 419, 423 (S.D. 1979), *aff'd on rehearing*, 289 N.W.2d 797 (1980); Corroon & Black-Rutters & Roberts, Inc. v. Hosch, 109 Wis. 2d 290, 295, 325 N.W.2d 883, 886 (1982).

24. See *supra* note 17 and accompanying text.

25. The Restatement lists six factors which are to be used in determining whether information is a trade secret:

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

Restatement of Torts § 757 comment b (1939). These factors have been cited with approval by many courts. *E.g.*, Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 683 (7th Cir. 1983); Carson Prods. Co. v. Califano, 594 F.2d 453, 461 (5th Cir. 1979); Forest Laboratories, Inc. v. Pillsbury Co., 452 F.2d 621, 624 (7th Cir. 1971); Videotronics, Inc. v. Bend Elecs., 564 F. Supp. 1471, 1475 (D. Nev. 1983); Neil & Spencer Holdings Ltd. v. Kleen-Rite, Inc., 479 F. Supp. 164, 169 (E.D. Mo. 1979); Pressure Science, Inc. v. Kramer, 413 F. Supp. 618, 626 (D. Conn.), *aff'd*, 551 F.2d 301 (2d Cir. 1976); Wilson Certified Foods, Inc. v. Fairbury Food Prods., Inc., 370 F. Supp. 1081, 1083 (D. Neb. 1974); Motorola, Inc. v. Fairchild Camera & Instrument Corp., 366 F. Supp. 1173, 1184 (D. Ariz. 1973).

26. *See* E. Kintner & J. Lahr, *supra* note 13, at 129-30; Schiller, *Trade Secrets and the Roman Law; The Actio Servi Corrupti*, 30 Colum. L. Rev. 837, 838 (1930).

27. *See* E. Kintner & J. Lahr, *supra* note 13, at 129-30; Schiller, *supra* note 26, at 838-39.

tion in value of the slave, who was considered the master's property, was the basis for relief.[28] Today, the basis of liability for misappropriation of a trade secret is the subject of debate.[29] Early American decisions on the issue framed trade secret protection in terms of protectible property rights,[30] and this view remains widely accepted.[31] Consequently, trade secrets can be assigned[32] or licensed,[33] form the res of a trust[34] or pass to a trustee in bankruptcy.[35]

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28. *See* E. Kintner & J. Lahr, *supra* note 13, at 130; Schiller, *supra* note 26, at 839.

29. *See* 2 R. Callman, *supra* note 17, §14.01, at 2; R. Ellis, Trade Secrets § 6, at 11-13 (1953); E. Kintner & J. Lahr, *supra* note 13, at 206; H. Nims, Unfair Competition & Trademarks § 141, at 405 (4th ed. 1947); A. Turner, The Law of Trade Secrets § 3 at 12 (1962).

30. *See, e.g.*, Peabody v. Norfolk, 98 Mass. 452, 459-60 (1868); O. & W. Thum Co. v. Tloczynski, 114 Mich. 149, 153, 72 N.W. 140, 141 (1897); Salomon v. Hertz, 40 N.J. Eq. 400, 402, 2 A. 379, 380-81 (1886); Tabor v. Hoffman, 118 N.Y. 30, 34, 23 N.E. 12, 12 (1889); Cincinnati Bell Co. v. Dodds, 10 Ohio Dec. Reprint 154, 155 (1887).

31. *See, e.g.*, Scharmer v. Carrollton Mfg. Co., 525 F.2d 95, 99 (6th Cir. 1975); Underwater Storage, Inc. v. United States Rubber Co., 371 F.2d 950, 954 (D.C. Cir. 1966), *cert. denied*, 386 U.S. 911 (1967); Formulabs, Inc. v. Hartley Pen Co., 275 F.2d 52, 56-57 (9th Cir.), *cert. denied*, 363 U.S. 830 (1960); Ferroline Corp. v. General Aniline & Film Corp., 207 F.2d 912, 922 (7th Cir. 1953), *cert. denied*, 347 U.S. 953 (1954); Aktiebolaget Bofors v. United States, 194 F.2d 145, 147 (D.C. Cir. 1951); Monsanto Co. v. Acting Adm'r, United States EPA, 564 F. Supp. 552, 565-66 (E.D. Mo. 1983), *appeal argued*, 52 U.S.L.W. 3649 (U.S. Mar. 6, 1984) (No. 83-196); Zotos Int'l, Inc. v. Kennedy, 460 F. Supp. 268, 272 (D.D.C. 1978); Com-Share, Inc. v. Computer Complex, Inc., 338 F. Supp. 1229, 1238 (E.D. Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972); *In re* Bettinger Corp., 197 F. Supp. 273, 276-77 (D. Mass. 1961); Farrand Optical Co. v. United States, 175 F. Supp. 230, 249 (S.D.N.Y. 1959); Microbiological Research Corp. v. Muna, 625 P.2d 690, 696 (Utah 1981).

32. Painton & Co. v. Bourns, Inc., 442 F.2d 216, 225 (2d Cir. 1971); Chadwick v. Covell, 151 Mass. 190, 191, 23 N.E. 1068, 1069 (1890); McClary v. Hubbard, 97 Vt. 222, 229, 122 A. 469, 472 (1923); *see* Heltra, Inc. v. Richen-Gemco, Inc., 395 F. Supp. 346, 351-52 (D.S.C. 1975), *rev'd on other grounds*, 540 F.2d 1235 (4th Cir. 1976); 12 R. Milgrim, *supra* note 10, § 1.02, at 1-14.

The Internal Revenue Service recognizes trade secrets as property, and therefore, a transfer of a trade secret is treated as a sale under 26 U.S.C. § 351 (1976). Rev. Rul. 64-56, 1964-1 C.B. 133, 134 ("The term 'property' for purposes of section 351 of the Code will be held to include anything qualifying as 'secret processes and formulas.' "); *see* E.I. Du Pont De Nemours & Co. v. United States, 288 F.2d 904, 910, 912 (Ct. Cl. 1961); *see also* Nelson v. Commissioner, 203 F.2d 1, 6 (6th Cir. 1953) (transfer of secret process in exchange for cash constitutes sale); *In re* Estate of Brandreth, 28 Misc. 468, 473, 59 N.Y.S. 1092, 1096 (1899) (value of corporate shares includes value of secret recipes), *rev'd on other grounds*, 55 A.D. 575, 69 N.Y.S. 142 (1901), *rev'd*, 169 N.Y. 437, 62 N.E. 563 (1902).

33. Painton & Co. v. Bourns, Inc., 442 F.2d 216, 225 (2d Cir. 1971); *see* Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262-63 (1979); N.V. Maatschappij Voor Indus. Waarden v. A.O. Smith Corp., 590 F.2d 415, 416 (2d Cir. 1978); Formulabs, Inc. v. Hartley Pen Co., 275 F.2d 52, 53 (9th Cir.), *cert. denied*, 363 U.S. 830 (1960).

34. Green v. Folgham, 57 Eng. Rep. 159, 162 (1823); Restatement (Second) of Trusts § 82(e) (1959); *see* Sketchley v. Lipkin, 99 Cal. App. 2d 849, 857, 222 P.2d

Many authorities, however, reject the property view as the basis of liability in trade secret cases. Some merely state that trade secrets cannot be characterized as property.[36] Most, however, maintain that trade secret law protects against breaches of confidential relationships,[37] or suggest that "while a trade secret is clearly a property right,

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927, 933 (2d Dist. 1950); Warwick v. DeMayo, 358 Mo. 130, 136-37, 213 S.W.2d 392, 395 (1948).

35. Scharmer v. Carrollton Mfg. Co., 178 U.S.P.Q. (BNA) 335, 336 (N.D. Ohio 1973), *aff'd*, 525 F.2d 95 (6th Cir. 1975); *see* Varo, Inc. v. Corbin Mfg. Co., 50 F.R.D. 376, 377 (E.D. Pa. 1970); *cf.* State Bank v. Rendispos Corp., 173 U.S.P.Q. (BNA) 136, 137, 139 (S.D. Ill. 1971) (bank acting as assignee of insolvent corporation); *In re* Bettinger Corp., 197 F. Supp. 273, 276-77 (D. Mass. 1961) (asset remained in control of court).

36. W. Walsh, A Treatise on Equity § 45, at 226 (1930) (the term "property" is not applicable to trade secrets); Stedman, *Trade Secrets*, 23 Ohio St. L.J. 4, 21 (1962) ("It is, indeed, a strange form of 'property' that disappears when the information it embraces becomes public."); *Developments in the Law—Competitive Torts*, 77 Harv. L. Rev. 888, 935-36 (1964) ("The word property has too many inappropriate connotations to be anything but misleading in the misappropriation analysis."); *see* Northern Petrochem. Co. v. Tomlinson, 484 F.2d 1057, 1060 (7th Cir. 1973) (tort law, not property law, is the basis for a trade secret misappropriation action); Winston Research Corp. v. Minnesota Mining & Mfg. Co., 350 F.2d 134, 138 (9th Cir. 1965) (refusal to recognize protectible interest outside of confidential relations).

Some commentators are concerned that courts do not easily accept the concept of intangible property and that recognition of a property theory would thus enable defendants to avoid liability by arguing that no misappropriation of a trade secret could occur. R. Ellis, *supra* note 29, § 6; Note, *Equitable Protection of Trade Secrets*, 23 Colum. L. Rev. 164, 164 (1923); *see* Sachs v. Cluett, Peabody & Co., 177 Misc. 695, 698, 31 N.Y.S.2d 718, 721 (1941), *rev'd on other grounds*, 265 A.D. 497, 39 N.Y.S.2d 853 (1943), *aff'd mem.*, 291 N.Y. 772, 53 N.E.2d 241 (1944).

37. The case most often cited for this view is E.I. Du Pont De Nemours Powder Co. v. Masland, 244 U.S. 100 (1917), in which Justice Holmes wrote:

> 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. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore, the starting point . . . is not property . . . but that the defendant stood in confidential relations with the plaintiffs . . . .

Id. at 102; *accord* Becher v. Contoure Laboratories, Inc., 279 U.S. 388, 390-91 (1929); Goldberg v. Medtronic, Inc., 686 F.2d 1219, 1223-28 (7th Cir. 1982); Roberts v. Sears, Roebuck & Co., 573 F.2d 976, 983-84 (7th Cir.), *cert. denied*, 439 U.S. 860 (1978); Clark v. Bunker, 453 F.2d 1006, 1008 & n.2 (9th Cir. 1972); Water Servs., Inc. v. Tesco Chems., Inc., 410 F.2d 163, 172 (5th Cir. 1969); W.R. Grace & Co. v. Hargadine, 392 F.2d 9, 13-14 (6th Cir. 1968); Sperry Rand Corp. v. Electronic Concepts, Inc., 325 F. Supp. 1209, 1219 (E.D. Va. 1970), *vacated and remanded sub nom.* Sperry Rand Corp. v. A-T-O, Inc., 447 F.2d 1387 (4th Cir. 1971), *cert. denied*, 405 U.S. 1017, 409 U.S. 892 (1972); Heyman v. AR. Winarick, Inc., 207 F. Supp. 78, 83 (S.D.N.Y. 1962), *aff'd*, 325 F.2d 584 (2d Cir. 1963); Plastic & Metal Fabricators, Inc. v. Roy, 163 Conn. 257, 266-68, 303 A.2d 725, 730-31 protected from unauthorized use or disclosure, it is the breach of confidence . . . rather than the infringement of a property right, which is the gravamen of trade secret cases."[38]

This controversy is not purely academic: The basis of liability may have an impact on the application of the law by shaping the court's determination of whether a trade secret has been misappropriated. For example, under the confidential relation theory, a former employee will not be enjoined from divulging his past employer's trade secrets unless it can be shown that the secrets were imparted under a cloak of confidentiality.[39] Requiring confidentiality ensures that defendants have received notice that the information is a trade secret.[40]

(1972); Materials Dev. Corp. v. Atlantic Advanced Metals, Inc., 172 U.S.P.Q. (BNA) 595, 605-06 (Mass. Super. Ct. 1971); Furr's Inc. v. United Specialty Advertising Co., 338 S.W.2d 762, 766 (Tex. Civ. App. 1960); Restatement of Torts § 757 comment b (1939); A. Turner, *supra* note 29, § 3 (1962).

38. Wilkes v. Pioneer Am. Ins. Co., 383 F. Supp. 1135, 1140 (D.S.C. 1974) (citations omitted); *accord* Servo Corp. of Am. v. General Elec. Co., 393 F.2d 551, 555 (4th Cir. 1968); *see* Franke v. Wiltschek, 209 F.2d 493, 495 (2d Cir. 1953); Standard Brands, Inc. v. Zumpe, 264 F. Supp. 254, 262 & n.14 (E.D. La. 1967). Some commentators argue that as long as trade secrets are protected, the basis of liability is immaterial. R. Ellis, *supra* note 29, § 7, at 13; H. Nims, *supra* note 29, § 141, at 405; Note, *Nature of Trade Secrets and Their Protection*, 42 Harv. L. Rev. 254, 258 (1928).

39. E.I. Du Pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917); Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 429 (3d Cir. 1982); Water Servs., Inc. v. Tesco Chems., Inc., 410 F.2d 163, 172 (5th Cir. 1969); Speedry Chem. Prods., Inc. v. Carter's Ink Co., 306 F.2d 328, 331 (2d Cir. 1962); B.F. Gladding & Co. v. Scientific Anglers, Inc., 245 F.2d 722, 728 (6th Cir. 1957); Eaton Corp. v. Appliance Valves Corp., 526 F. Supp. 1172, 1178 (N.D. Ind. 1981); Vekamaf Holland B.V. v. Pipe Benders, Inc., 211 U.S.P.Q. (BNA) 955, 978 (D. Minn. 1981); Davis v. General Motors Corp., 196 U.S.P.Q. (BNA) 218, 221 (N.D. Ill. 1977); Keystone Plastics, Inc. v. C & P Plastics, Inc., 340 F. Supp. 55, 73-74 (S.D. Fla. 1972), *aff'd*, 506 F.2d 960 (5th Cir. 1975); Future Plastics, Inc. v. Ware Shoals Plastics, Inc., 340 F. Supp. 1376, 1384 (D.S.C. 1972); Microbiological Research Corp. v. Muna, 625 P.2d 690, 696 (Utah 1981).

40. The Restatement supports this idea by stating that evidence of a confidential relationship is a means to assure that the defendant "knows or should know that the information is [the plaintiff's] trade secret." Restatement of Torts § 757 comment j (1939). The language of the Restatement suggests that express notice is not required, and thus, any circumstances that might put the defendant on notice that the information is confidential will satisfy the requirement. *See* A.H. Emery Co. v. Marcan Prods. Corp., 389 F.2d 11, 16, (2d Cir.), *cert. denied*, 393 U.S. 835 (1968); Carter Prods., Inc. v. Colgate-Palmolive Co., 130 F. Supp. 557, 573 (D. Md. 1955), *aff'd*, 230 F.2d 855 (4th Cir.), *cert. denied*, 352 U.S. 843 (1956). Recognizing this, courts may find that the defendant has received constructive notice and thus has an implied duty not to disclose. Uniservices, Inc. v. Dudenhoffer, 517 F.2d 492, 497 (7th Cir. 1975); Smith v. Dravo Corp., 203 F.2d 369, 376-77 (7th Cir. 1953); Stanley Aviation Corp. v. United States, 196 U.S.P.Q. (BNA) 612, 621-22 (D. Colo. 1977) (dictum); Allen-Qualley Co. v. Shellmar Prods. Co., 31 F.2d 293, 296 (N.D. Ill.), *aff'd*, 36 F.2d 623 (7th Cir. 1929); Junker v. Plummer, 320 Mass. 76, 80-81, 67 N.E.2d 667, 670 (1946); Aronson v. Orlov, 228 Mass. 1, 4-5, 116 N.E. 951, 952 (1917), *cert.*

If a property theory were employed, however, the disclosure of information from employer to employee would give rise to an implied confidential relationship.[41] Thus, the defendant would be presumed to have received notice.[42]

The confidential relation theory is ill-suited to achieve the modern goals of trade secret protection. For example, the Restatement, which incorporates the confidential relation theory,[43] distinguishes patent law from the law of trade secrets by stating that a trade secret:

> may be a device or process which is patentable; but it need not be that. It may be a device or process which is clearly anticipated in the prior art or one which is merely a mechanical improvement that a good mechanic can make. Novelty and invention are not requisite for a trade secret as they are for patentability.[44]

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denied, 245 U.S. 662 (1918); Maas & Waldstein Co. v. Walker, 100 N.J. Eq. 224, 230-32, 135 A. 275, 278-79 (1926), *aff'd mem.*, 102 N.J. Eq. 328, 140 A. 921 (1928); Stone v. Goss, 65 N.J. Eq. 756, 759, 55 A. 736, 737 (1903); Kaumagraph Co. v. Stampagraph Co., 235 N.Y. 1, 6, 138 N.E. 485, 486 (1923).

41. *See* Uniservices, Inc. v. Dudenhoffer, 517 F.2d 492, 496-97 (7th Cir. 1975); Smith v. Dravo Corp., 203 F.2d 369, 376-77 (7th Cir. 1953); Stanley Aviation Corp. v. United States, 196 U.S.P.Q. (BNA) 612, 621-22 (D. Colo. 1977); Allen-Qualley Co. v. Shellmar Prods. Co., 31 F.2d 293, 296 (N.D. Ill.), *aff'd*, 36 F.2d 623 (7th Cir. 1929); Junker v. Plummer, 320 Mass. 76, 80-81, 67 N.E.2d 667, 670 (1946); Aronson v. Orlov, 228 Mass. 1, 5, 116 N.E. 951, 952 (1917), *cert. denied*, 245 U.S. 662 (1918); Maas & Waldstein Co. v. Walker, 100 N.J. Eq. 224, 230-32, 135 A. 275, 278-79 (1926), *aff'd mem.*, 102 N.J. Eq. 328, 140 A. 921 (1928); Stone v. Goss, 65 N.J. Eq. 756, 759, 55 A. 736, 737 (1903); Kaumagraph Co. v. Stampagraph Co., 235 N.Y. 1, 7-8, 138 N.E. 485, 487 (1923).

42. In Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960), the court found that disclosure by the employer to the employee of a pre-existing trade secret is the very thing that gives rise to the implied pledge of confidence, but noted that the same is not true for secrets that are given to the employer by the employee. *Id.* at 577, 160 A.2d at 434. It may appear that this rule does not differ from the rule adopted by the Restatement and its adherents, which allows for the implication of a confidential relation from the circumstances of the case. Recognition of a rule similar to that espoused in *Wexler*, however, would ease the evidentiary burden imposed on plaintiffs by requiring only evidence of disclosure of a trade secret, rather than evidence of diclosure and of the confidential context of disclosure.

43. Restatement of Torts § 757(b) & comment j (1939).

44. Restatement of Torts § 757 comment b (1939). Thus, many courts have held that novelty and prior art are irrelevant in trade secret cases. *See, e.g.*, Cataphote Corp. v. Hudson, 422 F.2d 1290, 1293 (5th Cir. 1970); Water Servs., Inc. v. Tesco Chems., Inc., 410 F.2d 163, 172-73 (5th Cir. 1969); A.O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531, 538 (6th Cir. 1934); State Bank v. Rendispos Corp., 173 U.S.P.Q. (BNA) 136, 139 (S.D. Ill. 1971); E.W. Bliss Co. v. Struthers-Dunn, Inc. 291 F. Supp. 390, 400 (S.D. Iowa 1968), *rev'd on other grounds*, 408 F.2d 1108, 1112 (8th Cir. 1969); Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp., 255 F. Supp. 645, 653 (E.D. Mich. 1966); Head Ski Co. v. Kam Ski Co., 158 F. Supp. 919, 923 (D. Md. 1958); Choisser Research Corp. v. Electronic Vision Corp., 173 U.S.P.Q. (BNA) 234, 235 (Cal. App. Dep't Super. Ct. 1972); Sun Dial

Corp. v. Rideout, 29 N.J. Super. 361, 366, 102 A.2d 90, 92-93, *aff'd*, 16 N.J. 252, 108 A.2d 442 (1954).

Other courts, however, have concluded that some novelty is required, although a trade secret need not be patentable to be afforded protection. *See, e.g.*, Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 431 (3d Cir. 1982); FMC Corp. v. Varco Int'l, Inc., 677 F.2d 500, 502 (5th Cir. 1982); Timely Prods. Corp. v. Arron, 523 F.2d 288, 303-04 (2d Cir. 1975); University Computing Co. v. Lykes-Youngstown Corp., 504 F.2d 518, 535 n.25 (5th Cir. 1974); Kodekey Elecs., Inc. v. Mechanex Corp., 486 F.2d 449, 455 (10th Cir. 1973); Sperry Rand Corp. v. A-T-O, Inc., 447 F.2d 1387, 1391 (4th Cir. 1971), *cert. denied*, 405 U.S. 1017, 409 U.S. 892 (1972). The novelty provisions of the Patent Act grant protection only to the first to conceive of an idea and reduce it to practice. 35 U.S.C. § 102 (1976).

Under trade secret law, the concept of novelty is closely related to that of secrecy. 1 P. Rosenberg, Patent Law Fundamentals § 3.03, at 3-11, 3-12 (1983); *Developments in the Law—Competitive Torts*, 77 Harv. L. Rev. 888, 949-50 (1964). Information that is generally known to the public or throughout an industry cannot be secret, see *supra* note 20, and therefore cannot be novel, *see In re* Arthur Treacher's Franchisee Litig., 537 F. Supp. 311, 321 (E.D. Pa. 1982); 12 R. Milgrim, *supra* note 10, § 2.08, at 2-84; 1 P. Rosenberg, *supra*, § 3.03, at 3-11 to 3-12. Because a trade secret need not be absolutely secret to be afforded protection, however, see *supra* note 20, subsequent independent development of similar information will not necessarily destroy its novelty. *See* E.I. Du Pont De Nemours & Co. v. United States, 288 F.2d 904, 911 (Ct. Cl. 1961); *In re* Arthur Treacher's Franchisee Litig., 537 F. Supp. 311, 321 (E.D. Pa. 1982); Ultra-Life Labs., Inc. v. Eames, 240 Mo. App. 851, 867, 221 S.W.2d 224, 233 (Mo. 1949).

Although novelty and secrecy are related, the two requirements remain distinct. The secrecy requirement is subjective, Bender, *Trade Secret Software Protection*, 5 Am. Pat. L.A.Q. 49, 51 [hereinafter cited as Bender II], and most courts require only that reasonable precautions be taken against disclosure of information. E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1015-16 (5th Cir. 1970), *cert. denied*, 400 U.S. 1024 (1971); CPG Prods. Corp. v. Mego Corp., 214 U.S.P.Q. (BNA) 206, 213 (S.D. Ohio 1981); Anaconda Co. v. Metric Tool & Die Co., 485 F. Supp. 410, 422 (E.D. Pa. 1980); Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp., 401 F. Supp. 1102, 1117 (E.D. Mich. 1975); Greenberg v. Croydon Plastics Co., 378 F. Supp. 806, 812 (E.D. Pa. 1974). Evidence of these precautions demonstrates that defendants are on notice that the information is a trade secret, *see* Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp., 401 F. Supp. 1102, 1117 (E.D. Mich. 1975); Dynamics Research Corp. v. Analytic Sciences Corp., 9 Mass. App. 254, 276-77, 400 N.E.2d 1274, 1287 (1980); Restatement of Torts § 757 comment j (1939); see *supra* note 42, and may provide circumstantial evidence that the information is valuable to its owner, *see* 2 R. Callman, *supra* note 17, § 14.11, at 50; Hutter II, *supra* note 5, at 20-21. Thus, novelty under trade secret law is a relative concept—its existence is a function of the number of parties that have access to the information. 12 R. Milgrim, *supra* note 10, § 2.07[2], at 2-80; Bender II, *supra*, at 51. Unfortunately, there are no standards for determining how widely the information must be disseminated before its novelty will be destroyed.

The concept of novelty also subsumes some degree of innovation or originality. Thus, to be novel, information should represent some advance over prior art. *See, e.g.*, Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 433 (3d Cir. 1982) (combination process that produces a superior result is protectible as a trade secret); Sikes v. McGraw-Edison Co., 665 F.2d 731, 735-36 (5th Cir.) (although idea underlying trade secret was well known in the trade, plaintiff's product had unique

Accordingly, the protection against breach of faith afforded under the confidential relation theory "is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices."[45] In *Kewanee Oil Co. v. Bicron Corp.*,[46] however, the Supreme Court stated that "secrecy, in the context of trade secrets, . . . implies at least minimal novelty"[47] and that encouragement of invention is a major policy underlying trade secret law.[48]

Furthermore, the property theory is better suited to protect trade secrets in cases in which the parties are not in a trust relationship, as when a corporation appropriates secret information from one of its competitors.[49] This type of situation arises with increasing frequency

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combination of features and thus constituted trade secret), *cert. denied*, 458 U.S. 1108 (1982); Cataphote Corp. v. Hudson, 444 F.2d 1313, 1315 (5th Cir. 1971) (idea must have at least a "modicum of originality" to be a trade secret); Davies v. Carnation Co., 352 F.2d 393, 396 (9th Cir. 1965) (mere idea without novelty is not a property right to which one can claim exclusive ownership); Boop v. Ford Motor Co., 278 F.2d 197, 199 (7th Cir. 1960) (same); CPG Prods. Corp. v. Mego Corp., 502 F. Supp. 42, 44 (S.D. Ohio 1980) (combination of equipment to manufacture a new article is a trade secret); Anaconda Co. v. Metric Tool & Die Co., 485 F. Supp. 410, 418, 422 (E.D. Pa. 1980) (unique combination of generally known, individual parts of a machine is a trade secret); Cybertek Computer Prods., Inc. v. Whitfield, 203 U.S.P.Q. (BNA) 1020, 1024 (Cal. Super. Ct. 1977) (same); Ferranti Elec., Inc. v. Harwood, 43 Misc. 2d 533, 538, 251 N.Y.S.2d 612, 617 (Sup. Ct. 1964) ("[R]efinements [that] do not possess that special characteristic which represents a substantial, novel, important or significant improvement" do not create a trade secret.).

45. Restatement of Torts § 757 comment b (1939).

46. 416 U.S. 470 (1974).

47. *Id.* at 476.

48. *Id.* at 481-82; *accord* Aronson v. Quick Point Pencil Co., 440 U.S. 257, 265-66 (1979) (citing *Kewanee* with approval); Fowle v. Park, 131 U.S. 88, 97 (1889) (trade secret policy is to "encourage useful discoveries by securing their fruits to those who make them").

49. A representative example of such a case is E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012 (5th Cir. 1970), *cert. denied*, 400 U.S. 1024 (1971), in which plaintiff alleged that by taking aerial photographs of a partially-constructed processing plant, the defendant was able to appropriate the plaintiff's trade secrets. *Id.* at 1013. The *Christopher* court concluded that liability need not be based on the existence of a confidential relationship between the parties, and held that the plaintiff had a valid claim. The court relied on the language of Restatement § 757(a), *id.* at 1014-16; *accord* Drill Parts & Serv. Co. v. Joy Mfg. Co., 439 So. 2d 43, 49 (Ala. 1983), which imposes liability on actors that employ improper means to obtain trade secrets, Restatement of Torts § 757(a) (1939). In so holding, the *Christopher* court formulated an eleventh commandment in the area of commercial improprieties: "[T]hou shall not appropriate a trade secret through deviousness . . . ." 431 F.2d at 1017. Thus, arguably the Restatement can be read to afford protection in cases in which no confidential relation exists. Not all courts, however, interpret the Restatement so broadly. Many courts have explicitly stated that a confidential relation between the parties must exist before relief will be granted. See *supra* note 37.

as technological advances allow physically remote parties to gain access to secret information.[50]

The property theory thus promotes clarity of thought on the true nature of trade secret protection and achieves the goal of encouraging research and innovation by easing the plaintiff's burden on the issue of notice to the defendant, recognizing novelty as a requirement for a trade secret, and broadening the scope of protection to include cases involving non-confidential relationships.[51] Moreover, because defendants will still be liable for breaches of confidential relationships under the law of agency,[52] the recognition of the property theory in trade secret cases will not weaken the protection afforded to plaintiffs.

II. Preliminary Injunctions in Trade Secret Cases

The primary purpose of a preliminary injunction is to ensure that the plaintiff will have an adequate final remedy by maintaining the status quo between the parties during the pendency of the litigation.[53] In a trade secret case, a preliminary injunction maintains the status quo by preventing the destruction of the trade secret through public disclosure of the information during the litigation.[54] Moreover, because the time necessary to litigate the case may exceed the life-span of the trade secret,[55] preliminary injunctive relief will often be the only way to ensure the plaintiff has an adequate remedy.

A. *Irreparable Harm and Inadequate Remedies at Law*

For a court to have equitable jurisdiction, there must be no adequate remedy at law.[56] Therefore, to obtain a preliminary injunction,

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50. 2 R. Callman, *supra* note 17, § 14.35, at 138; Hutter II, *supra* note 5, at 3; *see Lasers Get Into the Eavesdropping Act*, Bus. Wk., July 12, 1982, at 76, col. 2; *New 'Bugs' Make Spying Easier*, Bus. Wk., July 12, 1982, at 74, col. 1.

51. At least one commentator has suggested that the property theory affords the broadest protection to trade secrets. Ducker, *Liability for Computer Software*, 26 Bus. Law. 1081, 1087 (1971).

52. *See* Eastern Marble Prods. Corp. v. Roman Marble, Inc., 372 Mass. 835, 842, 364 N.E.2d 799, 803 (1977); Vigitron, Inc. v. Ferguson, 120 N.H. 526, 631-32, 419 A.2d 1115, 1119 (1980); Computer Print Sys. v. Lewis, 281 Pa. Super. 240, 252-53, 422 A.2d 148, 154-55 (1980); Restatement (Second) of Agency §§ 395, 396 (1958).

53. Triebwasser & Katz v. American Tel. & Tel. Co., 535 F.2d 1356, 1360 (2d Cir. 1976); SCM Corp. v. Xerox Corp., 507 F.2d 358, 361 (2d Cir. 1974); E.W. Bliss Co. v. Struthers-Dunn, Inc., 291 F. Supp. 390, 400-01 (S.D. Iowa 1968), *rev'd on other grounds*, 408 F.2d 1108 (8th Cir. 1969); 1 C. Beach, Commentaries on the Law of Injunctions § 112 (1895); 1 J. High, Law of Injunctions § 8, at 13 (1905); 1 H. Joyce, The Law Relating to Injunctions § 41a, at 84 (1909); J. Lewis & T. Spelling, The Law Governing Injunctions § 18, at 30-31 (1926).

54. Hutter I, *supra* note 5, at 43.

55. The problem is growing increasingly acute due to the shortened life-span of technology. See *supra* note 6.

56. J. Eaton, Handbook of Equity Jurisprudence § 8, at 28 (2d ed. 1923); *see* 1 C. Beach, *supra* note 53, § 26, at 31; D. Dobbs, Handbook on the Law of Remedies

the plaintiff must demonstrate that it will suffer irreparable harm in the absence of such relief.[57] In characterizing an injury as irreparable, a court may[58] look to the absence of a measure of damages[59] or the inability of damages to compensate adequately the injured party.[60] The mere existence of a legal remedy does not bar equitable relief[61]—damages are an adequate remedy only when they place the plaintiff in the position in which it formerly stood.[62] Because the "concept of irreparable injury takes on different meanings in different contexts,"[63] courts must consider all the circumstances of the case. To bar equitable relief, the legal remedy must be as practical, prompt, proper, and efficient as its equitable counterpart.[64]

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§ 2.1, at 27 (1973); N. Fetter, Handbook of Equity Jurisprudence § 3, at 10-11 (1895); 1 J. High, *supra* note 53, § 28, at 42-43; 1 H. Joyce, *supra* note 53, § 26, at 52; W. Kerr, A Treatise on the Law and Practice of Injunctions in Equity § 5, at 3 (1871); 1 T. Spelling, Injunctions and Other Extraordinary Remedies § 4, at 4 (2d ed. 1901); W. Walsh, *supra* note 36, § 25, at 132-33; 11 C. Wright & A. Miller, *supra* note 14, § 2944, at 394.

57. *See* 1 C. Beach, *supra*, note 53, § 34, at 41; N. Fetter, *supra*, note 56, § 186, at 289-90; 1 H. Joyce, *supra* note 53, § 35, at 70; J. Lewis & T. Spelling, *supra* note 53, § 41, at 84, and accompanying text. See *supra* note 14 and accompanying text.

58. Traditionally-recognized factors of irreparability that do not receive a great deal of attention in the case law are: 1) the necessity for the plaintiff to file a multiplicity of lawsuits, 1 C. Beach, *supra* note 53, § 35, at 43-44; J. Eaton, *supra* note 56, § 288, at 530; N. Fetter, *supra* note 56, § 186, at 290; J. Lewis & T. Spelling, *supra* note 53, § 44, at 94; 1 T. Spelling, *supra* note 56, § 13, at 17, and 2) the inability of the defendant to satisfy a money judgment, 1 C. Beach, *supra* note 53, § 34, at 42; J. Lewis & T. Spelling, *supra* note 53, § 41, at 85; 1 T. Spelling, *supra* note 56, § 13, at 17.

59. Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. (BNA) 272, 280-82 (N.D. Ill. 1982), *aff'd sub nom.* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983); Com-Share, Inc. v. Computer Complex, Inc., 338 F. Supp. 1229, 1239 (E.D. Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972); Lawter Int'l, Inc. v. Carroll, 116 Ill. App. 3d 717, 730-31, 451 N.E.2d 1338, 1348 (1983); 1 H. Joyce, *supra* note 53, § 36, at 72; J. Lewis & T. Spelling, *supra* note 53, § 40, at 85; 1 T. Spelling, *supra* note 56, § 13, at 19; 11 C. Wright & A. Miller, *supra* note 14, 397-98.

60. The inability may be "due to the nature of the injury itself or the nature of the right or property injured." J. Lewis & T. Spelling, *supra* note 53, § 40, at 81; *see* Com-Share, Inc. v. Computer Complex, Inc., 338 F. Supp. 1229, 1239 (E.D. Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972); Newman v. Holobeam, Inc., 319 F. Supp. 1389, 1391 (S.D.N.Y. 1970); Lawter Int'l Inc. v. Carroll, 116 Ill. App. 3d 717, 730-31, 451 N.E.2d 1338, 1347-48 (1983); 1 C. Beach, *supra* note 53, § 35, at 43-44; J. Eaton, *supra* note 56, § 288, at 530; 1 H. Joyce, *supra* note 53, § 36; 1 T. Spelling, *supra* note 56, § 13, at 19; 11 C. Wright & A. Miller, *supra* note 14, § 2944, at 399.

61. N. Fetter, *supra* note 56, § 186, at 290; 1 J. High, *supra* note 53, § 30, at 47; *see* J. Eaton, *supra* note 56, § 288, at 530; 1 T. Spelling, *supra* note 56, § 13, at 19.

62. 1 J. High, *supra* note 53, § 30, at 48; 1 T. Spelling, *supra* note 56, § 13, at 19; W. Walsh, *supra* note 36, § 25, at 134.

63. Leubsdorf, *The Standard For Preliminary Injunctions*, 91 Harv. L. Rev. 525, 551 (1978).

64. 1 J. High, *supra* note 53, § 30, at 47; 1 H. Joyce, *supra* note 53, § 26(a), at 54; *see* 1 C. Beach, *supra* note 53, § 34, at 41-42; J. Lewis & T. Spelling, *supra* note 53,

B. *Irreparable Harm in Trade Secret Cases*

In cases in which a preliminary injunction is sought, courts must first determine the likelihood of an injury to the plaintiff before deciding the question of irreparability.[65] Two views have emerged in trade secret cases on how likely the occurrence of an injury must be in order to constitute a sufficient threat. The more lenient view requires only that there be a possibility or risk of injury to the plaintiff.[66] Under the majority view, however, the plaintiff must demonstrate with greater certainty that the injury will occur[67], though it need not suffer actual injury to support its claim.[68]

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§ 44, at 94; 1 T. Spelling, *supra* note 56, § 13, at 20; W. Walsh, *supra* note 36, § 25, at 134 Leubsdorf, *supra* note 63, 551-55.

65. As one court noted: "There can be no irreparable injury without injury. There can be no adjective modifying a noun if there is no noun." Arthur Murray Dance Studios, Inc. v. Witter, 105 N.E.2d 685, 702 (Ohio C.P. 1952).

66. *E.g.*, Schlumberger Technology Corp. v. Frentrop, 215 U.S.P.Q. (BNA) 1072, 1074 (D. Conn. 1981) (need not deal in absolutes to fulfill irreparable harm requirement; possibility or substantial risk of injury is sufficient); Minnesota Mining & Mfg. Co. v. Kirkevold, 87 F.R.D. 324, 337-38 (D. Minn. 1980) (possibility of irreparable injury is sufficient when disclosure of trade secret by former employee is inevitable); Continental Group, Inc. v. Kinsley, 422 F. Supp. 838, 843-44 (D. Conn. 1976) (plaintiff met burden of demonstrating substantial risk of irreparable injury through disclosure of trade secret when former employee was involved in developing identical product for competitor); *see* FMC Corp. v. Varco Int'l, Inc., 677 F.2d 500, 504-05 (5th Cir. 1982) (fear of irreparable injury from disclosure of trade secret is realistic when former employee is in comparable position with one of the plaintiff's competitors); Modern Controls, Inc. v. Andreadakis, 578 F.2d 1264, 1270 (8th Cir. 1978) (same). Even under this view, however, a "slight possibility" may not be sufficient. Data Communication, Inc. v. Dirmeyer, 514 F. Supp. 26, 34 (E.D.N.Y. 1981).

67. *See* Cambridge Filter Corp. v. International Filter Co., 548 F. Supp. 1301, 1307 (D. Nev. 1982) (injunction will not issue to merely allay the fears of a plaintiff); Merill Lynch, Pierce, Fenner & Smith, Inc., v. E.F. Hutton & Co., 403 F. Supp. 336, 343 (E.D. Mich. 1975) ("injury must be both certain and great"). E.W. Bliss Co. v. Struthers-Dunn, Inc., 291 F. Supp. 390, 400 (S.D. Iowa 1968) (substantial threat of injury is required), *rev'd on other grounds*, 408 F.2d 1108 (8th Cir. 1969); Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp., 255 F. Supp. 645, 654 (E.D. Mich. 1966) (same); Simplex Wire & Cable Co. v. Dulon, Inc., 196 F. Supp. 437, 441 (E.D.N.Y. 1961) (plaintiff must at least demonstrate that injury is likely to occur in order to justify preliminary injunction); 2 R. Callman, *supra* note 17, § 14.43, at 159-60; J. Eaton, *supra* note 56, § 288, at 530; 1 T. Spelling, *supra* note 56, § 12, at 15.

In addition, some courts require that the injury be imminent. *E.g.*, Continental Group, Inc. v. Amoco Chems. Corp., 614 F.2d 351, 358-59 (3d Cir. 1980); *In re* Arthur Treacher's Franchisee Litig., 537 F. Supp. 311, 319-20 (E.D. Pa. 1982); Eaton Corp. v. Appliance Valves Corp., 526 F. Supp. 1172, 1181 (N.D. Ind. 1981).

68. American Eutectic Welding Alloys Sales Co. v. Rodriguez, 480 F.2d 223, 229 (1st Cir. 1973); Shorr Paper Prods., Inc. v. Frary, 74 Ill. App. 3d 498, 505, 392 N.E.2d 1148, 1153 (1979); System Concepts, Inc. v. Dixon, 669 P.2d 421, 428 (Utah 1983); *see* 1 C. Beach, *supra* note 53, § 34, at 41; J. Eaton, *supra* note 56, § 288, at 530; N. Fetter, *supra* note 56, § 186, at 290; J. Lewis & T. Spelling, *supra* note 53,

Once the court determines that a sufficient potential for injury exists, the question whether the injury is irreparable arises. Courts tend to confuse the issues of misappropriation and irreparable injury: Reliance on the confidential relation theory of liability results in an overemphasis on the nature of the defendant's alleged misconduct in the irreparable harm determination.[69] This is demonstrated by a close review of the case law[70] in which trade secret cases are categorized by the nature of the alleged misappropriation.

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§ 41, at 84; 1 T. Spelling, *supra* note 56, § 12, at 15; 11 C. Wright & A. Miller, *supra* note 14, § 2944, at 401.

In determining whether the threat of injury is sufficient to warrant further inquiry, courts often look to the nature of the relationships between the parties. Thus, an injury will be considered more likely to occur when the former employee works for a new employer in a position similar to that which she held in the plaintiff's employ. *See* FMC Corp. v. Varco Int'l, Inc., 677 F.2d 500, 505 (5th Cir. 1982); Modern Controls, Inc. v. Andreadakis, 578 F.2d 1264, 1270 (8th Cir. 1978); Schlumberger Technology Corp. v. Frentrop, 215 U.S.P.Q. (BNA) 1072, 1073-75 (D. Conn. 1981); Gillette Co. v. Williams, 360 F. Supp. 1171, 1178 (D. Conn. 1973); Mixing Equip. Co. v. Philadelphia Gear, Inc., 312 F. Supp. 1269, 1274 (E.D. Pa. 1970), *modified*, 436 F.2d 1308 (3d Cir. 1971); Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp., 255 F. Supp. 645, 654 (E.D. Mich. 1966). For example, in *Modern Controls*, defendant Andreadakis had helped to develop a flat panel gas device for the plaintiff. 578 F.2d at 1266. Subsequently, he left the plaintiff's employ to take a position with a new employer in which he was to work on the development of an identical product. *Id.* at 1267, 1270. The court, noting that it was "unrealistic to expect that Andreadakis [had] not utilized confidential information" gained while in the plaintiff's employ, held that the threat of injury was sufficient. *Id.* at 1270.

The likelihood of injury will also be affected by the relationship between the plaintiff and the employee's new employer, which is generally characterized by the level of competition between the parties. *See* Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. (BNA) 272, 278 (N.D. Ill. 1982), *aff'd sub nom.* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983); CPG Prods. Corp. v. Mego Corp., 214 U.S.P.Q. (BNA) 206, 214 (S.D. Ohio 1981); Minnesota Mining & Mfg. Co. v. Kirkevold, 87 F.R.D. 324, 338 (D. Minn. 1980); Continental Group, Inc. v. Kinsley, 422 F. Supp. 838, 845 (D. Conn. 1976); Gillette Co. v. Willams, 360 F. Supp. 1171, 1178 (D. Conn. 1973); Simplex Wire & Cable Co. v. Dulon, Inc., 196 F. Supp. 437, 441 (E.D.N.Y. 1961). An illustrative case is *Gillette*, in which defendant Williams, who was previously a key employee of the plaintiff, took a position with a competitor of the plaintiff. 360 F. Supp. at 1175. The court, noting the fact that Williams' new employer and the plaintiff were "fierce competitors," held that the likelihood of injury to the plaintiff warranted further inquiry. *Id.* at 1178.

69. See *infra* notes 71-80 and accompanying text.

70. This Note focuses on preliminary injunctions in situations in which the secret allegedly appropriated is something other than a customer list. Although customer lists are included in the Restatement definition of trade secret, Restatement of Torts § 757 comment b (1939), these cases are excluded from the analysis because most courts refuse to protect customer lists in the absence of a restrictive covenant between the parties, 12 R. Milgrim, *supra* note 10, § 2.09[7], at 2-128, 2-132; *see, e.g.*, Gillespie & Co. v. Weyerhaeuser Co., 533 F.2d 51, 53 (2d Cir. 1976) (per curiam); Perfect Subscription Co. v. Kavaler, 427 F. Supp. 1289, 1296 (E.D. Pa. 1977); Republic Sys. & Programming, Inc. v. Computer Assistance, Inc., 322 F. Supp. 619, 627-28 (D. Conn. 1970), *aff'd*, 440 F.2d 996 (2d Cir. 1971) (per curiam). *But see*

In the first category of cases, the defendant knowingly misappropriates a trade secret, as when, for example, a former employee intentionally uses or discloses her previous employer's trade secret. These cases involve situations in which the wrongfulness of the defendant's conduct is unquestionable. Under these circumstances, courts regularly find plaintiff's injury irreparable.[71]

Golden State Linen Serv. v. Vidalin, 69 Cal. App. 3d 1, 7-8, 137 Cal. Rptr. 807, 810-11 (1st Dist. 1977); Fortune Personnel Agency v. Livingston, 102 Misc. 2d 369, 370, 423 N.Y.S.2d 360, 360 (1979). Trade secret protection, however, is not dependent upon the existence of such covenants. Continental Group, Inc. v. Kinsley, 422 F. Supp. 838, 844 (D. Conn. 1976); Blake, *Employee Agreements Not to Compete*, 73 Harv. L. Rev. 625, 671 (1960); *see* 12 R. Milgrim, *supra* note 10, § 3.02[1][d], at 3-13. The problem may be that courts are reluctant to find that customer list information is sufficiently novel to be a trade secret, *see* Bender II, *supra* note 44, at 51, especially when the information contained in the list is readily available to the public, *see* 12 R. Milgrim, *supra* note 10, § 2.09(7), at 2-121. This reluctance is undoubtedly compounded by the vagueness of the novelty requirement under trade secret law. See *supra* note 44. Analytically, however, there is no reason for distinguishing customer lists from other types of trade secrets. Accordingly, such information should be afforded protection when the novelty requirement is satisfied.

71. Courts found the injury to the plaintiff irreparable in all ten of the reported decisions in this category. Williams v. Curtiss Wright Corp., 681 F.2d 161, 163-64 (3d Cir. 1982) (per curiam) (district court's memorandum opinion, deeming injury to the plaintiff irreparable, affirmed because the defendant-competitor knowingly obtained the plaintiff's trade secrets from third parties); Dekar Indus. v. Bisset-Berman Corp., 434 F.2d 1304, 1305-06 (9th Cir. 1970) (irreparable injury may stem from competitive effects of wrongful exploitation of the plaintiff's trade secrets by the defendants and the plaintiff's former employee), *cert. denied*, 402 U.S. 945 (1971); American Can Co. v. Mansukhani, 216 U.S.P.Q. (BNA) 1094, 1100 (E.D. Wis. 1982) (injury to the plaintiff is irreparable when defendant uses appropriated trade secrets to avoid development costs, and is thus able to manufacture and sell product at a lower price); Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. (BNA) 272, 280-82 (N.D. Ill. 1982) (when the plaintiff was previously the only manufacturer of product with FDA approval, and a black market for product exists, legal remedy is inadequate due to an absence of accurate means to measure damages already estimated to be between $3–7 million), *aff'd sub nom.* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983); Ecolaire, Inc. v. Crissman, 542 F. Supp. 196, 204-05 (E.D. Pa. 1982) (irreparable harm will flow from the loss of investment, loss of customer goodwill, and loss of employee goodwill, in the absence of a preliminary injunction prohibiting appropriation and use of the plaintiff's confidential drawings); BPI Sys., v. Leith, 532 F. Supp. 208, 210 (W.D. Tex. 1981) (when the plaintiff alleged both copyright infringement and misappropriation of trade secrets by independent contractor, injury from unfair competition was deemed irreparable due to threatened loss of profits and damage to reputation); Krapf Bus. Sys., v. Magnacontrol Corp., 204 U.S.P.Q. (BNA) 198, 203-04 (S.D. Ind. 1979) (injury to the plaintiff's customer goodwill and business reputation deemed irreparable when disloyal employee and cohorts misappropriated trade secrets enabling them to compete with the plaintiff with minimal expenditure of time and resources); Sperry Rand Corp. v. Pentronix, Inc., 311 F. Supp. 910, 923-24 (E.D. Pa. 1970) (damage to former employer's competitive advantage in magnetic memory core field resulting from defendants' misappropriation of trade secrets deemed irreparable); Atlantic Wool Combing Co. v. Fibre Corp., 306 F. Supp. 69, 71 (D.R.I. 1969) (the defendant's apparent insolvency assures that the plaintiff's injury will be irreparable if the defendant is allowed

In the second category of cases, the plaintiff seeks to enjoin a defendant who acquired skills and trade secrets while in the plaintiff's employ from using that knowledge in a competing enterprise. This type of situation arises with greater frequency as a result of the increased job mobility of technically-skilled employees, who may feel entitled to take secret information acquired while working on projects for their employer.[72] In balancing the respective rights of the parties,[73] courts generally hold that employees "may carry away their own 'faculties, skill, and experience.' "[74] They may not, however, reveal

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wrongfully to use the plaintiff's trade secrets); Lawter Int'l Inc. v. Carroll, 116 Ill. App. 3d 717, 730-31, 451 N.E.2d 1338, 1347-48 (1983) (when a former employee is about to use the plaintiff's trade secret to establish a competing business, the injury to the plaintiff stemming from loss of business and customer goodwill is irreparable owing to the difficulty in measuring damages, the inability of damages to fully compensate the plaintiff, and the continuing nature of the transgression).

72. See *supra* note 10.

73. The rights involved are those of the employee to seek competitive employment and those of the employer to prevent the misappropriation of its trade secrets. Balancing these rights is often a difficult problem. *See* Cataphote Corp. v. Hudson, 422 F.2d 1290, 1295 (5th Cir. 1970); E.I. duPont de Nemours & Co. v. American Potash & Chem. Corp., 41 Del. Ch. 533, 547-48, 200 A.2d 428, 437 (1964); Walker Employment Serv., Inc. v. Parkhurst, 300 Minn. 264, 271, 219 N.W.2d 437, 441 (1974); 2 R. Callman, *supra* note 17, § 14.24, at 89; 12 R. Milgrim, *supra* note 10, § 5.02[3], at 5-16; Blake, *supra* note 70, at 627, 651-86.

74. *Developments In the Law—Competitive Torts*, 77 Harv. L. Rev. 888, 950 (1964) (quoting Aronson v. Orlov, 228 Mass. 1, 5, 116 N.E. 951, 953, *cert. denied*, 245 U.S. 662 (1917)); *see, e.g.*, CMI Corp. v. Jakob, 209 U.S.P.Q. (BNA) 233, 237 (W.D. Okla. 1980) (permissible for employee with extensive skills and abilities to reverse engineer and build a competitive machine); Pressure Science, Inc. v. Kramer, 413 F. Supp. 618, 625, 629 (D. Conn. 1976) (defendant's exercise of expertise in position with new employer merely hastened the inevitable and was not actionable), *aff'd mem.*, 551 F.2d 301 (2d Cir. 1976); Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp., 401 F. Supp. 1102, 1111 (E.D. Mich. 1975) (if employee's skills and experience were instrumental in developing a trade secret, the employee is free to use and disclose the secret in the absence of an agreement not to do so); Koehring Co. v. National Automatic Tool Co., 257 F. Supp. 282, 290 (S.D. Ind. 1966) (knowledge acquired by the employee while working for the plaintiff did not constitute trade secret information, and thus the employee was free to use the knowledge in subsequent employment), *aff'd*, 385 F.2d 414 (7th Cir. 1967) (per curiam); Thomas v. Best Mfg. Corp., 234 Ga. 787, 788-89, 218 S.E.2d 68, 70 (1975) (striking down overly broad restrictions on post-employment competitive activity); Tad, Inc. v. Siebert, 63 Ill. App. 3d 1001, 1005-07, 380 N.E.2d 963, 967-68 (1978) (key employees of a technical employee agency could leave and solicit customers and other technical employees when both were well known); Parsons Mobile Prods., Inc. v. Remmert, 216 Kan. 256, 259-60, 531 P.2d 428, 432-33 (1975) (officer and director free to compete upon termination provided he does so in good faith and does not expropriate corporate opportunities); Maryland Metals, Inc. v. Metzner, 282 Md. 31, 39, 382 A.2d 564, 569 (1978) (public policy favoring competition enables employees to engage in activity preparatory to competition while employed); Collins v. F.A. Bartlett Tree Expert Co., 112 N.H. 197, 197-98, 291 A.2d 614, 615-16 (1972) (per curiam) (declaratory judgment finding unenforceable restrictive covenant obtained

trade secrets or exercise unique skills that were obtained solely through their employment.[75] A majority of the courts that have decided these cases has found the resulting injury to be irreparable,[76] although there is authority to the contrary.[77]

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when former employee had learned trade in school at his own expense and when no trade secrets had been acquired); Reed, Roberts Assocs. v. Strauman, 40 N.Y.2d 303, 307-08, 353 N.E.2d 590, 593, 386 N.Y.S.2d 677, 680 (1976) (employee is free to use skill even if it constitutes an artful variation from general practice).

75. *See, e.g.*, Rohm & Haas Co. v. Adco Chem. Co., 689 F.2d 424, 432-33 (3d Cir. 1982) (trial court erred in concluding that a failure of the plaintiff to sharply define elements of the process automatically placed those elements within the departing employee's skills, knowledge and experience); Modern Controls, Inc. v. Andreadakis, 578 F.2d 1264, 1269 (8th Cir. 1978) (restrictive covenant enforceable where employee with prior knowledge of electronic display field considerably broadened his knowledge while working on secret projects for the plaintiff); Institutional Management Corp. v. Translation Sys., 456 F. Supp. 661, 670-71 (D. Md. 1978) (defendants went beyond allowable use of skills to point of misappropriation); Affiliated Hosp. Prods., Inc. v. Baldwin, 57 Ill. App. 3d 800, 807, 373 N.E.2d 1000, 1006 (1978) (defendant who possessed sufficient skills and experience to independently develop machines engaged in wrongful conduct in taking the plaintiff's trade secret drawings and allowing others to make competitive use of them); Koch Eng'g Co. v. Faulconer, 227 Kan. 813, 816-29, 610 P.2d 1094, 1098-105 (1980) (defendant, a former employee of the plaintiff with specialized training in distillation technology, nonetheless received plaintiff's technology subject to a duty not to use); Aronson v. Orlov, 228 Mass. 1, 5, 116 N.E. 951, 952-53 (former employees cannot use confidential information secured solely through their employment to injure the employer's business), *cert. denied*, 245 U.S. 662 (1917); Vigitron, Inc. v. Ferguson, 120 N.H. 626, 630, 419 A.2d 1115, 1118-19 (1980) (employees breached duty of confidence by attempting to misappropriate an invention developed by them for the employer); Green v. Stratoflex, Inc., 596 S.W.2d 305, 309-10 (Tex. Civ. App. 1980) (preliminary injunction properly entered against defendant who, in addition to using his own skills, had sought to misappropriate the plaintiff's trade secrets).

76. *See, e.g.*, FMC Corp. v. Taiwan Tainan Giant Indus., No. 83-7945, slip op. at 2183 (2d Cir. Mar. 6, 1984) (per curiam) (loss of trade secret cannot be measured in money damages); FMC Corp. v. Varco Int'l, Inc., 677 F.2d 500, 505 (5th Cir. 1982) (when former employee is likely to disclose inadvertently the plaintiff's trade secrets to the employee's new employer, the loss of substantial investment in time and resources constitutes irreparable harm); Modern Controls, Inc. v. Andreadakis, 578 F.2d 1264, 1270 (8th Cir. 1978) (same); Hulsenbusch v. Davidson Rubber Co., 344 F.2d 730, 736 (8th Cir. 1965) (if former employee were permitted to continue to divulge the plaintiff's trade secrets, the consequent injury to the plaintiff would be irreparable), *cert. denied*, 382 U.S. 977 (1966); Schlumberger Technology Corp. v. Frentrop, 215 U.S.P.Q. (BNA) 1072, 1074 (D. Conn. 1981) (plaintiff would suffer irreparable injury if not permitted to protect its expenditure of time and money and prevent premature disclosure of its trade secrets); Minnesota Mining & Mfg. Co. v. Kirkevold, 87 F.R.D. 324, 338 (D. Minn. 1980) (disclosure by former employee of information that provides the plaintiff with a competitive advantage would cause an irreparable injury); Continental Group, Inc. v. Kinsley, 422 F. Supp. 838, 844-46 (D. Conn. 1976) (when small number of companies were competing vigorously to be among the first to develop new product with potentially enormous sales, and information concerning one company's proximity to success would have considerable value, the plaintiff was entitled to an injunction against former employee who

The third category includes cases in which the plaintiff sues to prevent an alleged appropriation of a trade secret by the defendant in violation of a licensing or secrecy agreement. Unlike cases in the preceding categories, at issue in these cases is whether the defendant has the contractual right to exploit the trade secrets. In the typical case, therefore, the plaintiff alleges that the defendant's misconduct was willful, and the defendant claims that its conduct was merely an exercise of its rights under the agreement.[78] There is no observable tendency in these cases for courts to characterize the injury as irreparable.[79] The loss of competitive advantage appears less significant to many courts when a licensing or secrecy agreement is involved.[80]

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threatened to disclose trade secret information to defendant); Mixing Equip. Co. v. Philadelphia Gear, Inc., 312 F. Supp. 1269, 1274-76 (E.D. Pa. 1970) (when there is a strong likelihood that former employee will inadvertently disclose trade secrets that lend competitive advantage, the equities lie in favor of the plaintiff), *modified*, 436 F.2d 1308 (3d Cir. 1971); Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp., 255 F. Supp. 645, 652 (E.D. Mich. 1966) (loss of research data, including "negative test result[s]," would irreparably harm the plaintiff by injuring its competitive advantage); Howard Schultz & Assocs. v. Ingram, 38 N.C. App. 422, 428, 248 S.E.2d 345, 349-50 (1978) (dissemination of the plaintiff's trade secrets would create an injury which monetary damages could not compensate); Travenol Laboratories, Inc. v. Turner, 30 N.C. App. 686, 694-95, 228 S.E.2d 478, 485 (1976) (disclosure of the plaintiff's trade secrets by a former employee in field where several competitors have unsuccessfully tried to develop similar information would cost the plaintiff a "competitive advantage worth many thousands of dollars").

77. *See* Eaton Corp. v. Appliance Valves Corp., 526 F. Supp. 1172, 1181 (N.D. Ind. 1981) (after concluding that threat of disclosure was not sufficient to warrant injunctive relief, the court noted in dictum that the "interrelationship between price, production and competition" would not render money damages unascertainable). Some courts decline to find an irreparable injury absent actual use by the competing employer. *See* Northern Petrochem. Co. v. Tomlinson, 484 F.2d 1057, 1059-60 (7th Cir. 1973) (no irreparable harm shown when former employee divulges trade secrets of the plaintiff to his new employer, but new employer does not immediately use the information to compete with the plaintiff); Simplex Wire & Cable Co. v. Dulon, Inc., 196 F. Supp. 437, 441 (E.D.N.Y. 1961) (mere possession of the plaintiff's trade secrets, obtained through disclosure by the plaintiff's former employee, does not constitute irreparable harm absent intended or actual use by the defendant).

78. *See, e.g.*, Com-Share, Inc. v. Computer Complex, Inc., 338 F. Supp. 1229, 1235-36 (E.D. Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972); Foundry Servs., Inc. v. Beneflux Corp., 206 F.2d 214, 215 (2d Cir. 1953); Dotolo v. Schouten, 426 So. 2d 1013, 1014-15 (Fla. Dist. Ct. App. 1983).

79. *Compare* Textron, Inc. v. Teleoperator Sys. Corp., 554 F. Supp. 315, 327 (E.D.N.Y. 1983) (loss of lead time in a field that will become increasingly competitive will irreparably damage the plaintiff's competitive position) *and* CPG Prods. Corp. v. Mego Corp., 214 U.S.P.Q. (BNA) 206, 214 (S.D. Ohio 1981) (export of the plaintiff's misappropriated trade secrets by the defendant would threaten their destruction, for which there would be no adequate remedy at law) *and* Klockner-Humboldt-Deutz Aktiengesellschaft v. Hewitt-Robins Division of Litton Sys., 486 F. Supp. 283, 286-87 (D.S.C. 1978) (defendant's flagrant misconduct in misappropriating the plaintiff's trade secrets and marketing an identical product will result in irreparable harm to the plaintiff) *and* Com-Share, Inc. v. Computer Complex, Inc.,

Thus, the manner of the alleged appropriation is an influential factor in determining the nature of the plaintiff's injury. The more willful the misconduct, the greater the likelihood that the harm to the plaintiff will be considered irreparable. In light of the persistence of the confidential relation theory of liability, this result is not surprising. When a defendant asserts the right to act in a given manner, her conduct is less likely to be perceived as reprehensible than when she knowingly commits wrongful acts. The plaintiff's injury, however, is unaffected by the defendant's state of mind. Courts that are overly concerned with the exact nature of defendants' conduct may fail to make this distinction.

C. *Analytic Framework in Trade Secret Cases*

Recognition of trade secrets as property would clarify the issue of irreparability by focusing attention on the nature of the injury rather than on the conduct of the defendant.[81] Thus, more objective criteria for the irreparability determination could evolve, and the results of

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338 F. Supp. 1229, 1239 (E.D. Mich. 1971) (sale and further disclosure of the plaintiff's trade secrets will cause irreparable injury to the plaintiff because of the impossibility of calculating damages, the inability of damages to compensate the plaintiff, and because the plaintiff's entire business would be placed in severe financial jeopardy), *aff'd*, 458 F.2d 1341 (6th Cir. 1972) *and* Dotolo v. Schouten, 426 So. 2d 1013, 1015 (Fla. Dist. Ct. App. 1983) (recognizing that irreparable injury may be presumed, especially in consideration of the continuing nature of the tort) *with* Imperial Chem. Indus. v. National Distillers & Chem. Corp., 354 F.2d 459, 461 (2d Cir. 1965) (plaintiff failed to prove that harm from permitting third party to retain disclosures already made to it and from making further disclosures would be irreparable) *and* Foundry Servs., Inc. v. Beneflux Corp., 206 F.2d 214, 216 (2d Cir. 1953) (mere dampening of sales not sufficient to classify injury irreparable because harm could be fully compensated by money damages) *and* CPG Prods. Corp. v. Mego Corp., 214 U.S.P.Q. (BNA) 206, 214 (S.D. Ohio 1981) (damages ascertainable due to low market demand for the product) (dictum) *and* Rapco Foam, Inc. v. Scientific Applications, Inc., 479 F. Supp. 1027, 1031 (S.D.N.Y. 1979) (loss of competitive advantage is merely one factor pointing toward irreparability of injury, and is not sufficient, in itself, to warrant injunctive relief) *and* Newman v. Holobeam, Inc., 319 F. Supp. 1389, 1391 (S.D.N.Y. 1970) (injury resulting from the sale of machines manufactured through the misuse of trade secrets is calculable, and can be compensated through money damages).

80. All of the cases in which the injury was not deemed irreparable in this category concluded that monetary damages would be adequate to compensate for the loss of competitive advantage. Foundry Servs., Inc. v. Beneflux Corp., 206 F.2d 214, 216 (2d Cir. 1953); Newman v. Holobeam, Inc., 319 F. Supp. 1389, 1391 (S.D.N.Y. 1970); *see* Imperial Chem. Indus. v. National Distillers & Chem. Corp., 354 F.2d 459, 461 (2d Cir. 1965); CPG Prods. Corp. v. Mego Corp., 214 U.S.P.Q. (BNA) 206, 214 (S.D. Ohio 1981); Rapco Foam, Inc. v. Scientific Applications, Inc., 479 F. Supp. 1027, 1031 (S.D.N.Y. 1979).

81. Such emphasis is in accord with historical concepts of irreparable harm. See *supra* note 60.

trade secret cases would be more predictable. The danger exists, however, that courts will ignore the traditional boundaries of their equitable jurisdiction, and simply presume that the loss of competitive advantage is irreparable.[82] To illustrate, competitive losses may not be serious enough to constitute irreparable harm when the defendant is only one of many competitors in a product market because the defendant's activities may not present a serious competitive threat to the plaintiff.[83] The nature of the injury can be determined only by reference to the surrounding circumstances.[84] In technologically-advanced industries, there are several factors which may affect the irreparability of an injury but have not received much attention in the case law.

First, the competitive nature of the market may make a loss of lead time an important consideration in determining irreparability.[85] Al-

82. *See, e.g.*, FMC Corp. v. Taiwan Tainan Giant Indus., No. 83-7945, slip op. at 2183 (2d Cir. Mar. 6, 1984) (per curiam) (loss of trade secret cannot be measured in money damages); Dekar Indus. v. Bisset-Berman Corp., 434 F.2d 1304, 1305-06 (9th Cir. 1970) (emphasizing the wrongfulness of defendants' conduct in determining that the injury was irreparable), *cert. denied*, 402 U.S. 945 (1971); Minnesota Mining & Mfg. Co. v. Kirkevold, 87 F.R.D. 324, 337-38 (D. Minn. 1980) (disclosure that destroys competitive advantage would create an irreparable injury); Mixing Equip. Co. v. Philadelphia Gear, Inc., 312 F. Supp. 1269, 1274-76 (E.D. Pa. 1970) (equities lie with the plaintiff when loss of trade secret lending competitive advantage is likely), *modified*, 436 F.2d 1308 (3d Cir. 1971); Dotolo v. Schouten, 426 So. 2d 1013, 1015 (Fla. Dist. Ct. App. 1983) (irreparability can be presumed); Travenol Laboratories, Inc. v. Turner, 30 N.C. App. 686, 694-95, 228 S.E.2d 478, 485 (1976) (loss of competitive advantage worth many thousands of dollars is irreparable).

83. *See* McCormick v. Empire Accounts Serv., Inc., 49 Ill. App. 3d 415, 417-18, 364 N.E.2d 420, 422 (1977) (no irreparable injury to the plaintiff in competitive and constantly changing marketplace when the plaintiff's former employee continues to work for one of 250 competitors); *cf.* American Hardware Mut. Ins. Co. v. Moran, 545 F. Supp. 192, 199 (N.D. Ill. 1982) (court found that the plaintiff had failed to show irreparable harm because it could still compete on a fair and equal basis), *aff'd*, 705 F.2d 219 (7th Cir. 1983); CPG Prods. Corp. v. Mego Corp., 214 U.S.P.Q. (BNA) 206, 214 (S.D. Ohio 1981) (low market demand for product rendered calculable any damages suffered by the plaintiff) (dictum).

84. See *supra* notes 61-64 and accompanying text; *cf.* Note, *The Irreparable Harm Requirement for Injunctive Relief in Antitrust Distributor Termination Cases: Jack Kahn Music Co. v. Baldwin Piano & Organ Co. and the Wholesaler-Retailer Distinction*, 61 B.U.L. Rev. 507, 516 (1981) (In distributor termination cases, the nature of the injury will determine the type of relief available.).

85. Raysman & Brown, *supra* note 1, at 2; *see, e.g.*, Textron, Inc. v. Teleoperator Sys., 554 F. Supp. 315, 327 (E.D.N.Y. 1983); Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. (BNA) 272, 281-82 (N.D. Ill. 1982), *aff'd sub nom.* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983); Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp., 255 F. Supp. 645, 652 (E.D. Mich. 1966); *cf.* Kubik, Inc. v. Hull, 56 Mich. App. 335, 363-64, 224 N.W.2d 80, 94-95 (1974) (although injunctive relief inappropriate due to broadened marketing after misappropriation, early and wrongful marketing of hydrostatic drive equipment gives rise to damages claim). In *Textron*, for example, the plaintiff and defendant were corporations in the field of industrial robotics. 554 F. Supp. at 317. Noting that defendant's appropriation would deprive the plaintiff of the right to be an initial

though some courts view such an injury in terms of dampened profits that can be adequately compensated by money damages,[86] depriving the plaintiff of the opportunity to be first in a particular field may also injure its business reputation.[87] The rapid pace at which companies enter "high tech" product markets[88] may make such a loss of business reputation immeasurable and thus irreparable: Diminished confidence in the plaintiff among its customers could result in untold losses in future sales of unrelated products.[89]

To assess whether a loss of customer goodwill is irreparable, courts should thoroughly examine the effects of the defendant's competition on the plaintiff's business. Customer alienation might occur, for instance, when the defendant is able to use an appropriated trade secret to reproduce the plaintiff's product at a lower price.[90] The consequences of such competition may be irreparable because the plaintiff's customers may feel that they have been overcharged by the plaintiff previously.[91] By contrast, alienation that results from something other than the appropriation or use of the secret, such as the defendant's better customer service, cannot form the basis for an irreparable injury because the plaintiff has the ability to prevent the alienation.[92]

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entrant into a field that will become "increasingly competitive with the developing state of the art," the court held that the plaintiff's injury would be incalculable, and thus irreparable. *Id.* at 327.

86. See *supra* note 80.

87. Injuries to business reputation are generally manifested through loss of customer goodwill, which may constitute irreparable harm. *E.g.*, American Can Co. v. Mansukhani, 216 U.S.P.Q. (BNA) 1094, 1100 (E.D. Wis. 1982); Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 204-05 (E.D Pa. 1982); Krapf Bus. Sys. v. Magnacontrol Corp., 204 U.S.P.Q. (BNA) 198, 203-04 (S.D. Ind. 1979); *see* Com-Share, Inc. v. Computer Complex, Inc., 338 F. Supp. 1229, 1237 (E.D. Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972); *cf.* Note, *The Irreparable Harm Requirement for Injunctive Relief in Antitrust Distributor Termination Cases: Jack Kahn Music Co. v. Baldwin Piano & Organ and the Wholesaler-Retailer Distinction*, 61 B.U.L. Rev. 507, 519-521 (1981) (loss of goodwill resulting from distributor termination may be irreparable).

88. See *supra* note 9 and accompanying text.

89. Com-Share, Inc. v. Computer Complex, Inc., 338 F. Supp. 1229, 1237 (E.D Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972); *see* Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 205 (E.D. Pa. 1982) (inability of the plaintiff to exercise quality control over the product if relief not granted); *cf.* Jacobson & Co. v. Armstrong Cork Co., 416 F. Supp. 564, 570 (S.D.N.Y. 1976) (distributor termination case), *aff'd*, 548 F.2d 438 (2d Cir. 1977); Supermarket Servs., Inc. v. Hartz Mountain Corp., 382 F. Supp. 1248, 1256 (S.D.N.Y. 1974) (same).

90. *See* American Can Co. v. Mansukhani, 216 U.S.P.Q. (BNA) 1094, 1100 (E.D. Wis. 1982).

91. *Id.*

92. Injuries that can be prevented by the plaintiff are generally not considered irreparable. 1 T. Spelling, *supra* note 56, § 13, at 19; 1 H. Joyce, *supra* note 53, § 34, at 69; *see* 1 J. High, *supra* note 53, § 30, at 48.

Loss of employee goodwill is another form of injury that may be irreparable.[93] Such an injury may, for example, take the form of incalculable losses in production and sales due to a decline in employee morale that occurs when the plaintiff's employees feel that the fruits of their labor are being siphoned off by the misappropriator,[94] or when employees react adversely to stricter security measures instituted by their employer to prevent further appropriations of information.[95] Moreover, if some employees can successfully misappropriate trade secrets belonging to their employer, an incentive will be created for other employees to do the same.[96] As one court has observed, employees who are "[irresistibly] lured by the prospect of huge profits . . . may decide to exploit their inside 'know how,' " causing their employer injury for which there is no accurate measure.[97]

The absence of any standard by which damages can be measured is an especially difficult problem when a secondary or "black" market exists.[98] The pirating of products for these markets is a significant problem in "high tech" industries[99] and results in unquantifiable losses to the plaintiff because there are no records to prove the total number

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93. *See* Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 205 (E.D. Pa. 1982); *cf.* F. & M. Schaefer Corp. v. C. Schmidt & Sons, Inc., 597 F.2d 814, 818 (2d Cir. 1979) (antitrust case); DeProspero v. The House of the Good Samaritan, 474 F. Supp. 552, 559 (N.D.N.Y. 1978) (labor case); Boyertown Burial Casket Co. v. Amedco, Inc., 407 F. Supp. 811, 817 (E.D. Pa. 1976) (antitrust case).

94. *Cf.* F. & M. Schaefer Corp. v. C. Schmidt & Sons, Inc. 597 F.2d 814, 818 (2d Cir. 1979) (antitrust case); DeProspero v. The House of the Good Samaritan, 474 F. Supp. 552, 559 (N.D.N.Y. 1978) (labor case); Boyertown Burial Casket Co. v. Amedco, Inc., 407 F. Supp. 811, 817 (E.D. Pa. 1976) (antitrust case).

95. This might occur when the plaintiff employer commences a program to protect its trade secrets by requiring that employees sign non-disclosure agreements. Loyal employees may be insulted by what they correctly perceive as their employer's lack of trust. Additionally, disloyal employees, who were previously unaware of the value of the information they possessed, may be tempted to use the information for their personal gain. 12 R. Milgrim, *supra* note 10, § 3.02[2], at 3-89 to -90.

A plaintiff that alleges an irreparable loss of employee goodwill must demonstate that the threat of injury is in fact sufficient to warrant injunctive relief. See *supra* notes 65-67 and accompanying text. The plaintiff's burden may be more difficult when the alleged irreparable injury is the result of a loss of employee goodwill than when a loss of competitive advantage or customer goodwill is alleged. A loss of employee goodwill is dependent on the characteristics of the plaintiff's employees, while the latter forms of injury are a function of the more rational, and thus predictable, product market.

96. Ecolaire Inc. v. Crissman, 542 F. Supp. 196, 205 (E.D. Pa. 1982).

97. *Id.*

98. Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. (BNA) 272, 282 (N.D. Ill. 1982), *aff'd sub nom.* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983).

99. *See* Arthurs, *supra* note 9, at 34; Nicholson & Sandza, *supra* note 10, Newsweek, July 5, 1982, at 54; Reinhold, *Spinoff Suits Mount in Silicon Valley*, N.Y. Times, Jan. 3, 1984, at D1, col. 1.

of sales lost.[100] Consequently, courts should be aware of the possibility that such markets exist and consider losses resulting from this competition as irreparable.

CONCLUSION

There is little doubt that trade secret protection can be enhanced by preventing abuses of confidential relationships. Protection against the breach of a confidential relationship, however, is a limited form of protection not designed to promote the public interest in encouraging invention. Thus, liability for the breach of a confidential relationship should be treated under the law of agency, not the law of trade secrets. Recognition that the appropriation of a trade secret is considered an infringement of a property right, rather than merely a breach of confidence, will better serve the goal of encouraging invention. Moreover, by clarifying the irreparability analysis, such recognition will help to assure proper exercises of courts' equitable jurisdiction.

Edmond Gabbay

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100. *See* Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. (BNA) 272, 281-82 (N.D. Ill. 1982), *aff'd sub nom.* Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983).