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ARTICLE

PERMANENT INJUNCTIVE RELIEF FOR TRADE SECRET MISAPPROPRIATION WITHOUT AN EXPRESS LIMIT UPON ITS DURATION:

THE UNIFORM TRADE SECRETS ACT RECONSIDERED

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I.	INTRODUCTION	
II.	BACKGROUND	
	A. <i>The Uniform Act</i>	
	B. <i>The General Injunctive Provisions of the Uniform Act</i>	
	C. <i>Types of Injunctive Relief</i>	
III.	UNIFORM ACT TREATMENT OF PERMANENT INJUNCTION DURATION	
	A. <i>Common-Law Approaches Prior to the Adoption of the Uniform Act</i>	
	B. <i>Uniform Act Section 2(a)(Second Sentence)</i>	
	C. <i>A Test for Commercial Advantage from Misappropriation With Respect to a Trade Secret That Has Ceased to Exist</i>	
	D. <i>Commencement of the Period During Which an Injunction is Appropriate</i>	
	E. <i>The Implications of Uniform Act Section 2(a)(Second Sentence) for Trade Secrets That Continue to Exist</i>	
	F. <i>The Procedure for Obtaining Dissolution of a Permanent Injunction Without an Express Limit Upon Its Duration</i>	
IV.	CONCLUSION	

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I. INTRODUCTION

This article discusses whether a permanent injunction¹ issued after a trial on the merits under the Uniform Trade Secrets Act (“Uniform Act”)² should have an express expiration date. The common law cases are in conflict with respect to former trade secrets that have entered the public domain.³ Although the Uniform Act was promulgated by the National Conference of Commissioners on Uniform Laws⁴ in 1979⁵ and has statutory language and commentary addressing the issue,⁶ case-law has continued to conflict under the Act.⁷

Because an injunction is the most common form of relief⁸ for trade secret misappropriation⁹ and versions of the Uniform Act have been enacted in forty-five American States, the District of Columbia, and the American Virgin

¹ Injunctive relief is either provisional or permanent. There are two types of provisional injunctions: temporary restraining orders and preliminary injunctions. A provisional injunction is issued prior to trial upon the merits. A permanent injunction is issued after trial upon the merits. Discussion *infra* Part II.C.

² UNIF. TRADE SECRETS ACT §§ 1-12 (amended 1985), 14 U.L.A. 529-659 (Supp. 2010).

³ See discussion *infra* Part III.A.

⁴ The National Conference of Commissioners on Uniform State Laws was organized in 1892 to promote desirable and practicable uniformity in state laws. Commissioners are appointed by each state, the District of Columbia, and Puerto Rico. See UNIF. LAWS ANNOTATED, 14 U.L.A. Preface at III-IV (Supp. 2010).

⁵ See *infra* notes 17-18 and accompanying text.

⁶ See UNIF. TRADE SECRETS ACT § 2(a) (amended 1985) cmt. 14 U.L.A. 619-20 (Supp. 2010).

⁷ See D. Kirk Jamieson, *Just Deserts: A Model to Harmonize Trade Secret Injunctions*, 72 NEB. L. REV. 515, 536-37 (1993) (“[S]ome courts have interpreted the UTSA [the Uniform Act] as supporting indefinite, and often apparently perpetual or punitive, injunctions. Others have set definite periods”) (alteration in original).

⁸ 4 ROGER M. MILGRIM & ERIC E. BENSON, MILGRIM ON TRADE SECRETS § 15.02[1][a] (2010) [hereinafter 4 MILGRIM] (“Injunctive relief is the most commonly sought form of relief in trade secret litigation.”).

⁹ Misappropriation is wrongful acquisition, disclosure, or use of another’s trade secret. See, e.g., UNIF. TRADE SECRETS ACT § 1(2) (amended 1985), 14 U.L.A. 537 (Supp. 2010) (defining misappropriation). However, the Restatement of Unfair Competition refers to wrongful “appropriation” of trade secrets. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 (1995) (“One is subject to liability for the appropriation of another’s trade secret if . . .”).

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

Islands,¹⁰ this issue is significant throughout the United States. Moreover, the interests at stake, which include encouraging businesses to invest by adequately protecting the fruits of research, employee job mobility, and the public interest in free competition,¹¹ influence the scope of trade secret protection in all jurisdictions.¹²

II. BACKGROUND

A. *The Uniform Act*

The 1939 Restatement (First) of Torts¹³ was an influential partial formulation of American common law trade secret law.¹⁴ The 1979 Restatement (Second) of Torts omitted trade secret law, finding trade secret law too specialized for the Restatement.¹⁵ The National Conference proposed

¹⁰ See UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 26-27 (Table of Enactment 2010). New Jersey, New York, and Texas are among the states that have not enacted the Uniform Act. See JAMES POOLEY, TRADE SECRETS § 2.03[7] (Law Journal Press 2010) (1997).

¹¹ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. a (1995) (stating that trade secret protection encourages research by providing the opportunity to capture the returns of innovation but that the scope of protection is limited by the freedom to copy information not protected by patent, copyright, and trademark law by proper means). The Restatement also refers to trade secret protection as preventing unfair competition, unjust enrichment attributable to bad faith, breaches of confidence, and improper physical intrusions, and as encouraging disclosure of information to employees, agents, and licensees. See *id.* Although the Restatement does not mention it, employees' interest in job mobility also is impacted by trade secret protection, which can limit the ability of an employee to whom trade secrets have been disclosed in confidence to change jobs. See 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. REV. 1167, 1183-86 (1987).

¹² See generally, Michael Risch, *Why Do We Have Trade Secrets*, 11 MARQ. INTELL. PROP. L. REV. 1, 26-28 (2007) (arguing that trade secret protection is justified by its economic effects).

¹³ RESTATEMENT OF TORTS §§ 757-59 (1939).

¹⁴ See, e.g., *Curtiss-Wright Corp. v. Edel-Brown Tool & Die Co.*, 407 N.E.2d 319, 325 n.6 (Mass. 1980) (following the Restatement's formulation of liability); see also RESTATEMENT OF TORTS §§ 757-59 (addressing liability and including a limited discussion of remedies; failing to address the statute of limitations).

¹⁵ See RESTATEMENT (SECOND) OF TORTS div. 9, intro. note (1979) (stating that trade secret law had become independent of tort law).

the Uniform Act to fill the gap left by the Restatement (Second) by elaborating upon the common law trade secret principles reflected in the 1939 Restatement.¹⁶

The National Conference initially approved the Uniform Act in 1979,¹⁷ and later added four Official Amendments in 1985.¹⁸ In 1995, the Restatement (Third) of Unfair Competition reinstated Restatement coverage of trade secret law, generally following the approach set forth by the Uniform Act.¹⁹ The Uniform Act defines a protectable trade secret as information that is the subject of reasonable efforts to maintain secrecy and that derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, persons who can obtain economic value from its disclosure or use.²⁰ Trade secret misappropriation is conduct that one knows or has reason to know involves improper acquisition, disclosure, or use of another's trade secret.²¹

B. The General Injunctive Provisions of the Uniform Act

Section 2(a) of the Uniform Act provides:

¹⁶ See UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 531 (Preface 2010) (stating that the Uniform Act provides a unified theory of trade secret protection with a single statute of limitations and appropriate remedies). The 1939 Restatement substantially omitted discussion of remedies and did not address the statute of limitations. See *Curtiss-Wright Corp.*, 407 N.E.2d at 323-24 n.4, 325 nn.5-6; RESTATEMENT OF TORTS §§ 757-59 (1939).

¹⁷ See UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 530 (Historical notes 2010).

¹⁸ See *id.*; see also ABA Section of Patent, Trademark, and Copyright Law Res. 206-3 to 206-6 (1981) (suggesting the following amendments to the Uniform Act in order to address four problems with the Act: amend Section 7 to make clear that state remedies for breach of contract are not preempted by trade secret law, amend Section 3 to allow reasonable royalty damages if neither a plaintiff's actual damages nor a defendant's unjust enrichment are provable, amend Section 2(b) to limit injunctions allowing future use of the trade secret upon payment of a reasonable royalty to exceptional circumstances, and amend Section 11 to clarify that the Uniform Act does not apply to a continuing misappropriation that began prior to the effective date of the Act).

¹⁹ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. b (1995) ("Except as otherwise noted, the principles of trade secret law described in this Restatement are applicable to actions under the Uniform Trade Secrets Act as well as to actions at common law. The concept of a trade secret as defined in this Section is intended to be consistent with the definition of "trade secret" in § 1(4) of the Act.").

²⁰ See UNIF. TRADE SECRETS ACT § 1(4) (amended 1985), 14 U.L.A. 538 (Supp. 2010).

²¹ See *id.* § 1(2).

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2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.²²

The general injunctive provisions of the Uniform Act are in force in most U.S. jurisdictions that have adopted the Uniform Act in some form.²³ The first sentence of Section 2(a) is a bare bones authorization of discretionary equitable relief against actual and threatened misappropriation under general equitable principles,²⁴ which require that a complainant suffer irreparable harm if an injunction is not granted.²⁵ Some jurisdictions recognize a rebuttable presumption that trade secret misappropriation causes irreparable harm.²⁶

²² *Id.* § 2(a); *see also id.* § 2(b)-(c) (addressing injunctions; Section 2(b), amended in 1985, provides that in exceptional circumstances a court may issue an injunction that conditions future use upon payment of a reasonable royalty; Section 2(c), which was not officially amended in 1985, authorizes a court to compel affirmative acts, like surrender of misappropriated blueprints, in order to protect a trade secret).

²³ *See generally* UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 26-27 (Supp. 2010) (Table of Adopting Jurisdictions).

²⁴ *See, e.g.,* *Procter & Gamble Co. v. Stoneham*, 747 N.E.2d 268, 273-74 (Ohio Ct. App. 2000) (stating that the Uniform Act authorizes injunctive relief without providing statutory guidelines and normal equity rules apply); *see also* *Bishop & Co. v. Cuomo*, 799 P.2d 444, 445-47 (Colo. App. 1990) (stating that the Colorado version of Uniform Act § 2(a) does not conflict with or displace the Colorado court rule that requires a showing of irreparable harm in order for a preliminary injunction to be granted).

²⁵ *See Procter & Gamble*, 747 N.E.2d at 273. *But see* Thomas L. Casagrande, *Permanent Injunctions in Trade Secret Actions: Is A Proper Understanding of the Role of the Inadequate Remedy At Law/Irreparable Harm Requirement the Key to Consistent Decisions?*, 28 AIPLA Q.J. 113, 139 (2000) (stating that “subject to the principles of equity” should be added to Uniform Act §2(a)). Casagrande argued that the courts’ failure to limit injunctions in trade secret cases to the prevention of irreparable harm has led to serious mistakes. *See id.* (“In trade secret cases, courts exceed their equitable powers when they enter injunctions that are not limited to the prevention of irreparable harm, but instead purport to compensate the plaintiff or punish the defendant.”).

²⁶ *See FMC Corp. v. Taiwan Tainan Giant Indus. Co.*, 730 F.2d 61, 63 (2d. Cir. 1984) (per curiam) (“The only question remaining, then, is whether FMC has established irreparable harm. The district court correctly found that the information in question is of great value to FMC, and it is clear that the loss of trade secrets cannot be measured in money damages A trade secret once lost is, of course, lost forever.”); *see also* *Winter v. Nat’l Res. Def. Council*, 129 S. Ct. 365, 375-76 (2008) (“Issuing a preliminary injunction based only on a possibility of irreparable harm is inconsistent with our characterization of

Others require affirmative proof.²⁷ The second sentence of Section 2(a) deals with the effect of subsequent loss of secrecy on prior injunctive relief for misappropriation.²⁸

Although enacting states have made a number of substantive non-uniform amendments to other provisions of the Uniform Act,²⁹ the non-uniform amendments to the first sentence of Section 2(a) typically have not been substantive and the substantive non-uniform amendments to the second sentence exist in only six states.³⁰ The 1985 Official Amendments, which have

injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.”); *Sky Capital Grp, LLC v. Rojas*, No. 1:09-CV-00083-EJL, 2009 WL 1370938, at *2 (D. Idaho May 14, 2009) (unpublished) (interpreting *Winter* as rejecting a presumption of irreparable harm) (“Thus, no longer are plaintiffs granted the presumption of irreparable harm upon a showing of likelihood of success on the merits.”).

²⁷ See, e.g., *Faiveley Transp. Malmo AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir. 2009) (“A rebuttable presumption of irreparable harm might be warranted in cases where there is a danger that, unless enjoined, a misappropriator of trade secrets will disseminate those secrets to a wider audience or otherwise irreparably impair the value of those secrets. Where a misappropriator seeks only to use those secrets without further dissemination or irreparable impairment of value - in pursuit of profit, no such presumption is warranted”); *Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, No. 4:06CV114, 2010 WL 3370286, at *3 (N.D. Ohio Aug. 26, 2010) (unpublished) (“[E]ven though Allied has won on the merits at trial, it has not shown by clear and convincing evidence that it has not been adequately compensated by the jury’s award, and therefore has not proven that it has suffered irreparable harm. Accordingly, this Court believes a permanent injunction to be inequitable . . .”).

An enforceable agreement that breach of a contract not to disclose trade secrets will cause irreparable harm to a person with trade secret rights is comparable to a presumption of irreparable harm. See *Veliz v. Cintas Corp.*, No. C 03-1180 SBA, 2004 WL 2452851, at *25 (N.D. Cal. Apr. 5, 2004) (unpublished) (“[T]he Irreparable Harm Clause . . . does not expand Cintas’ rights in Connecticut. It merely mirrors them. Connecticut’s trade secret law provides that an aggrieved party may obtain an injunction without showing irreparable harm.”), *modified on other grounds*, No. 03-01180(SBA), 2005 WL 1048699 (N.D. Cal. May 4, 2005).

²⁸ UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (Supp. 2010).

²⁹ See POOLEY, *supra* note 10, § 2.03[7][b] (“The major drawback of the Uniform Trade Secrets Act is that it is not uniform.”).

³⁰ See ALA. CODE § 8-27-4(a) (LexisNexis 2010); COLO. REV. STAT. ANN. § 7-74-103 (West 2010); 765 ILL. COMP. STAT. ANN. 1065/3(a) (West 2010); GA. CODE ANN. § 10-1-762(a) (LexisNexis 2009 & Supp. 2010); TENN. CODE ANN. § 47-25-1703(a) (LexisNexis 2001 & Supp. 2010); NEV. REV. STAT. ANN. § 600A.040(1) (LexisNexis 2010).

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

not been adopted by all enacting states,³¹ do not affect Section 2(a).³²

The non-uniform amendments to the first sentence of Section 2(a) elaborate on its scope by, for example, making explicit reference to temporary and permanent injunctions,³³ and by stating that an injunction must contain “equitable terms.”³⁴ On the other hand, the non-uniform amendments to the second sentence of Section 2(a) are substantive. Alabama and Colorado delete the second sentence entirely.³⁵ Illinois accomplishes the same result by making the termination of an injunction after a trade secret has ceased to exist discretionary.³⁶ Like Georgia and Tennessee, the Illinois amendments also provide that an injunction can continue after a trade secret has ceased to exist “in appropriate circumstances.”³⁷ Illinois, Georgia, Nevada, and Tennessee identify additional circumstances in which an injunction can continue,³⁸ the

³¹ See *id.* (“[T]here were two versions promulgated by the National Conference of Commissioners, one in 1979 and another in 1985. Some states adopted the first, some the second, and some a combination of the two.”).

³² See UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 530 Prefatory Note at 532 (Supp. 2010) (listing of sections amended in 1985).

³³ See *e.g.*, COLO. REV. STAT. ANN. § 7-74-103 (West 2010) (referencing to “Temporary and final injunctions”); OR. REV. STAT. ANN. § 646.463(1) (West 2009) (“[M]isappropriation may be temporarily, preliminarily or permanently enjoined.”).

³⁴ COLO. REV. STAT. ANN. § 7-74-103 (West 2010) (“[I]njUNCTIONS . . . may be granted on such equitable terms as the court deems reasonable . . .”).

³⁵ See ALA. CODE § 8-27-4(a) (LexisNexis 2010); COLO. REV. STAT. ANN. § 7-74-103 (West 2010).

³⁶ See 765 ILL. COMP. STAT. ANN. 1065/3(a) (West 2010) (“[A]n injunction may be terminated when the trade secret has ceased to exist . . .”).

³⁷ See *id.* (“[T]he injunction may be continued for an additional reasonable period of time in appropriate circumstances . . .”). Georgia and Tennessee also allow an injunction to continue after a trade secret has ceased to exist in “appropriate circumstances.” See GA. CODE ANN. § 10-1-762(a) (LexisNexis 2009 & Supp. 2010) (“[T]he injunction may be continued for an additional reasonable period of time in appropriate circumstances . . .”); TENN. CODE ANN. § 47-25-1703(a) (LexisNexis 2001 & Supp. 2010) (“[T]he injunction may be continued for an additional reasonable period of time in appropriate circumstances . . .”).

³⁸ See GA. CODE ANN. § 10-1-762(a) (LexisNexis 2009 & Supp. 2010) (“[W]here the trade secret ceases to exist due to the fault of the enjoined party or others by improper means.”); 765 ILL. COMP. STAT. ANN. 1065 / 3(a) (West 2010) (“[D]eterrence of willful and malicious misappropriation, or where the trade secret ceases to exist due to the fault of the enjoined party or others by improper means.”); NEV. REV. STAT. ANN. § 600A.040(1) (LexisNexis 2010) (“other advantage that otherwise would be derived from the misappropriation”); and TENN. CODE ANN. § 47-25-1703(a) (LexisNexis 2001 & Supp.

most common of which is when the wrongful conduct of the defendant or others causes a trade secret's cessation.³⁹ But, if a misappropriator's conduct has made a trade secret generally known, it is more appropriate to hold the misappropriator liable in damages for the trade secret's value⁴⁰ than to restrain the misappropriator's use of the trade secret for longer than the duration of any commercial advantage derived from misappropriation.⁴¹ Loss of secrecy makes long-term injunctive relief anticompetitive.⁴²

Illinois and Tennessee also allow continuation of an injunction notwithstanding a trade secret's loss of secrecy in order to punish "willful and malicious misappropriation."⁴³ This non-uniform amendment reverses the Uniform Act's rejection of "punitive perpetual injunctions" and general

2010) ("deterrence of willful and malicious misappropriation, or where the trade secret ceases to exist due to the fault of the enjoined party or others by improper means").

³⁹ Georgia, Illinois, and Tennessee have adopted this non-uniform amendment. *See* GA. CODE ANN. § 10-1-762(a) (LexisNexis 2009 & Supp. 2010); TENN. CODE ANN. § 47-25-1703(a) (LexisNexis 2001 & Supp. 2010); 765 ILL. COMP. STAT. ANN.1065/3(a) (West 2010).

⁴⁰ *See, e.g.,* Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp., 435 F.2d 1262, 1263-64 (5th Cir. 1970) (per curiam), *cert. den. sub nom.,* Shappell v. Martin-Marietta Corp., 404 U.S. 1002 (1971) (awarding complainant the investment value of trade secrets destroyed by the defendant's unauthorized disclosure). *See, generally,* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 cmt. f (1995) ("[I]f the defendant's public disclosure results in extensive use of the information by others, a continuing injunction against the defendant may yield little benefit to the plaintiff. It may also be difficult to determine the appropriate duration of the injunction . . . in some cases, a court may properly conclude that monetary relief is a sufficient remedy.").

⁴¹ The second sentence of Uniform Act Section 2(a) allows a court to enjoin a misappropriator's enjoyment of a commercial advantage derived from misappropriation no matter how a trade secret has become generally known. *See* UNIF. TRADE SECRETS ACT §2(a) (amended 1985), 14 U.L.A. 619 (2005).

⁴² *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 cmt. c (1995) ("If the trade secret has already entered the public domain, an injunction may be appropriate to remedy any head start or other unfair advantage acquired by the defendant as a result of the appropriation. However, if the defendant retains no unfair advantage from the appropriation, an injunction against the use of information that is no longer secret can be justified only on a rationale of punishment and deterrence. Because of the public interest in promoting competition, such punitive injunctions are ordinarily inappropriate in trade secret actions.").

⁴³ 765 ILL. COMP. STAT. ANN. 1065/3(a) (West 2010); TENN. CODE ANN. § 47-25-1703(a) (LexisNexis 2001 & Supp. 2010).

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

limitation of the duration of injunctive relief,⁴⁴ inviting unwarranted restraint of competition. Finally, a Nevada non-uniform amendment allows an injunction to continue notwithstanding a trade secret's loss of secrecy in order to preclude a noncommercial advantage derived from misappropriation.⁴⁵ Because trade secret rights are most appropriately recognized in commercial contexts,⁴⁶ the vague and unnecessary Nevada non-uniform amendment all too easily could morph into a purported justification for a long-term injunction against a willful misappropriator.

The Uniform Act tersely authorizes injunctive relief with respect to "threatened misappropriation," allowing state law to elaborate on the concept.⁴⁷ The common law "inevitable disclosure" theory of *PepsiCo, Inc. v. Redmond*⁴⁸ has been treated as Uniform Act "threatened misappropriation."⁴⁹ In *PepsiCo* the Seventh Circuit Court of Appeals affirmed a preliminary injunction under the Illinois enactment.⁵⁰ The injunction enjoined Mr.

⁴⁴ See UNIF. TRADE SECRETS ACT § 2 cmt (amended 1985), 14 U.L.A. 619 (2005) ("Although punitive perpetual injunctions have been granted,...Section 2(a) of this Act adopts the position of the trend of authority limiting the duration of injunctive relief....").

⁴⁵ NEV. REV. STAT. ANN. § 600A.040(1) (LexisNexis 2010). The Nevada non-uniform language referring to "other advantage that otherwise would be derived from the misappropriation" immediately follows the Nevada enactment of the reference to "commercial advantage" in the Official Text of the Uniform Act and accordingly refers to noncommercial advantage. See *supra* note 22 and accompanying text.

⁴⁶ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (1995) ("The scope of liability at common law and under the Uniform Trade Secrets Act for disclosures that do not involve commercial exploitation of the secret information is unclear.").

⁴⁷ See UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (2005) ("[T]hreatened misappropriation may be enjoined.").

⁴⁸ *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995).

⁴⁹ See *id.* at 1269 ("The defendants are incorrect that Illinois law does not allow a court to enjoin the 'inevitable' disclosure of trade secrets."); see also Elizabeth Rowe, *When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine*, 7 TUL. J. TECH. & INTELL PROP. 167, 181 (2005) ("[A] careful review of the case law, particularly the leading case of *PepsiCo* makes clear that inevitable disclosure is a way of establishing threatened disclosure."). Charles Graves and James Diboise portray the inevitable disclosure theory as "[t]he single biggest threat to innovation under trade secret law." Charles T. Graves & James A. Diboise, *Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation?*, 1 ENTREPREN. BUS. L.J. 323, 337 (2006).

⁵⁰ See *PepsiCo, Inc.*, 54 F.3d at 1272. A preliminary injunction is a type of provisional injunction that is issued before trial. For discussion of the difference between a provisional injunction and a permanent injunction that is issued after a trial upon the merits, see *infra* Part II.C.

Redmond, who had signed a confidentiality agreement with PepsiCo, from disclosing at any time PepsiCo's trade secrets to Quaker Oats (Quaker) and from assuming a comparable position with Quaker for approximately five and one-half months.⁵¹ The district court found that Redmond's breach of his confidentiality agreement with PepsiCo would be inevitable without injunctive relief for three reasons: (1) the direct competition between PepsiCo and Quaker; (2) the close relationship between Redmond's new position at Quaker and his former position at PepsiCo;⁵² and (3) Redmond's and Quaker's "lack of candor."⁵³

In *Whyte v. Schlage Lock Co.*, a case with "strikingly similar" facts to *PepsiCo*,⁵⁴ a California intermediate appellate court "completely rejected" the *PepsiCo* inevitable disclosure theory under the California enactment.⁵⁵ The court emphasized that the *PepsiCo* approach unjustifiably impairs employee mobility by imposing the equivalent of a contract not to compete upon an employee who has not agreed to refrain from competing.⁵⁶ *Whyte* has been

⁵¹ *See id.* (affirming "the district court's order enjoining Redmond from assuming his responsibilities at Quaker through May, 1995, and preventing him forever from disclosing PCNA trade secrets and confidential information.").

⁵² *See id.* at 1269 ("The district court concluded...that unless Redmond possessed an uncanny ability to compartmentalize information, he would necessarily be making decisions about Gatorade and Snapple by relying on his knowledge of PCNA trade secrets."). *See also id.* at 1267 ("On December 15, 1994, the district court issued an order enjoining Redmond from assuming his position at Quaker Oats through May, 1995, and permanently from using or disclosing any PCNA trade secrets or confidential information.").

⁵³ *See id.* at 1270 (finding that the district court did not abuse its discretion when it concluded "that Uzzi's actions in hiring Redmond and Redmond's actions in pursuing and accepting his new job demonstrated a lack of candor on their part and proof of their willingness to misuse PCNA trade secrets. . . .").

⁵⁴ *Whyte v. Schlage Lock Co.*, 125 Cal. Rptr. 2d 277, 291 (Cal. Ct. App. 2002) (agreeing with Respondent that "the facts here are 'strikingly similar' to *PepsiCo's*. . .").

⁵⁵ *See id.* at 293 ("Lest there be any doubt about our holding, our rejection of the inevitable disclosure doctrine is complete."). An earlier California intermediate appellate court had adopted the inevitable disclosure theory in dictum. *See Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680, 684 (Cal. Ct. App. 1999) (unpublished) (stating in dictum, "although no California court has yet adopted it, the inevitable disclosure rule is rooted in common sense and calls for a fact specific inquiry. We adopt the rule here.").

⁵⁶ *See Whyte*, 125 Cal. Rptr. 2d at 293 ("As a result of the inevitable disclosure doctrine, the employer obtains the benefit of a contractual provision that it did not pay for, while the employee is bound by a court-imposed contract provision with no opportunity to negotiate terms or consideration.").

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

followed under the Maryland enactment.⁵⁷

In 2010, the Third Circuit panel decision in *Bimbo Bakeries USA, Inc. v. Botticella* gave new life to the *PepsiCo* theory in affirming a district court decision based upon inevitable disclosure.⁵⁸ Chris Botticella (“Botticella”), a senior executive at Bimbo Bakeries (“Bakeries”), who had signed a confidentiality agreement, resigned after accepting a similar position at Hostess Brands, Inc. (“Hostess”), a principal competitor of Bakeries.⁵⁹ Bakeries sued Botticella in order to protect its trade secrets. On February 9, 2010, a federal district judge ruled that the Pennsylvania common law version of the inevitable disclosure theory was satisfied by evidence of “at least a substantial threat of disclosure of a trade secret.”⁶⁰ The district judge issued a preliminary injunction under the Pennsylvania enactment restraining Botticella from commencing employment with Hostess and from disclosing any of Bakeries’ trade secrets, proprietary information, or confidential information to any third person until a determination on the merits in the trial scheduled to begin on April 12, 2010.⁶¹ Botticella made an interlocutory appeal to the Third Circuit Court of Appeals, whereupon the district judge stayed the trial pending resolution of the appeal.⁶² On July 27, 2010, a panel of the Third Circuit affirmed, approving the district judge’s “substantial threat of disclosure of a trade secret” test for inevitable disclosure and rejecting Botticella’s contention that inevitable disclosure required proof that it would be “virtually impossible” for an employee to fulfill his obligations to a new employer without disclosing a former employer’s trade secrets.⁶³

⁵⁷ See *LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451, 470-71 (Md. 2004) (stating “the decisions rejecting the inevitable disclosure doctrine correctly balance competing public policies of employee mobility and protection of trade secrets” and subsequently finding the “reasoning [of the *Whyte* case] persuasive . . .”).

⁵⁸ *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102 (3d Cir. 2010).

⁵⁹ See *id.* at 105-06.

⁶⁰ See *Bimbo Bakeries USA, Inc. v. Botticella*, No. 10-0194, 2010 WL 571774, at *12 (E.D. Pa. Feb. 9, 2010).

⁶¹ See *id.* at *17. Botticella also was ordered to return any of Bakeries’ confidential or proprietary information in his possession in whatever form it existed. See *id.*

⁶² *Bimbo Bakeries*, 613 F.3d at 108.

⁶³ See *id.* at 114-17. The appellate panel commented: “[T]he district court in this case applied the correct legal standard.” See *id.* at 117.

Bimbo Bakeries does not stand for the proposition that the Pennsylvania common law version of the inevitable disclosure theory justifies a preliminary injunction against working for a principal competitor for an extended period of time. In evaluating the harm to Botticella from the preliminary injunction, the appellate panel noted that Botticella was

C. Types of Injunctive Relief

There are two general types of injunctive relief. Permanent injunctions are issued after a trial on the merits;⁶⁴ whereas provisional injunctions are issued prior to a trial on the merits in order to preserve the situation that existed before a controversy arose.⁶⁵ In a trade secret case, a provisional injunction preserves the situation that existed prior to a defendant's alleged misappropriation.⁶⁶

Under the Federal Rules of Civil Procedure and their state counterparts, there are two types of provisional injunctions: temporary restraining orders and preliminary injunctions.⁶⁷ Unless renewed for a like period, temporary restraining orders, which are issued on motion for cause without notice to the opposing party,⁶⁸ must expire no later than fourteen days after entry.⁶⁹ In contrast, preliminary injunctions are issued after notice to the other party⁷⁰ of a hearing at which testimony can be presented with respect to disputed material

entitled to eleven weeks of accrued vacation pay from Bakeries and that Botticella had extended the duration of the preliminary injunction by pursuing an interlocutory appeal. *See id.* at 118-19 n.15.

⁶⁴ *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531, 546 n.12 (1987) (“The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of success on the merits rather than actual success.”).

⁶⁵ *See, e.g., GoTo.Com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1210 (9th Cir. 2000) (“The status quo ante litem refers not simply to any situation before the filing of a lawsuit, but instead to ‘the last uncontested status which preceded the pending controversy’”).

⁶⁶ *See id.* (“In this case [an action for trademark infringement], the status quo ante litem existed before Disney began using its allegedly infringing logo.”) (alteration in original).

⁶⁷ *See* FED. R. CIV. P. 65(a)-(c) (providing for temporary restraining orders and preliminary injunctions). *See also* 1 MELVIN F. JAGER, *Trade Secrets Law* § 7-3 (West 2010) [hereinafter 1 JAGER] (“Despite the variance in state laws, an understanding of the practice under Rule 65 of the Federal Rules of Civil Procedure [dealing with temporary restraining orders and preliminary injunctions] . . . will be useful in most jurisdictions.”) (alteration in original).

⁶⁸ A motion for a temporary restraining order must be accompanied by an affidavit or a verified complaint clearly showing that immediate and irreparable damage will result to the movant before the opponent can be heard and the movant's attorney's written certification of any efforts to give notice and the reasons why notice should not be required. *See* FED. R. CIV. P. 65(b)(1).

⁶⁹ *See* FED. R. CIV. P. 65(b)(2).

⁷⁰ *See* FED. R. CIV. P. 65(a)(1).

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

facts.⁷¹

If a temporary restraining order is issued without notice, a motion for a preliminary injunction must be set for a hearing at the earliest possible time.⁷² Unless a party would be denied a right to a jury trial, either before or after the beginning of a hearing on a motion for a preliminary injunction, a federal district court has discretion to consolidate a trial upon the merits with the hearing on the motion for a preliminary injunction.⁷³ A preliminary injunction may or may not have an express expiration date,⁷⁴ but invariably is reconsidered after resolution of the merits of a case.⁷⁵

⁷¹ See, e.g., *Visual Sciences, Inc. v. Integrated Communications, Inc.*, 660 F.2d 56, 58 (2d Cir. 1981) (“Where, as here, essential facts are in dispute, there must be a hearing . . . , and appropriate findings of fact must be made The opposing party must be afforded the opportunity to cross-examine the moving party’s witnesses and to present evidence.”); *Sims v. Greene*, 161 F.2d 87, 88 (3d Cir. 1947) (“We conclude that the preliminary injunction must be set aside The allegations of the pleadings and affidavits filed in the cause are conflicting. Such conflicts must be resolved by oral testimony The truth of the matter is that Greene was given no fair opportunity to present testimony prior to the issuance of the preliminary injunction.”). *But see* *Int’l Molders’ & Allied Workers’ Local Union No. 164 v. Nelson*, 799 F.2d 547, 555 (9th Cir. 1986) (“Here some facts are in dispute, but the real problem involves the application of correct substantive law to those facts. The INS apparently never requested an opportunity to present oral testimony. In at least one circuit, failure to request an evidentiary hearing constitutes a waiver. The district court did not abuse its discretion in granting the preliminary injunction without an evidentiary hearing.”).

⁷² See FED. R. CIV. P. 65(b)(3).

⁷³ See FED. R. CIV. P. 65(a)(2). A trial court should give clear and unambiguous notice of its intention to consolidate a hearing upon a motion for a preliminary injunction with a trial upon the merits. See *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981) (“Before . . . an order [to consolidate a hearing upon a motion for a preliminary injunction] may issue . . . the courts have commonly required that ‘the parties receive clear and unambiguous notice’”) (alteration in original).

⁷⁴ Compare *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 974-75 (9th Cir. 1991) (affirming a preliminary injunction with a duration of eight months), with *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471, 474-75 (9th Cir. 1974) (a preliminary injunction without an express limitation upon duration apparently lasted for twenty-seven months).

⁷⁵ See *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981) (“A party . . . is not required to prove his case in full at a preliminary-injunction hearing . . . and the findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding at trial on the merits”). *But see* *Am. Gen. Corp. v. Daimlerchrysler Corp.*, 246 F. Supp. 2d 1030, 1035 (N.D. Ind. 2003) (“The extensiveness and timing of the preliminary injunction hearing in this case makes this case far different from *University of Texas v.*

A court has discretion whether to issue any injunction.⁷⁶ In *Winter v. National Resources Defense Council*, the United States Supreme Court summed up the commonly used factors in the context of a preliminary injunction:

A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.⁷⁷

The first factor is irrelevant with respect to a permanent injunction that is

Camenisch [T]he court finds that its interpretation of the 1983 agreements deserves preclusive effect.”).

Some preliminary injunctions expressly provide for termination when a decision is made with respect to a permanent injunction. *See, e.g.,* *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1266 (3d Cir. 1985) (“The fifth paragraph of the preliminary injunction provides that it will terminate upon disposition of the application for a final injunction . . .”).

⁷⁶ *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (“We hold only that the decision whether to grant or deny injunctive relief rests with the equitable discretion of district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”).

⁷⁷ *Winter v. Nat’l Res. Def. Council*, 129 S. Ct. 365, 374 (2008). The balance of equities involves consideration of the competing claims of injury and the effect on each party of the granting or withholding of relief. *See id.* at 376 (“In each case, courts ‘must balance the competing claims of injury and must consider the effect on each party of the granting or the withholding of the requested relief.’”).

See generally POOLEY, *supra* note 10, § 7.02[2][b][i] (discussing the most often mentioned factors that guide the court’s discretion in issuing an injunction though the weight given to each can vary in different jurisdictions). To the extent that a state’s factors have a different emphasis from a federal district court’s factors, in a diversity case a federal court applies its own factors to the temporary restraining orders and preliminary injunctions dealt with by Federal Rule of Civil Procedure 65. *See, e.g.,* *Ferrero v. Associated Materials, Inc.*, 923 F.2d 1441, 1448 (11th Cir. 1991) (“[F]ederal courts are required to apply the federal rules of civil procedure to the exclusion of any contrary state procedure as long as the rule is both constitutional and within the scope of the rules’ enabling act. . . . [Therefore], [w]e apply federal procedure to determine whether the preliminary injunction was properly issued.”) (alteration in original). On the other hand, a state’s factors apply to permanent injunctions. *See, e.g.,* *Hanger Prosthetics & Orthotics, Inc., v. Morgan*, No. CIV.A.00-0170-CB-S, 2000 WL 1843820, at *1 (S.D. Ala. Oct. 17, 2000) (unpublished) (“In a diversity case, whether to grant a permanent injunction is governed by state law.”).

2011] THE UNIFORM TRADE SECRETS ACT RECONSIDERED

issued after a plaintiff has prevailed at trial.⁷⁸ After misappropriation has been proved at trial, a court also may be willing to presume that continued misappropriation will cause irreparable harm.⁷⁹ However, whether the threatened injury to the plaintiff outweighs the harm that a permanent injunction would do to the defendant and whether a permanent injunction is in the public interest remain highly relevant to the issue of a permanent injunction.⁸⁰

Dictum in *Boeing Co. v. Sierracin Corp.*, has been construed as declaring irreparable harm to be irrelevant to the issue of a Uniform Act permanent injunction.⁸¹ However, this is a misreading of both the Uniform Act and the *Boeing* case. The Uniform Act leaves the necessity of proving irreparable harm to other state law,⁸² and the Washington Supreme Court alluded to the evidence of irreparable harm in the *Boeing* trial court record.⁸³

⁷⁸ See *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531, 546 n.12 (1987) (“The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that that the plaintiff must show a likelihood of success on the merits rather than actual success.”).

⁷⁹ See POOLEY, *supra* note 10, § 7.03[1][a] (“[O]nce the misappropriation has been proved there is a tendency to presume that future harm will be irreparable.”).

⁸⁰ See *id.* (“The rules . . . with respect to provisional injunctive relief generally apply also at trial.”).

⁸¹ See *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 681 (Wash. 1987) (en banc) (“Sierracin argues that a finding of irreparable harm must be entered to support the trial judge’s injunction. We disagree. Neither the Uniform Trade Secrets Act nor the civil rules about injunctions require such a finding.”). See, e.g., 1 JAGER, *supra* note 67, § 7:7 (“Neither the common law nor the Uniform Trade Secrets Act required a finding of “irreparable harm” for a permanent injunction.”).

⁸² See *Capital Tool & Mfg. Co. v. Maschinenfabrik Herkules*, 837 F.2d 171, 172 (4th Cir. 1988) (stating that the Uniform Act does not displace a Virginia statute requiring “equity” for a temporary injunction); *Bishop & Co. v. Cuomo*, 799 P.2d 444, 446 (Colo. App. 1990) (stating that the Colorado version of Uniform Act § 2(a) is insufficiently detailed to conflict with or to displace the Colorado court rule requiring irreparable harm for a preliminary injunction to be granted). *But see* *Union Nat’l Life Ins. Co. v. Tillman*, 143 F. Supp. 2d 638, 641-42 (N.D. Miss. 2000) (dictum) (stating that violation of the Uniform Act is sufficient irreparable injury to warrant a preliminary injunction). The *Tillman* court in fact found that the plaintiff had proved irreparable injury. See *id.* at 645.

⁸³ See *Boeing*, 738 P.2d at 681 (“The potential harm to Boeing as trade secrets holder extends beyond a mere calculation of money damages. Failure to enjoin present and future copying would be inequitable, allowing Sierracin to profit from use of its ill-gotten gains. Such failure would also subject Boeing to repeated pirating of its trade secrets.”); see also *Ossur Holdings, Inc. v. Bellacure, Inc.*, No. C05-1552JLR, 2005 WL 3434440, at *8 (W.D.

It is strategically important for a person with trade secret rights to prevail the first time that an injunction is sought.⁸⁴ Unless the material facts are clear, it is prudent to eschew a temporary restraining order and to request a preliminary injunction in the complaint.⁸⁵ Prior to moving for a preliminary injunction, a plaintiff should conduct expedited discovery.⁸⁶ If the discovery is not sufficiently helpful, the plaintiff should not seek a preliminary injunction.

This article focuses on the extent to which a permanent injunction issued following resolution of the merits of a trade secret case under the Uniform Act should have an express expiration date. A permanent injunction without an expiration date sometimes is referred to as a “perpetual injunction.”⁸⁷ But this designation is misleading; changed circumstances can justify the dissolution of any injunction. Federal Rule of Civil Procedure 60(b)(5) and its state

Wash. Dec. 14, 2005) (unpublished) (“Although the Washington Supreme Court [in *Boeing*] has upheld an injunction in a trade secrets case where the trial court failed to expressly cite findings related to irreparable harm, the court went on to discuss the existence of such harm – seeming to indicate that the degree of harm retains a role in the analysis.”). In other words, read closely, *Boeing* holds that, if the record establishes that irreparable harm exists, a permanent injunction can be issued by a trial court without a formal finding of irreparable harm. *Boeing* contains no indication that a finding of irreparable harm is unnecessary with respect to a preliminary injunction. See *Calence, LLC v. Dimension Data Holdings, PLC*, 222 Fed. Appx. 563, 566 (9th Cir. 2007) (unpublished) (“[Notwithstanding *Boeing*], the district court did not err in failing to *presume* irreparable harm because of alleged trade secret loss [in declining to issue a preliminary injunction.]”) (alteration in original).

⁸⁴ See POOLEY, *supra* note 10, § 10.02[5] (“Even though an unsuccessful application in theory should not affect a later request for a preliminary or permanent injunction, the psychological effect can be difficult to overcome.”).

⁸⁵ See *id.*

⁸⁶ See *id.* (“Often it is more prudent to request preliminary relief in the complaint, and apply first only for expedited discovery.”). An emergency application for expedited discovery by a person with trade secret rights requests relief from statutes and court rules that impose waiting periods upon discovery and that give a defendant an opportunity to start discovery before a plaintiff. See *id.* at § 11.01[1][b].

A preliminary injunction need not be requested in a complaint, but doing so is some evidence of irreparable harm. Cf. *Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, No. 4:06CV114, 2010 WL 3370286, at *2 (N.D. Ohio Aug. 26, 2010) (unpublished) (“An injunction does not need to be requested in the initial complaint However, a delay in the request for an injunction weighs against a finding of irreparable harm.”).

⁸⁷ See, e.g., *Casagrande*, *supra* note 25, at 114 n.1 (“Where this article refers to injunctions that are permanent in duration, it will use the term “perpetual” to describe such injunctions.”).

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

counterparts authorize a court that has issued an injunction without an expiration date to dissolve the injunction because it is no longer equitable to enforce it.⁸⁸ It is more accurate to refer to an injunction of indefinite duration as an injunction without an express limit upon its duration.

III. UNIFORM ACT TREATMENT OF PERMANENT INJUNCTION DURATION

A. *Common-Law Approaches Prior to the Adoption of the Uniform Act*

Prior to the 1979 promulgation of the Uniform Act, three distinct common law lines of authority existed with respect to the availability and the duration of permanent injunctions restraining misappropriation of trade secrets that had lost trade secret status by becoming generally known: the *Shellmar*, *Conmar*, and *Winston Research* approaches.⁸⁹

*Shellmar Prods. Co. v. Allen-Qualley Co.*⁹⁰ involved a bill of review by the defendant in a trade secret case seeking dissolution of a permanent injunction without an express limit upon its duration. The injunction restrained making, using, or selling a specific type of food wrapping, and using, revealing, or making known the processes and machinery used in manufacturing the food wrapping.⁹¹ The justification for ending the injunction was the full disclosure of the plaintiff's trade secrets by two United States patents and one British patent issued after the trial court's final decree.⁹² In affirming the trial court's dismissal of the bill of review, the Court of Appeals for the Seventh Circuit conceded that the plaintiff's trade secrets were fully disclosed by the issued patents but held that maintaining the injunction in force was necessary to redress the defendant's breach of the confidence in which the trade secrets had been disclosed in licensing negotiations.⁹³ *Shellmar* stands for the twin

⁸⁸ See FED. R. CIV. P. 60(b)(5).

⁸⁹ See 1 JAGER, *supra* note 67, §§ 6:9-10, 7:14 (discussion of the *Shellmar*, *Conmar*, and *Winston Research* rules).

⁹⁰ *Shellmar Prods. Co. v. Allen-Qualley Co.*, 87 F.2d 104 (7th Cir. 1936), *cert. denied*, 301 U.S. 695 (1937).

⁹¹ *Shellmar Prods.*, 87 F.2d at 105.

⁹² *See id.*

⁹³ *See id.* at 109-10 ("It is quite true that Allen-Qualley's trade secrets have been disclosed to the world . . . We are dealing here not with Allen-Qualley's right against the world, but with that company's right against [the] appellant . . . We hold, therefore, that the reason for the injunction still exists and that Allen-Qualley's right thereto has not been extinguished."). The court alternatively held that the misappropriator was not damaged by the continuation of the injunction as it would have been liable for patent infringement if the

propositions that a permanent injunction without an express limit upon its duration is appropriate in trade secret cases involving a breach of confidence and that a misappropriator that has committed a breach of confidence is not entitled to relief from a permanent injunction when the misappropriated trade secrets become generally known.⁹⁴

In *Conmar Prods. Corp. v. Universal Slide Fastener Co.*,⁹⁵ the defendants innocently hired several of the plaintiff's employees who had agreed not to disclose the plaintiff's trade secrets, but benefited from the employees' breach of their pledges of secrecy. Because all the plaintiff's trade secrets had been disclosed by patents issued to the plaintiff, the trial judge dismissed the plaintiff's complaint.⁹⁶ The Second Circuit, per Chief Judge Learned Hand, affirmed the dismissal.⁹⁷ *Conmar* stands for the proposition that a misappropriated trade secret's becoming generally known precludes subsequent actionable trade secret misappropriation.⁹⁸

*Winston Research Corp. v. Minnesota Mining & Mfg. Co.*⁹⁹ adopted a middle view. In *Winston Research*, former employees of Mincom, who were bound by contracts not to disclose confidential information, had established a corporation and developed a competing product using Mincom's trade secrets.¹⁰⁰ No damages were awarded but an injunction restrained the defendants from disclosing or using the misappropriated trade secrets for two

injunction was dissolved. *See id.* at 109 ("It is suggested by appellees, and we think justly so, that the instant action was prematurely brought because appellant has suffered no legitimate damage and can not suffer through a continuance of the injunction. If the injunction were dissolved . . . it is clear that appellant's Revelation wrap would infringe . . .").

⁹⁴ *See Jamieson, supra* note 7, at 532 ("Courts came to read *Shellmar* for the proposition that perpetual injunctions should be granted as a general rule in trade secret cases and that the termination of a trade secret was irrelevant.").

⁹⁵ *Conmar Prods. Corp. v. Universal Slide Fastener Co.*, 172 F.2d 150, 154 (2d Cir. 1949).

⁹⁶ *See id.* at 156 ("[T]he right to an injunction against exploiting any secrets whatever had therefore expired before the judgment was entered in November, 1947.").

⁹⁷ *Id.* at 157.

⁹⁸ *See Casagrande, supra* note 25, at 127 ("The Second Circuit noted quite simply that when the patents, which contained the secrets, issued, the secrets 'fell into the public demesne . . .'). *Conmar* also expressly rejected the *Shellmar* approach. *See id.* at 127-28.

⁹⁹ *Winston Research Corp. v. Minnesota Mining & Mfg. Co.*, 350 F.2d 134, 142 (9th Cir. 1965).

¹⁰⁰ *Id.* at 138-39.

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

years from the date of the judgment.¹⁰¹ The rationale for the two-year injunction was that Mincom's sales and public announcements would disclose the trade secrets fully at about the time of the judgment, which would reduce the trade secret protection that Mincom should receive.¹⁰² But, in order to preclude the defendants from obtaining a wrongful "headstart" with respect to Mincom, the defendants were restrained from disclosure and use of the misappropriated trade secrets for the approximate time that it would take a legitimate competitor to develop a competing product after public disclosure of the trade secrets.¹⁰³ The Ninth Circuit Panel stated:

[D]enial of any injunction at all would leave the faithless employee unpunished where, as here, no damages were awarded; and he and his new employer would retain the benefit of a headstart over legitimate competitors who did not have access to the trade secrets until they were publically disclosed. By enjoining use of the trade secrets for the approximate period it would require a legitimate Mincom competitor to develop a successful machine after public disclosure of the secret information, the district court denied the employees any advantage from their faithlessness, placed Mincom in the position it would have occupied if the breach of confidence had not occurred prior to the public disclosure, and imposed the minimum restraint consistent with the realization of these objectives upon the utilization of the employees' skills.¹⁰⁴

This statement is imprecise in referring to "a headstart over legitimate competitors." The actionable headstart was over Mincom, the faithless employees' former employer, and Mincom alone was protected by the trial court's two-year permanent injunction. The appellate court's reference to the time that it would take a good faith competitor to replicate Mincom's trade secrets from public information identified the time at which Mincom's protectable trade secret rights would constrict because the trade secrets had become generally known.¹⁰⁵ As the court explained, this period of continued protection would put Mincom in the position that it would have been in if there had been no breach of confidence prior to the public disclosure.¹⁰⁶ The court also commented:

¹⁰¹ *Id.* at 140.

¹⁰² *Id.* at 141.

¹⁰³ *Id.* at 142.

¹⁰⁴ *Winston Research Corp. v. Minnesota Mining & Mfg. Co.*, 350 F.2d 134, 142 (9th Cir. 1965).

¹⁰⁵ *See supra* note 102 and accompanying text.

¹⁰⁶ *See Winston Research Corp.*, 350 F.2d at 142.

Mincom argues that Winston gained a wide variety of advantages from the improper use of Mincom's trade secretsThe two-year injunction deprived Winston of any benefit it might have gained from these advantages and shielded Mincom from any potential harm from Winston's competition which these advantages may have rendered unfair.¹⁰⁷

The Court of Appeals gave three justifications for the two-year duration of the injunction: the fourteen months that it had taken the defendants to develop their misappropriated product; the difficulty a person unfamiliar with Mincom's product would have in reverse engineering it; and the delay in the completion of Mincom's product caused by the defendants' raiding of Mincom's key personnel.¹⁰⁸ Although the Court of Appeals did not explicitly decide that the defendants' disruption of Mincom's operations by raiding key personnel justified extending the duration of the injunction,¹⁰⁹ it clearly did. The personnel raiding both accelerated the development of the defendants' misappropriated product and delayed Mincom's production of its own product, a twofold commercial advantage to the defendants from their misappropriation.

The *Winston Research* "headstart" or "lead-time" injunction approach has been widely followed,¹¹⁰ but there is disagreement as to how the time period is to be calculated. Some commentators support *Winston Research's* utilization of the head start that a misappropriator acquires over good faith competitors of a plaintiff.¹¹¹ Others prefer the time that it would have taken a defendant to

¹⁰⁷ *Id.* at 144.

¹⁰⁸ *Id.* at 142-43 ("The time (fourteen months) which Winston in fact took with the aid of the very disclosure and use complained of by Mincom would seem to be a fair measure of the proper period. The district court granted an injunction for a somewhat longer period, presumably because the Mincom machine was built in such a way as to require some time for persons unfamiliar with it to determine the details of its construction, and to compensate for delay which Mincom encountered in the final stages of its development program because Winston had hired away Mincom's key personnel.").

¹⁰⁹ *See id.* at 143 ("Whether extension of the injunctive period for the latter reason [disruption caused by the hiring of key personnel] was proper we need not decide, for Winston has not raised that question.") (alteration in original).

¹¹⁰ *See* Jamieson, *supra* note 7, at 534 (describing *Winston Research* as applying a "lead-time" approach and noting its following throughout the country).

¹¹¹ *See, e.g.,* POOLEY, *supra* note 10, § 7.03[1][b] ("A 'head start' is the advantage that a defendant acquires through misappropriation that puts it ahead of plaintiff's other competitors that would have (or have, since the misappropriation occurred) learned of the secret through proper means."). *See supra* notes 99-109 and accompanying text (discussing *Winston Research*).

2011] THE UNIFORM TRADE SECRETS ACT RECONSIDERED

develop the information without misappropriation.¹¹² Still others generally indorse the period of time required for “independent development” or the period of “lead-time.”¹¹³

B. *Uniform Act Section 2(a)(Second Sentence)*

Shellmar, *Conmar*, and *Winston Research* all involve the effect of a trade secret’s becoming generally known upon injunctive relief against misappropriation. In this context, the second sentence of Uniform Act Section 2(a) rejects both *Shellmar* and *Conmar* with respect to injunctions issued prior to a trade secret’s becoming generally known. Like *Winston Research*, the second sentence of Section 2(a) allows a prior injunction to continue solely to eliminate a commercial advantage over a person with trade secret rights that a misappropriator otherwise would derive from misappropriation.¹¹⁴

¹¹² See, e.g., Jamieson, *supra* note 7, at 548 (“The court should ask whether and when the particular misappropriator, and not some third party or the trade secret holder, could and would have legitimately replicated the trade secret at issue.”); Casagrande, *supra* note 25, at 137 (stating that lead time would exist until the defendant either independently developed the trade secret or the trade secret otherwise was lawfully disclosed).

¹¹³ See 1 JAGER, *supra* note 67, § 7:14 (describing *Winston Research* as involving a two-year “lead-time” injunction without discussing the *Winston Research* test for lead-time); see also 4 MILGRIM, *supra* note 8, §§ 15.01[1][d][v]-15.02[1][a] (describing “the period of time required for independent development” as “the most commonly employed standard” and citing numerous cases giving substance to that standard).

¹¹⁴ See UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (Supp. 2010). See *supra* notes 99-109 and accompanying text (discussing *Winston Research*). The Restatement of Unfair Competition supports this approach. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 cmt. c (1995) (“If the trade secret already has entered the public domain, an injunction may be appropriate to remedy any head start or other unfair advantage acquired by the defendant as a result of the appropriation. However, if the defendant retains no unfair advantage from the appropriation, an injunction against the use of information that is no longer secret can be justified only on a rationale of punishment and deterrence. Because of the public interest in competition, such punitive injunctions are ordinarily inappropriate in trade secret actions.”).

In addition to expressly rejecting *Shellmar*’s refusal to terminate an injunction after a trade secret had become generally known, the Uniform Act rejects the *Shellmar* concept of trade secret misappropriation. Whereas *Shellmar* equated misappropriation with a breach of confidence, the Uniform Act requires that a trade secret exist for misappropriation to be possible. Compare *Shellmar Prods. Co. v. Allen-Qualley Co.*, 87 F.2d 104, 109-10 (7th Cir. 1936), *cert.denied*, 301 U.S. 695 (1937) (“It is quite true that Allen-Qualley’s trade secrets have been disclosed to the world. . . . We are dealing here not with Allen-Qualley’s right against the world, but with that Company’s right against appellant.”), with UNIF. TRADE

A Uniform Act Comment follows *Winston Research* in describing an unjustified commercial advantage as a “commercial advantage” or “lead time” over good faith competitors.¹¹⁵ Once good faith competitors can learn the substance of a trade secret, secrecy has been lost and it ordinarily is anticompetitive to enforce prior trade secret rights by injunction.¹¹⁶

This analysis also applies to an initial request for a permanent Uniform Act injunction after a trade secret has become generally known.¹¹⁷ In *Atlantic*

SECRETS ACT § 1(2) (amended 1985), 14 U.L.A. 537 (Supp. 2010) (a “trade secret” must exist for misappropriation to exist). See also Sharon K. Sandeen, *A Contract by Any Other Name is Still a Contract: Examining the Effectiveness of Trade Secret Clauses to Protect Databases*, 45 IDEA 119, 129 (2005) (“[B]ecause ‘misappropriation’ is defined separately from a ‘trade secret,’ the UTSA’s structure establishes that the wrongdoing of the defendant, alone, is not enough. The existence of a trade secret must also be shown.”). See generally Charles T. Graves, *Trade Secrets as Property: Theory and Consequences*, 15 J. INTELL. PROP. L. 39 (2007) (discussing the implications of a “property” as opposed to a “relational” concept of misappropriation).

¹¹⁵ Compare UNIF. TRADE SECRETS ACT § 2 cmt. (amended 1985), 14 U.L.A. 620 (Supp. 2010), with *Winston Research Corp. v. Minn. Mining & Mfg. Corp.*, 350 F.2d 134, 142 (9th Cir. 1965) (“[D]enial of any injunction at all would leave the faithless employee unpunished where, as here, no damages were awarded; and he and his new employer would retain the benefit of a headstart over legitimate competitors who did not have access to the trade secrets until they were publically disclosed.”).

¹¹⁶ See *Brunswick Corp. v. Outboard Marine Corp.*, 404 N.E.2d 205, 207 (Ill. 1980) (“By enjoining the use of wrongfully acquired trade secrets for the approximate length of time it would require a legitimate competitor to develop a competitive product following a lawful disclosure of the information, the wrongdoer is deprived of any advantage from his wrongdoing, the developer of the trade secret is placed in the same position it would have occupied if the breach of confidence had not occurred, and the minimum restraint consistent with the other objectives would be placed upon competitors and the utilization of the competitors’ and the employees’ skills.”); see also *American Can Co. v. Mansukhani*, 742 F.2d 314, 334 n.24 (7th Cir. 1984) (“Although the possibility of reverse engineering or independent development does not excuse one who obtains trade secrets wrongfully, it places limits on the plaintiff’s protectable interest and on the appropriate scope of relief.”). In *American Can Co.*, the trial court ultimately issued a permanent injunction restraining the defendants’ from producing or selling products substantially derived from the plaintiff’s trade secrets with no express limitation upon its duration. See *id.* at 318-19. A Seventh Circuit panel affirmed the injunction with the caveat that “the district court may be asked to modify the injunction should facts appear that suggest that its present indeterminate length no longer reflects the status of American Can’s trade secrets.” *American Can Co. v. Mansukhani*, 814 F.2d 421, 426 (7th Cir. 1987).

¹¹⁷ *Winston Research* affirmed a trial court injunction that was granted at approximately the time at which the trade secrets would lose their secrecy. See *supra* notes 101-103 and

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

Research Marketing Sys., Inc. v. Troy, for example, the trial court stated:

In this case, A.R.M.S. has marketed the relevant product for a significant period of time. The product makes the trade secret evident. Other manufacturers have been able to produce and market nearly identical products. At this point, Troy has no competitive advantage. Considering the facts of the case, no injunction is warranted.¹¹⁸

C. *A Test for Commercial Advantage from Misappropriation With Respect to a Trade Secret That Has Ceased to Exist*

A basic issue is whether a misappropriator's commercial advantage derived from misappropriation should be measured objectively or subjectively. An objective approach measures a misappropriator's commercial advantage by the time that it would take a good faith competitor to replicate a trade secret by lawful means; whereas a subjective approach measures a misappropriator's commercial advantage by the time that it would take the misappropriator to replicate a trade secret by lawful means.¹¹⁹ In discussing the duration of an injunction with respect to a trade secret that has become generally known, the Restatement (Third) of Unfair Competition emphasizes the subjective approach but also notes that "in some cases" an objective approach is appropriate.¹²⁰

accompanying text. *But see* *Ajaxo, Inc. v. E*Trade Group, Inc.*, 2003 WL 25778061, at *14 (Cal. Super. Ct. Aug. 15, 2003) (unpublished) (The California enactment "does not provide a trial court with the power to issue an injunction after the trade secret no longer exists."). This statement is patently wrong. The Uniform Act authorizes a court to enjoin a continuing commercial advantage derived from misappropriation even though a trade secret has ceased to exist. *See* UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (Supp. 2010) ("[T]he 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."). The trial court decision in *Ajaxo* was reversed on other grounds. *Ajaxo, Inc. v. E*Trade Group, Inc.*, 37 Cal. Rptr. 3d 221, 254 n.44 (Cal. Ct. App. 2006) (stating that a court may grant an injunction only when monetary compensation is inadequate).

¹¹⁸ *Atl. Research Mktg. Sys., Inc. v. Troy*, No. 07-11576-PBS, 2010 WL 1904849, at *9 (D. Mass. May 11, 2010).

¹¹⁹ *See* Jamieson, *supra* note 7, at 539-40 ("The objective approach The courts most often ask how long some 'average' competitor would take to develop the trade secret technology and fail to determine whether that is the time that the misappropriator would have taken to develop the technology legitimately without the misappropriated information.").

¹²⁰ *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 cmt. f (1995) ("[I]njunctive

In an article arguing for a uniform subjective approach, D. Kirk Jamieson acknowledged that courts generally appear to favor the objective approach.¹²¹ But, Jamieson contended that a subjective approach always is preferable because “[t]he commercial advantage gained by the defendant may differ from the average competitor.”¹²² Jamieson also asserted that “[a]bsent contrary evidence, it is reasonable to infer from an intentional or reckless decision to misappropriate that the defendant could not have legitimately and profitably developed the trade secret . . . [t]he bad faith misappropriator [presumptively] should face an indefinite injunction”¹²³

In arguing for a uniform subjective approach, Jamieson failed to acknowledge the impact of a trade secret’s becoming generally known upon rights in the trade secret. If a former trade secret has become generally known, an injunction should be limited to the time that it would take a legitimate competitor to use the formerly secret information, plus the duration of any other commercial advantage that a misappropriator has gained over a person with trade secret rights.¹²⁴ If a former trade secret has become generally known, it is irrelevant that a misappropriator could not have replicated the

relief should ordinarily continue only until the defendant could have acquired the information by proper means [a subjective standard]. . . . An injunction . . . should not ordinarily extend beyond the time when the defendant could have properly acquired and implemented the information through reverse engineering or independent discovery [a subjective standard] In some cases this duration may be measured by the time it would take a person of ordinary skill in the industry to discover the trade secret by independent means or to obtain the trade secret through the reverse engineering of publicly marketed products [an objective standard.]” (alteration in original).

¹²¹ See Jamieson, *supra* note 7, at 539 (“[C]ourts generally appear to have applied an objective standard, although the approach is often unclear.”).

¹²² *Id.* at 518.

¹²³ *Id.* at 518-19 (alteration in original).

¹²⁴ See *Winston Research Corp. v. Minn. Mining & Mfg. Co.*, 350 F.2d 134, 142 (9th Cir. 1965) (“We think the district court’s approach was sound. A permanent injunction would subvert the public’s interest in allowing technical employees to make full use of their knowledge and skill and in fostering research and development. On the other hand, denial of any injunction at all would leave the faithless employee unpunished where, as here, no damages were awarded By enjoining use of the trade secrets for the approximate period it would require a legitimate Mincom competitor to develop a successful machine after public disclosure of the secret information, the district court denied the employees any advantage from their faithlessness, placed Mincom in the position it would have occupied if the breach of confidence had not occurred prior to the public disclosure, and imposed the minimum restraint consistent with the realization of these objectives upon the utilization of the employees’ skills.”).

2011] THE UNIFORM TRADE SECRETS ACT RECONSIDERED

trade secret without misappropriation.¹²⁵

This analysis conforms with the better-reasoned case law. For example, in *Winston Research Corp. v. Minnesota Mining & Mfg. Co.*, the duration of the two-year injunction primarily was based upon an objective standard, namely, the approximate period that a legitimate competitor would require to develop a successful tape recorder after public disclosure of the secret information.¹²⁶ The fourteen months that the former employees had taken to refine the misappropriated trade secrets into a marketable tape recorder were considered to justify the greater part of the period of restraint, with the balance being attributable to the difficulty good faith competitors would have reverse engineering the former employer's tape recorder as well as the impact of the former employees' raiding their former employer's key personnel.¹²⁷

D. Commencement of the Period During Which an Injunction is Appropriate

The Uniform Act is silent concerning the commencement of the period during which an injunction is appropriate. *Winston Research* affirmed a two-year permanent injunction beginning on the date of judgment, because the public disclosure of the trade secrets would occur at about that time.¹²⁸ However, a preliminary injunction had not been issued.¹²⁹ If a preliminary injunction had been issued that was comparable in scope to the permanent

¹²⁵ *Contra* Jamieson, *supra* note 7, at 553 (“Where the trade secret is fully disclosed, the injunction should calculate the time necessary for the misappropriator, and not some abstract average legitimate competitor, to reach the market after learning the trade secret.”). If a misappropriator lacked the resources to develop a trade secret without misappropriation, Jamieson apparently would permit the misappropriator to be subject to an injunction without an expiration date even though all other competitors were using the formerly secret information. *See id.*

¹²⁶ *Winston Research*, 350 F.2d at 142 (“By enjoining use of the trade secrets for the approximate period it would require a legitimate Mincom competitor to develop a successful machine after public disclosure of the secret information, the district court denied the employees any advantage from their faithlessness, placed Mincom in the position it would have occupied if the breach of confidence had not occurred prior to the public disclosure, and imposed the minimum restraint consistent with the realization of these objectives upon the utilization of the employees’ skills.”).

¹²⁷ *See id.* at 142-43.

¹²⁸ *Id.* at 143 (“We think it was proper to make the injunctive period run from the date of judgment since public disclosure occurred at about that time.”).

¹²⁹ *See id.* at 140 (“The district court enjoined Winston Research Corporation, Johnson, and Tobias from disclosing or using Mincom’s trade secrets in any manner for a period of two years from the date of judgment . . .”).

injunction awarded, the injunctive period should have commenced when the preliminary injunction was granted.¹³⁰

The other principal judicial view is that the appropriate injunctive period begins upon the date of first misappropriation.¹³¹ Under this view, a trial court can issue a permanent injunction only for the portion of the appropriate injunctive period that has not elapsed prior to the trial court's judgment.¹³²

Beginning an injunctive period on the date of first misappropriation rather than on the date of issue of either a permanent injunction or a comparable preliminary injunction can be a judicial technique for reducing the duration of a permanent injunction.¹³³ It is more straightforward to consider that a trial court has discretion to reduce the maximum duration of a permanent injunction otherwise permissible under an objective approach. For example, in *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, the trial court determined that it could have taken eight years to replicate legitimately the trade secrets involved but ultimately permanently enjoined the defendant from using the trade secrets for only two years.¹³⁴ In *Northern Petrochemical Co. v. Tomlinson*, in part due to an explosion at their factory, the defendants had not used a misappropriated trade secret for longer than the period that the plaintiff conceded would have been necessary to develop the information independently.¹³⁵ The Seventh

¹³⁰ See *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471, 475 (9th Cir. 1974) (“[The court] should consider whether the preliminary injunction served the same purpose as the permanent injunctions If the preliminary injunction had the same effect or accomplished the same result as the permanent injunctions would have, then the permanent injunctions may have been improper.”) (alteration in original).

¹³¹ See, e.g., *Superior Gearbox Co. v. Edwards*, 869 S.W.2d 239, 251 (Mo. Ct. App. 1993) (“[T]he trial court may . . . order an injunction for an appropriate length of time to begin on the date when Defendants actually misappropriated Superior’s trade secrets.”).

¹³² See, e.g., *Syntex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423, 1437 (Fed. Cir. 1984) (“We believe that, on the whole record, the *maximum* duration this record will permit is eight years from May 1978 (when Novicky left Syntex’s employ) or four years from the date of the District Court’s preliminary injunction (May 1982) [S]omewhat less than two years remain of the maximum span of the injunction the District Court can enter”), *vacated on other grounds*, 470 U.S. 1047 (1985).

¹³³ See, e.g., *A.L. Labs. v. Philips Roxane, Inc.*, 803 F.2d 378, 384-85 (8th Cir. 1986), *cert. den.*, 481 U.S. 1007 (1987) (commencement of the injunctive period upon the date of misappropriation is appropriate if, absent the misappropriation, the defendant would have commenced lawful replication then).

¹³⁴ *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, No. 84 C 6746, 1993 WL 286484, at *3-6 (N.D. Ill. July 29, 1993).

¹³⁵ *Northern Petrochem. Co. v. Tomlinson*, 484 F.2d 1057, 1060-61 (7th Cir. 1973).

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

Circuit affirmed the trial court judge's denial of a preliminary injunction stating it was unjustified.¹³⁶

E. The Implications of Uniform Act Section 2(a)(Second Sentence) for Trade Secrets That Continue to Exist

The second sentence of Uniform Act Section (2)(a) literally applies only to a former trade secret that has been fully disclosed.¹³⁷ With respect to information that remains secret, the Uniform Act does not directly address the duration of injunctive relief.¹³⁸

Nevertheless, the Uniform Act's codification of the *Winston Research* approach to when a trade secret has been fully disclosed suggests that the line of cases applying a variant of that approach where a trade secret has not been fully disclosed is consistent with the Uniform Act. A Uniform Act Comment's

¹³⁶ *See id.* at 1061 (“[N]orthern is as well compensated for the allegedly tortious activity of Frank and Tomlinson by having Surfact voluntarily abstain from competition as by having Surfact ordered to abstain therefrom, and this is true no matter what reason the tortfeasors may have had for failing to go into production.”).

Northern Petrochemical is cited with approval in an Official Comment to the Uniform Act. *See* UNIF. TRADE SECRETS ACT § 2 cmt. (amended 1985), 14 U.L.A. 620 (Supp. 2010) (“If a misappropriator either has not taken advantage of lead time or good faith competitors already have caught up with a misappropriator at the time that a case is decided, future disclosure and use of a former trade secret by a misappropriator will not damage a trade secret owner and no injunctive restraint of future disclosure and use is appropriate.”). Jamieson condemned the denial of injunctive relief in *Northern Petrochemical*. *See* Jamieson, *supra* note 7, at 558-60 (“Whether or not Surfact should have been enjoined for a period equal to the full legitimate replication period, there is no doubt that it should have been enjoined.”).

An Illinois intermediate appellate court subsequently ruled that that *Northern Petrochemical* had misconstrued Illinois law but was reversed on other grounds by the Illinois Supreme Court. *Brunswick Corp. v. Outboard Marine Corp.*, 387 N.E.2d 27, 29 (Ill. App. Ct. 1979) (“We have carefully examined the *Northern* opinion and the Illinois cases cited therein. We have also reviewed the history and development of trade secret law in Illinois as expressed by our courts. As a result of that review we can state with assurance that there is no basis in Illinois law for the ‘rationale’ discovered by the Federal Court of Appeals in *Northern*.”), *rev’d on other grounds*, 404 N.E.2d 205, 206 (Ill. 1980) (“We do not find the holding in *Northern* to be helpful in this case.”).

¹³⁷ *See* UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (Supp. 2010) (“Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist . . .”).

¹³⁸ *See id.*

reference to *K-2 Ski Co. v. Head Ski Co.*,¹³⁹ which involved trade secrets that had not been disclosed, reinforces this implication.¹⁴⁰

The Ninth Circuit Panel in *K-2 Ski Co.* purported to follow *Winston Research* in stating:

We are satisfied that the appropriate duration for the injunction should be the period of time it would have taken Head [the misappropriator], either by reverse engineering or by independent development, to develop its ski legitimately without use of the K-2 trade secrets.¹⁴¹

In a context in which the trade secrets had not become generally known, *K-2 Ski Co.* appropriately applied a subjective approach to the duration of injunctive relief and focused upon the time that it would have taken the misappropriator to develop the information lawfully.¹⁴² If trade secret rights have not been constricted by a trade secret's becoming generally known, a plaintiff should be able to enjoin a misappropriator until the time that the misappropriator lawfully could have discovered the information.¹⁴³

The burden should be upon a misappropriator to prove the likelihood and approximate time of lawful discovery by a preponderance of the evidence. If

¹³⁹ See generally *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471 (9th Cir. 1974). See UNIF. TRADE SECRETS ACT § 2 cmt. (amended 1985), 14 U.L.A. 619-20 (Supp. 2010).

¹⁴⁰ See *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d at 473-74 (stating that the trial court's finding that secrecy had been maintained was not clearly erroneous).

¹⁴¹ See *id.* at 474.

¹⁴² See Jamieson, *supra* note 119 and accompanying text (distinguishing between an objective and a subjective test for the duration of injunctive relief).

¹⁴³ See *Syntex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423, 1435-37 (Fed. Cir. 1984), *vacated on other grounds*, 470 U.S. 1047 (1985) (defendant could reverse engineer the trade secret in eight years from the date of termination of his employment by the person with trade secret rights so that the maximum permissible injunction would be eight years); *Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 419, 431 (E.D. Pa. 1980) (finding the defendant could reverse engineer the trade secret in sixteen months and subsequently entering a sixteen month injunction based on that finding); *Cf. Planhouse, Inc. v. Breland & Farmer Designers, Inc.*, 412 So. 2d 1164, 1167-68 (Miss. 1982) (en banc) (defendants only liable for their profits from sale of plaintiff's house plans until the defendants could have reproduced the plans by independent means); *Superior Gearbox Co. v. Edwards*, 869 S.W.2d 239, 251 (Mo. Ct. App. 1994) ("On remand, the trial court's determination of the time required to reproduce Superior's milling machine and process 'should be made upon the basis of the manpower employed by the defendants in their actual operation, not on the basis of what might have been accomplished with staffs of other size.'").

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

that burden is not met,¹⁴⁴ the result can be a permanent injunction without an express limit upon its duration.¹⁴⁵ The second sentence of Uniform Act Section 2(a) explicitly authorizes a defendant to apply to an issuing court to terminate an unlimited injunction when a trade secret has ceased to exist and any commercial advantage over the person with trade secret rights has run its course.¹⁴⁶ A Uniform Act permanent injunction should expressly refer to a defendant's statutory privilege to move to terminate an injunction that has no express limit upon its duration.¹⁴⁷

F. *The Procedure for Obtaining Dissolution of a Permanent Injunction Without an Express Limit Upon Its Duration*

Defendants have successfully moved to terminate Uniform Act permanent injunctions without express expiration dates.¹⁴⁸ However, the extended

¹⁴⁴ See *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 675 (Wash. 1987) (en banc) (stating that the trial court did not abuse its discretion in excluding the surprise testimony about hypothetical reverse engineering by the defendant's inexperienced engineer).

¹⁴⁵ See *id.* at 681-82 (affirming a permanent injunction without an express limit upon its duration). See also *American Can Co. v. Mansukhani*, 814 F.2d 421, 424, 426 (7th Cir. 1987) (affirming a permanent injunction without an express limit upon its duration with respect to a trade secret that continued to exist); 1 JAGER, *supra* note 67, at 72-73 ("If the trade secret has not ceased to exist, Section 2(a) allows the granting of a permanent injunction, which extends indefinitely as long as the trade secret remains viable.").

¹⁴⁶ See UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (Supp. 2010) ("Upon application to the court, an injunction shall be terminated when a trade secret has ceased to exist . . . [and no] commercial advantage . . . would be derived from the misappropriation.") (alteration in original). See *Boeing Co.*, 738 P.2d at 682 ("We note in passing that Sierracin's final claim that the injunction is perpetual is untrue. RCW 19.108.020(1) specifically allows Sierracin to apply to the superior court to have the injunction lifted when Boeing's trade secrets cease to exist.").

¹⁴⁷ See, e.g., *Space Aero Prods. Co. v. Darling Co.*, 208 A.2d 74, 91 (Md. App. 1965), *cert. denied*, 382 U.S. 843 (1965) ("The injunction should be modified so that it may be terminated if and when the methods and processes used by Darling in the manufacture of its oxygen breathing hoses become generally known to the public, without contribution in any way to such public knowledge through disclosures by the appellants.").

¹⁴⁸ See, e.g., *Petters v. Williamson & Assoc.*, 210 P.3d 1048, 1053 (Wash. Ct. App. 2009), *petition for rev. denied*, 168 Wash.2d 1007, 226 P.3d 781 (2010) ("After another full bench trial before the same judge who had issued the 2001 injunction, the trial court found that no less than four companies had independently developed remotely operated rod-core-based seafloor drills since 2001 and that, as a result, 'the BMS I technology...will lack independent value in the near future and accordingly will no longer qualify as a trade secret under the statutory definition.' Based on this finding, the court ordered the injunction

Microstrategy federal court litigation under the Virginia enactment is a clear warning that defendants must offer meaningful evidence of both a trade secret's becoming generally known and the absence of any continuing competitive advantage. Unadorned references to the mere passage of time will not suffice. On August 6, 2004, the *Microstrategy* trial court issued a permanent injunction restraining the defendant's use, disclosure, and possession of the information in two documents.¹⁴⁹ A provision of the injunction allowed the defendant to petition the trial court for its dissolution six months later.¹⁵⁰ Following expiration of the six-month period, the defendant moved to dissolve the injunction under Federal Rule of Civil Procedure 60(b)(5) ("Rule 60(b)(5)"), which authorizes a rendering court to grant relief from a judgment whose prospective application would be inequitable.¹⁵¹ Emphasizing the defendant had not met its burden of proving the contents of the documents protected by the injunction no longer had economic value and were no longer the subject of reasonable efforts to maintain secrecy, the trial court denied the motion.¹⁵² The defendant offered speculation about the significance of the passage of nine months since entry of the injunction.¹⁵³

The court ruled that the injunction should remain in place for a minimum of an additional nine months.¹⁵⁴ Approximately three and one-half years later the defendant again moved to dissolve the injunction.¹⁵⁵ The parties agreed that the information in one of the two documents covered by the injunction had become obsolete but the plaintiff vigorously maintained that the information in

dissolved as of April 18, 2009."). The intermediate appellate court affirmed. *See id.*, 210 P.3d at 1058.

¹⁴⁹ *See* *Microstrategy, Inc. v. Business Objects, S.A.*, 331 F. Supp. 2d 396, 430-31 (E.D. Va. 2004) [hereinafter "Microstrategy I"].

¹⁵⁰ *See id.* ("The defendant may petition the court to dissolve the injunction on the basis that the information in question no longer constitutes a trade secret no earlier than six months from the date of this order.").

¹⁵¹ *See* FED. R. CIV. P. 60(b)(5) ("[T]he court may relieve a party. . . from a final judgment . . . [if] applying it prospectively is no longer equitable.").

¹⁵² *See* *Microstrategy, Inc. v. Business Objects, S.A.*, 369 F. Supp. 2d 725, 734-37 (E.D. Va. 2005) [hereinafter "Microstrategy II"].

¹⁵³ *See id.*

¹⁵⁴ *See id.* at 737 ("Considering the totality of the circumstances and exercising its equity powers, the court determines that the injunction should be kept in place for a minimum of nine (9) months from the date of this order.").

¹⁵⁵ *Microstrategy, Inc. v. Business Objects, S.A.*, 661 F. Supp. 2d 548, 550 (E.D. Va. 2009) [hereinafter "Microstrategy III"].

2011] *THE UNIFORM TRADE SECRETS ACT RECONSIDERED*

the other document was still valuable.¹⁵⁶ Upon the basis of the defendant's expert testimony, the court ruled that the contested document contained nine-year old information with respect to products that the plaintiff had not sold for at least seven years and ordered the injunction dissolved.¹⁵⁷

The *Microstrategy* decisions correctly allocate to a defendant the burden of proving that a Rule 60(b)(5) motion should be granted.¹⁵⁸ However, the trial court initially misconstrued the Uniform Act in ruling that a defendant was required to prove both that a plaintiff had not engaged in reasonable efforts to maintain secrecy and that the trade secrets had lost their economic value.¹⁵⁹

A plaintiff's failure to protect a trade secret does not preclude injunctive relief for prior misappropriation that nevertheless confers a competitive advantage upon a defendant.¹⁶⁰ Indeed, in the order dissolving the injunction, the *Microstrategy* trial court disregarded whether the plaintiff had maintained secrecy¹⁶¹ and focused upon whether any commercial advantage that the defendant had obtained through misappropriation had dissipated.¹⁶² On the other hand, the court was correct in requiring the defendant to prove that the

¹⁵⁶ *Id.* at 550-51.

¹⁵⁷ *See id.* at 554. However, the court stayed its order until resolution of the plaintiff's appeal. *See id.* at 562 ("Therefore, the court **GRANTS** Microstrategy's motion to stay the dissolution of the injunction pending appeal, and **ORDERS** that the court's February 10, 2009 decision be stayed, effective February 12, 2009, until Microstrategy has exhausted its appeals of the court's February 10, 2009 order.").

¹⁵⁸ *See* *Rufo v. Inmates of Suffolk County Jail*, 502 U.S. 367, 384 (1992) ("A party seeking modification of a consent decree [under Rule 60(b)(5)] may meet its initial burden by showing either a significant change either in factual conditions or in law") (alteration in original).

¹⁵⁹ *Microstrategy III*, 661 F. Supp. 2d at 553 ("As the court noted in the May 10, 2005 order, to carry its burden in establishing that the Competitive Recipe is no longer a trade secret, Business Objects must provide sufficient evidence from which the court can find that the documents (1) no longer have economic value; and (2) are no longer the subject of efforts that are reasonable under the circumstances to maintain their secrecy.").

¹⁶⁰ *See* UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 619 (Supp. 2010).

¹⁶¹ *See Microstrategy III*, 661 F. Supp. 2d at 555 ("After reexamining the Competitive Recipe and the evidence presented, the court finds that the Competitive Recipe does not hold any value, economic or otherwise, and that is it not reasonable, under the circumstances, for this document to maintain its secrecy.").

¹⁶² *See id.* at 556 ("A sufficient period of time has lapsed, and coupled with the changes in technology, the court finds that the possession of this document can no longer give Business Objects a competitive advantage over MicroStrategy, and the purpose of the injunction has been met.").

trade secrets protected by the injunction had lost their value. This can be shown by widespread independent development in the industry,¹⁶³ or by obsolescence as the *Microstrategy* trial court found.¹⁶⁴ The second material fact is whether a misappropriator retains a commercial advantage derived from misappropriation over the person with trade secret rights.¹⁶⁵

IV. CONCLUSION

With respect to trade secrets that have lost their secrecy, the Uniform Act adopts the *Winston Research* approach and entitles a misappropriator to obtain dissolution of a prior injunction after a good faith competitor could have replicated the trade secret and any other commercial advantage over a person with trade secret rights derived from misappropriation has ended. *A fortiori*, an injunction against a prior misappropriator that is sought after a trade secret has become generally known should terminate at the same time.

With respect to trade secrets that remain secret, an injunction can last until a defendant can prove that it legitimately can replicate the trade secret. If a defendant cannot prove this, for example due to lack of resources, an injunction without an express limit upon its duration is appropriate. Nevertheless, upon subsequent proof that the trade secret has become generally known and that any commercial advantage over the person with trade secret rights has ended, the defendant is entitled to dissolution of the indefinite injunction.

¹⁶³ See, e.g., *Petters v. Williamson & Assoc.*, 210 P.3d 1048, 1053 (Wash. Ct. App. 2009), *petition for rev. denied* 226 P.3d 781 (Wash. 2010) (“[T]he trial court found that no less than four companies had independently developed remotely operated rod-core-based seafloor drills since 2001 and that, as a result, ‘the BMS I technology . . . will lack independent value . . .’”).

¹⁶⁴ See *supra* note 157 and accompanying text.

¹⁶⁵ See *supra* notes 160-62 and accompanying text.