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Volume 15 | Issue 1

Article 2

October 2007

Trade Secrets as Property: Theory and Consequences

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TRADE SECRETS AS PROPERTY: THEORY AND CONSEQUENCES

*Charles Tait Graves**

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* Associate at Wilson Sonsini Goodrich & Rosati in San Francisco, California. I thank Robert G. Bone, Vincent Chiappetta, David Levine, Alex Macgillivray, Michael Risch, and Sharon Sandeen for their comments on drafts of this Article. The variety of comments received suggests that the issues discussed here deserve further debate and that the theoretical underpinnings of trade secret law remain in flux.

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I. INTRODUCTION

There is perpetual tension in trade secret law over the breadth of the information a creative employee can freely take from job to job. The court that determines the metes and bounds of such information in each case must choose, consciously or not, between two oscillating poles. These poles—one of property rights and one of relational duties owed by subordinates to their principals—are the subject of a persistent philosophical debate among legal scholars about the proper underpinnings of trade secret jurisprudence. They are not binary opposites but, instead, represent an overlapping mix of policy preferences that trade secret law has never resolved.

Taking one side or the other matters. The property rights approach asks whether information is a trade secret through an objective comparison of a well-defined claim against generally known, available material. A relational approach, by contrast, is more likely to treat information as legally protectable when an employee has learned the information under a confidentiality agreement, regardless of whether the information is in the public domain. A split between these conflicting approaches has arisen in many, sometimes subtle ways over the decades. The split's most recent form is the debate over the preemptive effect of the Uniform Trade Secrets Act against alternative tort claims based upon non-secret information.

The scholarly debate about whether trade secrets are property and the on-the-ground conflicts between employer and employee are, therefore, more closely linked than is evident in the law review commentary thus far. This Article will review the major theories pertaining to whether or not trade secrets are property rights, examine the practical consequences of taking each side, and conclude that a property conception best serves the interests of promoting employee mobility and the freedom to use information in the public domain. The thesis of this Article is that conceiving trade secrets primarily as property rights rather than relational obligations better balances the interests of employers and departing employees faced with trade secret accusations. Specifically, a property-based conception of trade secret rights balances the interests of the employer—which provides the infrastructural nexus for creative work and, thus, deserves some return for that investment—with the interests of the workforce and the wider economy that benefits from the formation of new, creative enterprises.

This conclusion may be unexpected, because commentators concerned about the expanding reach of intellectual property laws generally oppose efforts to propertize information. Because the policies behind trade secret law derive in part from the hierarchical, pre-industrial master/servant relationship, however, the alternative to a property-based conception shifts power decidedly to the former employer and away from the former employee. A relational theory of

trade secret law emphasizes not the boundaries of the information at issue but the asserted disloyalty of the employee, who is alleged to have owed a one-way duty of fidelity to the employer.

Property, then, is a normative concept that can have important consequences for trade secret law. This Article will describe five litigation contexts where viewing trade secrets primarily as property rights can make a difference, including the fast-developing disputes over Uniform Trade Secrets Act preemption. It will also offer the first definition of a “public domain” for trade secret law that is consistent with the emerging theories of the public domain in other areas of intellectual property. In summary, this Article offers the following propositions:

- Theories of trade secret law tend to underemphasize employee interests;
- Courts tend to issue different trade secret rulings depending on whether they follow a property rights approach or an employer-centric, relational approach;
- The scholarly debate about whether trade secret law reflects property rights therefore has practical consequences for departing employees;
- A property theory of trade secret rights is imperfect but defensible and best balances the interests of employers and mobile employees;
- By contrast, trade secret theories premised on contract, unfair competition, or personhood are more likely to lead to a power imbalance between employers and employees;
- Finally, defining the public domain for trade secret law remains uncertain because of the conflict between the property and relational approaches.

Conclusions this sweeping cannot be asserted without supplying a philosophical basis that is more convincing than the alternative models others have offered in recent years. This is especially true given the uncertainty expressed by some scholars about the validity of trade secret law as an independent body of law in the first place. This Article will consider alternatives offered by commentators based on contract law, unfair competition tort theory, and personhood approaches.

To reach these propositions, and for purposes of a thought experiment, this Article will also reverse the traditional, dominant perspective, which addresses the validity of trade secret law from the standpoint of the owner of a potential secret. For too long, commentators from all perspectives—from Law and Economics to advocates for the public domain—have analyzed trade secret questions largely

in the abstract, as a matter of defining a company's rights against third-party outsiders. This approach is too limited because virtually all trade secret disputes involve former employees. Something of a Copernican reversal is needed: Once we consider problems from a new perspective, we more readily recognize the balance of competing interests that is at stake in the debates over trade secrets as property rights.

This Article has three parts. The first part is practical: it will explain why a property rights conception can make a difference in the outcome of a trade secret dispute between a former employer and employee. This part will explore areas of trade secrets where courts reach inconsistent results depending on their use of relational or property concepts (whether explicit or implicit). This discussion of conflicts in the case law comes before the theoretical discussion that is at the heart of this Article, because it is only with an understanding of how these cases unfold that the theoretical discussion will be compelling. Part of the contribution of this Article is to locate and parse trade secret cases whose differing results appear to be driven by incompatible underlying theories.

The second part is an overview and critique of the scholarly debate about whether trade secrets are property. This part will both explore non-property theories in light of the case law discussed beforehand and offer a balance between employer and employee under a limited property conception. The third and final part seeks to define the public domain for trade secret law, with an analysis of how the property rights debate plays directly into the difficulties currently facing that project.

II. THE PRACTICAL EFFECTS OF TREATING TRADE SECRETS PRIMARILY AS PROPERTY RIGHTS

A. OVERVIEW: WHY EMPLOYEE INTERESTS MATTER

This Article will assume from the outset that employee mobility is an important policy objective and that crucial benefits flow from allowing departing employees to take and use some portion of the knowledge base they acquire and develop during each job. Rather than repeat the developing scholarship on those issues, this Article seeks to move from defining employee interests to placing them within the wider debates over the nature and legitimacy of trade secret law. As an overview, some scholars have theorized that jurisdictions that permit a greater dissemination of information from job to job and allow employees to change jobs more readily promote the growth of nimble, creative start-up

enterprises.¹ In economic terms, this significant trade-off for lessening restrictions on employee mobility outweighs the need of any given company to restrict the use of all valuable information an employee learns or creates on the job. Likewise, employees may create more and be more productive in the long run when they have a greater ability to take their skills from one job to another. In non-economic terms, employees have interests in the freedom to choose new jobs without being restricted from entire fields, to more easily leave unpleasant or unproductive jobs, to apply the skills they learned in school or developed in one or more jobs, and to use information that others in the same industry also know about.² More generally, trade secret law serves not just the interests of employers—by providing remedies for the misuse of certain information—but also serves the interests of employees, by defining and legitimizing zones of information that mobile employees may freely take from job to job.

B. PROPERTIZATION AND INTELLECTUAL PROPERTY: TWO MODELS

In turn, and to begin a discussion of whether trade secrets should be treated primarily as property rights, we must first define what we mean by the question. Propertization is a term used to call attention to the expanding reach of intellectual property laws and the expanding application of property analogies to intangible information, sometimes but not always in the sense that new forms of property are recognized.³ Propertization can be conceived in at least two ways. One concerns the conception of information as property within the areas where trade secret law has traditionally already extended. These traditional areas include

¹ One prominent article exploring the possibility that greater economic benefits may flow from a less strict trade secret and non-competition covenant framework is Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not to Compete*, 74 N.Y.U. L. REV. 575, 594–619 (1999). Another useful article exploring the obligations of employers and employees in an environment of high mobility is Katherine V.W. Stone, *The New Psychological Contract: Implications of the Changing Workplace for Labor and Employment Law*, 48 UCLA L. REV. 519 (2001).

² For a recent summary of scholarship following Professor Gilson's article and a set of opinions and questions for future research in this area that includes non-economic considerations, see generally Charles Tait Graves & James A. DiBoise, *Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation?*, 1 ENTREPREN. BUS. L.J. 323 (2006).

³ See, e.g., Justin Hughes, *Copyright and Incomplete Historiographies: Of Piracy, Propertization, and Thomas Jefferson*, 79 S. CAL. L. REV. 993, 994–97, 1047 (2006) (noting that the term "propertization" may be incorrect to the extent scholars mean to assert that property rights were not historically recognized in areas such as copyright but agreeing that the term would apply where new areas of information are treated as property, such as biological material; "[t]aken as a whole, this trend is not so much a thickening of the private right of intellectual property as it is intellectual property's conquest of new realms").

technological developments, business information, and customer-related information.

Another way to conceive of propertization concerns the extension of trade secret law into new categories of information. One recent example is a proposal to extend trade secret and related employee mobility concepts into the legal profession to encompass law firm pleadings and attorney memoranda.⁴ This is not typically an area where trade secret law has extended its reach.⁵ This type of propertization is analogous to the recently lengthened term of copyright law, or the expansion of patent law into business method patents.⁶

It is the former type of propertization, not the latter, where this Article proposes recognition of a property concept. Defining a property concept in traditional areas of trade secret law is unlikely to lead to further propertization elsewhere. Indeed, and as we shall see, the property right concept plays a significant limiting role compared to the alternative relational model, and can even undermine the rationale for labeling certain categories of information as trade secrets in the first place.

C. WHAT DIFFERENCE DOES IT MAKE IF TRADE SECRETS ARE PROPERTY RIGHTS?

One thesis of this Article is that a property-based conception of trade secret rights offers better protection for employees who change jobs than does the relational approach. This is so for two main reasons. First, the alternative to a property theory—whether located in contract or unfair competition—is a relational conception that summons to mind a hierarchical power imbalance. Second, a property conception calls upon a reviewing court to define the boundaries of the right with greater specificity, and may lead the court to rule that not all valuable information learned on the job is protectable.

⁴ See Greg Victoroff, *Copyrights in Attorney Work Product—Panacea or Pandora's Box?*, 31 NEW MATTER 4, 1, 4–5, 10 (2006) (discussing the use of trade secret and other informational control mechanisms for such goals as “inhibiting the pirating of law firm work product by defecting associates and partners”; including a form trade secret letter to be sent to departing associates very similar to those that corporations send to departing employees).

⁵ By contrast, traditional trade secret law would extend into law practice only in such areas as customer list litigation. See generally *Reeves v. Hanlon*, 95 P.3d 513, 515 (Cal. 2004) (departing attorneys accused of customer list misuse). A further expansion might, for example, endanger the ability of practicing attorneys to write law review articles based on information learned on the job, or to reuse creative arguments about case law developed internally at a former job.

⁶ For a brief summary of such extensions outside trade secret law, see generally Margaret Jane Radin, *A Comment on Information Propertization and its Legal Milieu*, 54 CLEV. ST. L. REV. 23, 24–25 (2006) (noting issues such as the Copyright Term Extension Act, the new reach of copying through digital media, and the use of common law trespass to chattel doctrines to further “the scope of control over non-copyrighted information”).

Before reaching a theoretical discussion of whether trade secrets are best conceived as property rights, it is important to recognize how treating trade secrets as property rights can make an immediate practical difference in a trade secret case involving a former employee. Most trade secret cases take place in state courts, most settle before trial, and most never result in an appeal or published ruling. Motions are typically heard on a crowded morning courthouse calendar, with little time for detailed discussion.

This hurried context does not favor a departing employee who must convince a court that he or she is facing over-inclusive trade secret accusations. This is so because the defendant former employee's arguments require deeper legal analysis and some understanding of technology, while the plaintiff employer need only make simplistic accusations that the former employee is disloyal.⁷ When a court is unfamiliar with complex law and complex technology, its inclination may be not to dismiss or limit the scope of claims before trial.

In this fast-paced environment without in-depth analysis, a snap decision to see the case as one involving property rights—which inherently have boundaries and limits—rather than the fluid expanse of a relational conception can make a difference.⁸ In order to set the stage for the theoretical discussion to follow, this Article will explore five contested areas in trade secret litigation where a property conception can lead to a different result.

⁷ It is not that law firms, large or small, take a global, philosophical position that employers should be able to hold former employees liable for using information learned on the job regardless of its secrecy. Litigators typically do not think through how their case-specific arguments relate to wider policy. The goal, after all, is to get a win for the client, and that means making the arguments needed to get there. Critical commentary about the role of intellectual property law firms in presenting arguments whose broad acceptance would have negative social effects may not be traditional in law journals, but it is something we must consider both to describe accurately how trade secret litigation unfolds and to create concepts likely to advance preferred policy objectives.

⁸ This is not to say that the outcome will always be altered if a litigant presses one side or the other, or if the judge accepts one theoretical conception or the other—but it is more likely. Accepting a property or relational theory does not entirely cancel the strength of the other position. For example, a judge viewing a trade secret case in a relational posture might still use a property conception to limit an overbroad claim. It is a question of emphasis. The proposal here is an educated guess based on experience; there is probably no way to establish empirically that one or the other approach or a particular level of emphasis will best protect employee interests. Pleadings in trade secret cases are often filed under seal, and thus even a determined researcher would have trouble conducting a detailed survey of arguments made at the trial court level.

D. TRADE SECRETS THAT AREN'T SECRET AND OTHER CONSEQUENCES OF THE RELATIONAL APPROACH

1. *Identification of the Trade Secret Claims.* The first area where a property conception of trade secret rights can be outcome-determinative is a dispute over whether the plaintiff employer has sufficiently identified its trade secret claims. In the typical case, a trade secret plaintiff initially attempts to get by with a broad and vague list of general categories, rather than an identification of the actual trade secret claims that would be asserted against the defendant at trial. The defendant often attempts to get a more specific identification through interrogatories and a discovery motion.⁹ Because there is no clear set of rules that courts follow on such motions, the result is almost always up in the air.¹⁰

A property conception may help convince a court to require a more detailed identification of the claims and thus give the defense a better opportunity to show that the information is in the public domain. If the court views a trade secret as a property right, that right necessarily must have metes and bounds that can be defined so that the parties and the court can determine if the defendant crossed the boundary. By contrast, under a relational theory the focus is on an allegedly disloyal employee who took information without consent, and a court following that model may see an identification dispute as a roadblock the defense has created in order to burden the plaintiff.

2. *Whether the Secrecy Test Is Objective or Subjective.* A second area where a property conception can have an impact is whether the test for determining the trade secrecy or non-secrecy of an item of information is objective or subjective. It is more likely that under a property approach, a trade secret claim will be objectively compared against information that is generally known within the industry in question, regardless of whether the former employer subjectively believed it to be secret, and rejected if the item proves to be available elsewhere.¹¹

⁹ For examples of such cases, see, e.g., *StonCor Group, Inc. v. Campton*, No. C05-1225JLR, 2006 WL 314336, at *1–2 (W.D. Wash. Feb. 7, 2006) (granting motion to compel); *Unicare, Inc. v. Thurman*, 97 F.R.D. 7, 13 (W.D.N.Y. Sept. 29, 1982) (same); *Chromaglass Corp. v. Ferm*, 344 F. Supp. 924, 927 (M.D. Pa. 1972) (finding plaintiff in violation of discovery order).

¹⁰ For a study of nationwide rulings on identification disputes and their lack of consistency, see Charles T. Graves & Brian D. Range, *Identification of Trade Secret Claims in Litigation: Solutions for a Ubiquitous Dispute*, 5 NW. J. TECH. & INTELL. PROP. 68 (2007). In general, the pleading and identification requirements in trade secret cases tend to be lax compared to those in other intellectual property regimes such as patent, copyright, and trademark—especially in the early going.

¹¹ Many cases, of course, apply an objective public domain comparison without a discourse on whether trade secrets are primarily relational rights or property rights. See generally *BondPro Corp. v. Siemens Power Generation, Inc.*, 463 F.3d 702, 710 (7th Cir. 2006) (affirming judgment as a matter of law for defendant where plaintiff identified only non-secret components of manufacturing process without identifying anything secret). The point is that requesting that a court expressly take

In litigation, for example, a relational approach would ask first whether the former employee learned the information from the employer. A property approach may instead ask first whether the information is protectable, regardless of where the former employee learned it.

To illustrate the differing approaches and their connection to the debate about whether trade secrets are property rights, consider the following definition of a trade secret from a 1991 article: “A trade secret is an item of information—commonly a customer list, business plan, or manufacturing process—that has commercial value and that the firm possessing the information wants to conceal from its competitors in order to prevent them from duplicating it.”¹²

This definition does not mention a secrecy requirement premised on objective testing against publicly available information, and instead presents a definition of trade secrecy entirely subjective to the employer. In turn, the authors’ definition of trade secret remedies asserts that the source of liability is the employee’s promise not to use “what he learned on the job”:

The law does give a remedy if the trade secret is lost through a breach of contract—say by a former employer who had promised not to disclose what he learned on the job—or through a tort, like trespass. But the violation is not of a property right to the secret but of a common law right defined without regard to trade secrets or to information in general.¹³

Under an objective approach, by contrast, trade secret law would not award a remedy for use of *any* valuable information an employee learned on the job. If the information learned were not secret, or were to fall within the employee’s general skills, knowledge, and experience, it would not matter what the form employment contract says, or if the employer subjectively thinks that the information is “confidential.”

The definition above is an example of where a relational conception can lead. It is not a coincidence that the authors do not believe that trade secrets represent property interests. Rather, their relational theory works to support their omission

a property approach is more likely to encourage the court to do so:

¹² David D. Friedman, William M. Landes & Richard A. Posner, *Some Economics of Trade Secret Law*, 5 J. ECON. PERSP. 61, 61 (1991). A revised version of this article appears in WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 354–71 (Harvard Univ. Press 2003).

¹³ Friedman, Landes & Posner, *supra* note 12, at 62.

of the public domain and the employee's interest from their description of the law.¹⁴

The sharp difference between the objective and subjective approaches can also be seen in numerous trade secret cases over the decades where some courts have found protectable interests in information even if it could be located in the public domain. Under the strict relational approach applied in some of these cases, a trade secret plaintiff need not even establish trade secrecy to seek liability against former employees who use information learned while working for the former employer. To the contrary, a former employee can be liable even if the information is in the public domain, on the ground that the individual abused the trust of the former employer or violated a fiduciary obligation not to use information from the former employer, regardless of its secrecy.¹⁵

¹⁴ See *id.* at 61–62 (“A trade secret is not property in the usual sense. . . . Hence there is in a sense no law of trade secrets. . . .”). The authors qualify those statements by noting that courts do take the commercial value of the information into consideration for remedial purposes and by noting that some case law can be explained only if the deciding court believed that trade secret law formed an independent body of law. *Id.*

¹⁵ It is not always clear from such cases whether the information at issue is fully in the public domain; the courts taking this approach do not undertake that kind of detailed analysis. See, e.g., *Goldberg v. Medtronic, Inc.*, 686 F.2d 1219, 1226–28 (7th Cir. 1982) (reading Minnesota law to affirm breach of confidence claim for plaintiff where defendant argued that material had been publicly disclosed, and holding that defendant failed to show that it “relied on the public information as opposed to that gained through the breach of its obligation to [plaintiff]”); *Nucor Corp. v. Tenn. Forging Steel Serv., Inc.*, 476 F.2d 386, 392 (8th Cir. 1973) (ruling that Arkansas law supports the concept that “employees have a high duty not to disclose confidential information received by them as employees to competitors regardless of the fact that the information disclosed might not technically be considered a trade secret”); *Servo Corp. of Am. v. General Electric Co.*, 393 F.2d 551, 555 (4th Cir. 1968) (holding that even if plaintiff had publicly disclosed its alleged secret prior to time defendant learned information through alleged confidential relationship, defendant would have to prove that it relied on public sources and not the information gained directly from the plaintiff in order to escape liability); *Franke v. Wiltscheck*, 209 F.2d 493, 495–96 (2d Cir. 1953) (granting injunction against salespeople who learned information from plaintiffs, stating that “[t]he essence of their action is not infringement, but breach of faith. It matters not that defendants could have gained their knowledge from a study of the expired patent and plaintiffs’ publicly marketed product. The fact is that they did not.”); *Jensen Tools, Inc. v. Contact East, Inc.*, No. 92-10970-7, 1992 WL 245693, at *1 (D. Mass. Sept. 9, 1992) (holding that even if defendants could have copied the information from the plaintiff’s catalog, “that is not what happened,” and thus, they acted wrongfully when they accepted information disclosed by plaintiff’s former employee; unclear if information was secret or not); *Crocac Corp. v. Sheller-Globe Corp.*, 385 F. Supp. 251, 254 (N.D. Ill. 1974) (holding, where one company used fraud to obtain information that was arguably non-secret from a business partner, that “improper means used to gain information is a separate basis of liability, regardless of whether the information constitutes a technical trade secret in the narrow sense of the word”) (citing RESTATEMENT OF TORTS § 757 cmt. b (1934)); *Standard Brands, Inc. v. Zumpe*, 264 F. Supp. 254, 262 nn.14–15 (E.D. La. 1967) (“Even if information is available elsewhere, it is a breach of faith for the former employee to disclose knowledge gained by him in

In some such cases, the relational theory is redundant, as when a court finds that trade secrets do exist but also finds at the same time that the plaintiff would also prevail on a theory that the former employee learned non-secret information under a confidentiality contract.¹⁶

In other cases, however, the relational approach is outcome-determinative. A 2000 Texas case offers an example. In that decision, a group of former employees left a software company.¹⁷ The former employees then created software with similar functionality at a new company and won a motion for summary judgment because the information was not a trade secret.¹⁸ The appellate court reversed in a striking application of the subjective, relational approach to trade secrecy. The court observed that the defendants' employment contracts stated that they would not use "confidential information" learned from the employer for any purpose except the "benefit" of the employer.¹⁹ It then

confidence in violation of the trust under which it was imparted." (collecting citations)); *Comedy Cottage, Inc. v. Berk*, 495 N.E.2d 1006, 1011–12 (Ill. App. Ct. 1986) (holding, where former fiduciary used non-secret information about real estate negotiations learned at the former job to obtain a lease for himself, that the use of information that "does not rise to the level of a trade secret" was ground for liability on the theory that fiduciary duty extended past resignation); *Cherne Indus., Inc. v. Grounds & Assoc., Inc.*, 278 N.W.2d 81, 91 (Minn. 1979) (stating, in dicta, that "even if the consulting engineers' names were otherwise available, the defendants' reliance on information gained from their relationship with plaintiff would still make them liable"); *Kamin v. Kuhnaun*, 374 P.2d 912, 916–18 (Or. 1962) (holding, on grounds of "commercial morality," that plaintiff could maintain unfair competition claim against former employees based on design of garbage truck even if information were available elsewhere and even if plaintiff itself had sold products disclosing the design); *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 212–13 (Tex. App. 1973) ("Appellees seek to evade their contractual obligation and duty flowing from fiduciary relationship with ELCOR by taking the position that the knowledge utilized by them in the development of the Agri-Sul process was not really a secret but was something that could have been obtained by reading articles and trade magazines, etc. . . . [W]hereas information could have been obtained from other sources the point is that such was not done"; holding against defendants, using reasoning taken almost word for word from *Franke*, 209 F.2d at 495, to state that the cause of action was not about "infringement" but rather "breach of obligation of good faith imposed by contract"); *Atlas Bradford Co. v. Tuboscope Co.*, 378 S.W.2d 147, 149 (Tex. App. 1964) (enjoining employee from using public domain information released in patents because the employee originally learned the information under a confidentiality contract, but not enjoining new employer).

¹⁶ See *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405, 1409 (N.D. Iowa 1996).

¹⁷ *Simplified Telesys, Inc. v. Live Oak Telecom, L.L.C.*, 68 S.W.3d 688, 693–94 (Tex. App. 2000) (holding, in action against former employees, that confidentiality covenant covered "confidential information" even if it were non-secret) *abrogated on other grounds by Burns v. Canales*, No. 14-04-00786-CV, 2006 WL 461518, at *4 (Tex. App. Feb. 28, 2006).

¹⁸ *Id.* at 690, 693.

¹⁹ *Id.* at 692–94.

asserted that the contract covered “more than ‘trade secrets,’” and that employees who learn confidences under such a contract cannot later use such information.²⁰

Many of the relational cases finding liability even where information may be non-secret are decades old and arose under the Restatement of Torts rather than the Uniform Trade Secrets Act. Some are not good law, and others may have been implicitly rejected by later authority.²¹ But in trade secret law, old theories have a habit of reappearing—something to be expected when there is a multitude of courts ruling on state law issues without any central guiding authority. Indeed, no less than the Ninth Circuit has, more than once, applied a relational approach based on questionable readings of California law to allow for the possibility of liability over non-secret information.²²

²⁰ *Id.*

²¹ The law in some states is unclear because rulings have gone both ways without citing one another. For example, a 1994 Texas case ruled against the concept of causes of action based on information that is not secret or not “substantially secret.” See *Stewart & Stevenson Serv., Inc. v. Serv-Tech, Inc.*, 879 S.W.2d 89, 96–97 (Tex. App. 1994). Likewise, a 1987 Texas case affirmed the denial of a request for temporary injunction against a former officer and rejected an argument that non-secret information be deemed secret because the defendant learned it while employed by the plaintiff. See *Numed, Inc. v. McNutt*, 724 S.W.2d 432, 435 (Tex. App. 1987). Neither decision mentions the 1973 Texas *Elkor* case, 494 S.W.2d 204 (discussed *supra* note 15), but both undermine its logic by barring claims based upon non-secret information. In turn, the 2000 *Simplified Telesys* case discussed none of these cases in ruling that non-secret information might still be the subject of a claim based on a confidentiality contract. See 68 S.W.3d at 688–96. Given the number of technology-based enterprises in Texas, it is surprising that the rules there for departing employees remain inconsistent.

²² Three Ninth Circuit cases purporting to apply California law have held that plaintiffs can bring “unfair competition” or “common law misappropriation” claims against recipients of non-secret information. Each is striking for its failure to analyze California’s rules regarding use of non-secret information, prohibition of trade restraints, and preemption of common law trade secret-type claims under the Uniform Trade Secrets Act. All three opinions engage in very little discussion and do not appear to realize how far their holdings deviate from long-established California principles. It is not a stretch to say that these cases do not reflect California law and instead apply a reasoning that would undermine California’s well-established protections for employee mobility. See *City Solutions, Inc. v. Clear Channel Commc’ns, Inc.*, 242 F. Supp. 2d 720, 735 (N.D. Cal. 2003) (citing no case law on the issue, denying motion for judgment as a matter of law on unfair competition claim based on non-secret bidding strategy “that plaintiff put a substantial amount of time and money into but which was not capable of protection as a trade secret”), *aff’d in part*, 365 F.3d 835, 842 (9th Cir. 2004) (failing to discuss whether common law unfair competition theory made policy sense or squared with California law, and relying, in part, on *Balboa Ins. Co. v. Trans Global Equities*, 267 Cal. Rptr. 787, 798 n.22 (1990), without noting that it applied pre-UTSA common law, and citing as its only other authority, *U.S. Golf Ass’n v. Arroyo Software Corp.*, 81 Cal. Rptr. 2d 708, 714 (1999), which concerns potential confusion over misuse of a logo); *Imax Corp. v. Cinema Tech., Inc.*, 152 F.3d 1161, 1169 (9th Cir. 1998) (relying on *Self Directed Placement Corp. v. Control Data Corp.*, 908 F.2d 462 (9th Cir. 1990), without other citations, for the proposition that “[u]nder California law a plaintiff can maintain a common law unfair competition claim regardless of whether it demonstrates

In other cases, courts have rejected such subjective theories. Many courts have recognized the logical inconsistency in treating information that appears to be in the public domain as a trade secret merely because the employer has a confidentiality contract with the former employee.²³ A property theory of trade secret law is more likely to lead to this result because it is difficult to articulate a state law claim against a former employee for property in non-secret information without falling back on a relational justification.

3. *The Scope of General Skills, Knowledge, and Experience.* A third and related issue where the clashing property and relational approaches could make a difference is the manner in which a departing employee's right to use general skills, knowledge, and experience is defined. That formula is often expressed as a sort of loose shorthand for the corpus of information every employee may take from job to job.²⁴ At the same time, the phrase is not well defined and may be used by courts in a "I know it when I see it" manner to free former employees from overly

a legally protectable trade secret'); *Self Directed Placement Corp.*, 908 F.2d at 467 (unfair competition claim under common law misappropriation theory for non-secret trading materials).

²³ See *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, 925 F.2d 174, 179 (7th Cir. 1991) (remanding for further fact finding; explaining that the importance of the requirement of reasonable measures is that "if the plaintiff has allowed his trade secret to fall into the public domain, he would enjoy a windfall if permitted to recover damages merely because the defendant took the secret from him, rather than from the public domain as it could have done with impunity. . . . It would be like punishing a person for stealing property that he believes is owned by another but that actually is abandoned property"); *Kubik, Inc. v. Hull*, 224 N.W.2d 80–92 (Mich. Ct. App. 1974) (rejecting as "analytically unsound" the concept that an employee bound by a confidentiality agreement could be held liable for use of information the employer itself disclosed in product marketing); *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 897 (Minn. 1983) ("Without a proven trade secret there can be no action for misappropriation, even if defendants' actions were wrongful."); *Van Prod. Co. v. Gen. Welding & Fabricating Co.*, 213 A.2d 769, 780 (Pa. 1965) (rejecting relational theory where information is non-secret, reasoning that "the authorities holding that public disclosures destroy plaintiff's right to maintain a cause of action to preserve his trade 'secret' as against a competing former employee who has violated a duty of confidence are more sound in theory and practice than those continuing to look to the relationship of the parties as a basis for the action"). *But cf. Servo Corp. of Am. v. Gen. Elec. Co.*, 393 F.2d 551, 555 (4th Cir. 1968) ("The gravamen in a trade secrets case is a breach of confidence, rather than an infringement of a property right; hence, reliance on innocent sources of information involving no breach of duty, is an essential element of the defense that the secrets were previously disclosed. . . . We agree . . . that complete public disclosure of a secret would destroy the legal effectiveness of, or prevent the creation of, any confidential relationship based upon that secret, the breach of which is the essence of a trade secret's action. But if *Van Products* holds that the mere presence in the public domain of the information upon which a trade secret is based precludes recovery for breach of a confidential relationship, we decline to follow it.")

²⁴ Recent cases repeating the principle include *W.L. Gore & Assocs., Inc. v. Wu*, No. Civ. A. 263-N, 2006 WL 2692584, at *17 (Del. Ch. Sept. 15, 2006); *The Agency, Inc. v. Grove*, 839 N.E.2d 606, 615 (Ill. App. Ct. 2005).

aggressive trade secret claims. As with the question whether the secrecy test is objective or subjective, the scope of one's general skills, knowledge, and experience may expand or contract if a court views trade secrecy as a property right or a relational dispute. Under a property theory, the former employer's rights may be limited by what the employer can specifically define and prove to be secret, and everything the employee cannot prove to be secret may well be deemed general skills, knowledge, and experience.²⁵

4. *Scope and Interpretation of Employee Confidentiality Contracts.* Choosing between a property theory and a relational approach can also affect the interpretation of an employment contract that forbids the use of the employer's confidential information after the employee departs.²⁶ Sometimes courts limit such contracts and require that the employer prove that the information is a trade secret in the objective sense—such that the departing employee can use the information if it is non-secret.²⁷

In other cases, courts treat the confidentiality contract as paramount, and hold that if the former employee learned the information while employed and the former employer viewed it as confidential, the contract is effective to bar future use of the information by the employee after his or her departure.²⁸

A property approach would more likely lead a court to “pierce” a confidentiality contract if the information were non-secret, while a relational

²⁵ I have doubts about whether the “general skills and knowledge” formulation is specific enough to be useful, but given that courts will no doubt continue to apply it, I offer these comments on its interpretation under a property or a relational approach. The problem with the formulation is that it begs the question as to exactly what skills and knowledge within each industry are secret and which may be freely disseminated. The concept is useful in general, however, to define the interests of employees in an easily understandable shorthand.

²⁶ This Article does not address the other common type of confidentiality contract—the non-disclosure agreement between two companies. If two companies negotiate to treat a public item of information as confidential, and thereby decide not to include a public domain exception clause for that item of information, the issues at stake are not the same as those in the employment context—a context laden with serious concerns about employee mobility and employer overreaching.

²⁷ See, e.g., *Tax Track Sys. Corp. v. New Investor World, Inc.*, 478 F.3d 783, 787 (7th Cir. 2007) (stating that “[a]n Illinois court, in whose place we sit, will enforce such agreements only when the information sought to be protected is actually confidential and reasonable efforts were made to keep it confidential” and asserting that confidential information may differ from trade secrets, though seemingly subjecting it to the same definitional rules); *Am. Paper & Packaging Prods., Inc. v. Kirgan*, 228 Cal. Rptr. 713, 717 (Cal. Ct. App. 1986) (“An agreement . . . defining a trade secret may not be decisive in determining whether the court will so regard it.”); *State Farm Mut. Auto. Ins. Co. v. Dempster*, 344 P.2d 821, 825–26 (Cal. Ct. App. 1959) (“The essence of the protected interest is the trade secret or trust. The contract of the parties is not decisive in establishing the interest; the contract cannot make a trade secret out of a situation where none exists; the interest itself as developed from the accepted relationship of the parties must be determinative.”).

²⁸ See *supra* note 15 and accompanying text; see also Friedman, Landes & Posner, *supra* note 12.

model would emphasize an approach that makes the employment contract effective to restrict use of non-secret information.²⁹ At least one commentator who rejects a property rights approach for trade secret law proposed that employment contracts be interpreted in a manner that could lead to this result.³⁰

5. *UTSA Preemption of Alternative Claims Based on Non-Secret Information.* A fifth area where a property theory of trade secret law can make a difference is the question whether a court in a Uniform Trade Secrets Act (UTSA) jurisdiction will preempt the plaintiff's alternative causes of action.³¹ UTSA preemption may not seem like an area where a property or relational theory would come into play.³² But pleading non-statutory, quasi-trade secret claims can operate as an implicit

²⁹ It ought to be noted that on this point, corporations sometimes draft contracts with their employees differently from contracts with their business partners. In the latter context (mutual non-disclosure contracts) there is virtually always an escape clause reciting that information independently developed or in the public domain is not covered by the confidentiality obligation, so long as the party using such information is able to prove one of these exceptions. Employment-based confidentiality contracts, by contrast, sometimes do not contain any express loophole for public domain information. The difference probably arises because well-represented companies will be certain not to sign contracts without protective language, but an individual employee may not have the bargaining power or the legal knowledge to demand such a clause.

³⁰ See Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CAL. L. REV. 241, 302 (1998) (“[T]rade secret owners should not have to prove actual secrecy or reasonable secrecy precautions to recover for breach unless the contract so provides.”).

³¹ UTSA preemption is an issue of interest to trade secret defendants for several reasons; the statute provides certain defense-friendly aspects (damages limitations, assignment of certain decisions to the judge and not the jury, and a strong secrecy requirement) that plaintiffs often seek to avoid. Separately, this Article does not address the issue of “common law misappropriation” outside the employment context. That debate, which stems from *International News Service v. Associated Press*, 248 U.S. 215 (1918), generally concerns the use of public information with effervescent temporal value rather than the degree to which the use of information learned on the job can be restricted.

³² After all, many UTSA preemption debates involve claims unrelated to a trade secret-like claim that should be preempted. See *Bliss Clearing Niagara, Inc. v. Midwest Brake Bond Co.*, 270 F. Supp. 2d 943, 947–49 (W.D. Mich. 2003) (trademark claim not preempted); *Micro Display Sys., Inc. v. Axtel, Inc.*, 699 F. Supp. 202, 205 (D. Minn. 1988) (misrepresentation and other non-intellectual property claims not preempted). Moreover, the issue is largely one of statutory interpretation. For example, in any UTSA jurisdiction, a reviewing court wishing to go about the job the right way would have to review (1) the legislative history in that state, if any, on the UTSA’s preemptive clause; (2) that state’s traditional rules for whether a comprehensive statutory scheme displaces earlier common law; (3) that state’s existing case law for whether other uniform acts (such as the Uniform Commercial Code) displace common law claims on the same subject matter; and, perhaps most important, (4) whether that state ever allowed quasi-trade secret claims over non-secret information in the first place. Of these issues, the fourth is germane to the property/relational theory debate. For an effort to review these issues under California law, see Tait Graves, *Nonpublic Information and California Tort Law: A Proposal for Harmonizing California’s Employee Mobility and Intellectual Property Regimes Under the Uniform Trade Secrets Act*, 2006 UCLA J.L. & TECH. 1 (2006). To date, studies from other jurisdictions have not yet been published; this is an important area of trade secret law in manifest need of further research and attention.

attempt to render non-secret information actionable under a relational theory, in a manner more subtle and indirect than the issues described above.

There are two UTSA preemption debates where a property rights conception of trade secret law could help courts better reflect on the issues at stake. The first involves situations in which trade secret plaintiffs seek to raise alternative claims on a theory that they relate to information that is described as confidential, but not a trade secret. Most courts have ruled against this approach in both employment and non-employment contexts.³³ But others have accepted it, apparently without any recognition of what the plaintiff was attempting, or what the broader societal results might be.³⁴ In one state, Wisconsin, courts have permitted plaintiffs to avoid the statute by simply characterizing information in the complaint as “confidential” but not a trade secret.³⁵

³³ See, e.g., *Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd.*, Nos. C042000, C062929, 2007 WL 801886, at *6 (N.D. Cal. Mar. 14, 2007) (finding that “to the extent” an alternative claim was based on “confidential information, it is preempted by California’s Uniform Trade Secrets Act”); *Opteum Fin. Servs., LLC v. Spain*, 406 F. Supp. 2d 1378, 1380 (N.D. Ga. 2005) (applying Georgia law, stating that “the GTSA is the exclusive remedy for misappropriation of trade secrets, and plaintiff cannot plead an alternative theory of recovery should the information ultimately not qualify as trade secrets”); *Bliss Clearing Niagara, Inc. v. Midwest Brake Bond Co.*, 270 F. Supp. 2d 943, 947–49 (W.D. Mich. 2003) (rejecting minority approach); *Auto Channel, Inc. v. Speedvision Network, LLC*, 144 F. Supp. 2d 784, 789 (W.D. Ky. 2001) (holding that recognition of alternative claims would render the statute superfluous); *AutoMed Tech., Inc. v. Eller*, 160 F. Supp. 2d 915, 921–22 (N.D. Ill. 2001) (barring attempts to evade UTSA if information were not to qualify as trade secrets); *Thomas & Betts Corp. v. Panduit Corp.*, 108 F. Supp. 2d 968, 972 (N.D. Ill. 2000) (noting that recognizing claims for information that is deemed to be confidential but not secret would render the UTSA meaningless); *Mortgage Specialists, Inc. v. Davey*, 904 A.2d 652, 667 (N.H. 2006) (declining to follow minority approach in detailed discussion); *Weins v. Sporleder*, 605 N.W.2d 488, 491–92 (S.D. 2000) (noting that courts should look past plaintiff’s subjective labeling to the substance of the claim asserted).

³⁴ See, e.g., *Stone Castle Fin., Inc. v. Friedman, Billings, Ramsey & Co.*, 191 F. Supp. 2d 652, 659 (E.D. Va. 2002) (“[B]ecause it cannot be established at this juncture whether the confidential information at issue in this case is a trade secret, the Court cannot find that Stone Castle’s alternative claims are preempted.”); *Burbank Grease Serv., LLC v. Sokolowski*, 717 N.W.2d 781, 790–93 (Wis. 2006) (examining the language of the statute and the legislative history to conclude that “any civil tort claim not grounded in a trade secret, as defined in the statute, remains available” to plaintiffs (emphasis in original)).

³⁵ See *Genzyme Corp. v. Bishop*, 460 F. Supp. 2d 939 (W.D. Wis. 2006). In this case, filed just after the Wisconsin Supreme Court substantially weakened UTSA preemption in Wisconsin, the plaintiff alleged several alternative, non-UTSA claims and described each of them as confidential information not rising to the level of trade secrets. *Id.* at 941. The court rejected the defendant’s UTSA preemption-based motion to dismiss. *Id.* at 947. It is unclear how future Wisconsin courts will address alternative claims, and whether they will truly allow a case against a former employee to go all the way to conclusion when information is in the public domain. But it is surprising that the courts could issue these rulings without any express consideration of whether it makes policy sense to open the floodgates and make any information learned on the job the subject of a potential tort

Emphasizing a property theory of trade secret law would seemingly help illustrate to a reviewing court why UTSA preemption is not just an abstract matter without substantive meaning. Viewing a trade secret claim as a property right focuses attention on the boundaries of the claim itself, and shifts attention away from a relational theory under which an employee might be liable for using anything valuable learned on the job.

The second problem is a concept that UTSA preemption applies only if the information at issue proves to be a trade secret.³⁶ In that scenario, if a trade secret plaintiff succeeds in proving that the information is secret, then its alternative, fall-back claims are found to be preempted. But if the information is found to be non-secret, the alternative claim survives, and the plaintiff can continue its attack on the former employee without having to prove that the information at issue is secret.

A recent UTSA preemption case applying Pennsylvania law provides an example of this problem. A former employer sued and alleged causes of action for conversion and trade secret misappropriation under the Pennsylvania Uniform Trade Secrets Act.³⁷ The defendant moved to dismiss the conversion claim on a theory of UTSA preemption.³⁸ The court denied the motion, and held that UTSA preemption would apply only if the information at issue proved to be secret, and not if the information were non-secret.³⁹ After citing cases ruling both for and against preemption, the court held that Pennsylvania's enactment of the UTSA in 2004 was not intended to curtail causes of action based on non-secret

claim.

³⁶ See *Stone Castle*, 191 F. Supp. 2d at 658–59 (applying Virginia law and holding that Virginia Uniform Trade Secrets Act preemption requires first establishing trade secrecy). A recent unpublished California case similarly held that a conversion claim would exist if the information at issue were not a trade secret; the case notably fails to discuss California's rules protecting employee mobility and use of non-secret information, and it does not explain how a conversion claim would proceed if the value asserted was the value of non-secret intangible data rather than the value of tangible property. See *Global Med. Tech., Inc. v. Jackson*, Nos. C048438, C049490, 2006 WL 3735581, at *8 (Cal. Ct. App. Dec. 20, 2006).

³⁷ See *Conveo Corp. v. Slater*, No. 06-CV-2632, 2007 WL 527720, at *1 (E.D. Pa. Feb. 12, 2007).

³⁸ *Id.* It should be noted that although conversion is generally a cause of action for misuse of tangible property, trade secret plaintiffs sometimes seek to unmoor its connection to tangible property and use it instead as an alternative claim for intangible information. Such claims sometimes involve intangible information saved on low-value tangible media such as a CD.

³⁹ *Id.* at *3.

information.⁴⁰ The court did not discuss how legitimizing tort claims over non-secret information might affect departing employees in Pennsylvania.⁴¹

The ruling is a paradigmatic case where an implicit relational, subjective interpretation of the secrecy requirement removes a secrecy defense from the case and broadens the scope of the former employer's protectable information.⁴² The paradoxical result of such UTSA preemption rulings is that a plaintiff who cannot prove trade secrecy has more claims, and stronger claims, than a plaintiff who succeeds in establishing trade secrecy.⁴³

Focusing a court on a property conception of trade secret rights is likely a powerful means to avoid such confusion in UTSA preemption rulings. If a court believes that a trade secret is a property interest, that interest stands or falls on its secrecy and disappears if shown to be non-secret. In that case, there would be no relational theory to supply a basis for an alternative, non-statutory tort claim. A court taking a property approach would seem less likely to allow the plaintiff to pursue alternative, fall-back claims based on non-secret information.

⁴⁰ See *id.* at *4 (“This Court respectfully declines to join other courts in the assumption that the legislatures adopting the act intended to remove liability for any theft of non-trade secrets. . . . In other words, without clear intent, it should not be assumed that the Pennsylvania legislature’s enactment of the PTSA was intended to abrogate common law conversion claims based on the taking of information that, though not a trade secret, was nonetheless of value to the claimant.”).

⁴¹ Indeed, the court did not consider *Van Prod. Co. v. Gen. Welding & Fabricating Co.*, 213 A.2d 769 (Pa. 1965), a case decided before the Pennsylvania enactment of the UTSA, in which the Pennsylvania Supreme Court undercut that theory of liability.

⁴² A claim of theft of tangible property—a laptop computer for example—would not be preempted under the analysis proposed here. It would form a valid claim for conversion of tangible property, with the value of the claim limited to the value of the computer itself and not the intangible data on it (which would be the subject of the UTSA trade secret claim). See, e.g., *Opteum Financial Servs. v. Spain*, 406 F. Supp. 2d 1378, 1381 (N.D. Ga. 2005) (preempting a conversion claim where former employee took files and noting that the “tangible property has little value apart from the information contained therein”).

⁴³ The UTSA encompasses and defines losing trade secret claims, not just winning trade secret claims, and its preemptive effect should apply regardless of whether the alternative claim involves information that turns out to be a trade secret. A defendant who prevails because the information proves to be non-secret or independently derived, for example, has won through the implementation of the UTSA just like a successful trade secret plaintiff does. As an analogy, copyright preemption of alternative state law claims applies even if a copyright claim over the information at issue would fail—that is, if the information would not “qualify” for copyright protection. See 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01[B][2] (2006) (“It is clear that failure to meet the required standards for federal protection will not negate federal pre-emption.”).

E. COUNTER-ARGUMENTS THAT A PROPERTY CONCEPTION MAY HARM THE PUBLIC INTEREST IN EMPLOYEE MOBILITY

The considerations above lead to a conclusion that viewing trade secrets as property rights is more likely to protect social interests in employee mobility and the freedom to use non-secret information learned on the job. To be certain that this conclusion is the right one, however, we must consider counter-arguments that a property rights theory of trade secret law would harm, not help, departing employees.

One counter-argument is that injunctions might be more readily granted where there is a property interest at stake.⁴⁴ But a trade secret plaintiff must show a likelihood that it will prove secrecy to obtain an injunction against a former employee.⁴⁵ A property theory that emphasizes the metes and bounds of the property right seemingly gives a former employee a better opportunity to defeat the request for injunctive relief than a relational theory under which even non-secret information might become a basis for relief. If the alternative to a property theory is *worse* for a departing employee than the property theory, the traditional concept that injunctions are more likely for property rights (something a lower-level state court is unlikely to be thinking about in any event) is not a strong basis to reject the property theory.

A second counter-argument is that the statute of limitations might be extended if trade secrets were viewed more as property rights than relational obligations.⁴⁶ This is not necessarily the case. The California Supreme Court, for example, found trade secrets to be “a form of property,”⁴⁷ but held that the Uniform Trade Secrets Act does not provide for a theory of “continuing misappropriation” with multiple claims for each separate wrongful act.⁴⁸ Rather, the court found that the statute provides for a middle position where there is a single “claim” for misappropriation, with remedies to address subsequent incidents of wrongful use

⁴⁴ See, e.g., Vincent Chiappetta, *Myth, Chameleon or Intellectual Property Olympian? A Normative Framework Supporting Trade Secret Law*, 8 GEO. MASON L. REV. 69, 151 (1999) (noting that a strong property rights conception of trade secret law might mean that “injunctive, rather than compensatory, relief would be the default rule”).

⁴⁵ Recent cases applying the principle to grant or deny requests for injunctive relief include *Anadarko Petroleum Corp. v. Davis*, No. H-06-2849, 2006 WL 3837518, at *14 (S.D. Tex. Dec. 28, 2006) (discussing Agreed Order granting plaintiff some relief, but denying request for additional preliminary injunction); *General Power Prod., LLC v. MTD Prod., Inc.*, No. 1:06CV00143, 2006 WL 3692953, at *3–4 (S.D. Ohio Dec. 13, 2006) (denying request for preliminary injunction).

⁴⁶ See, e.g., JAMES POOLEY, TRADE SECRETS § 1.02[8][a] (2006) (noting that a property conception might “extend” the time for filing a case under a theory of continuing misappropriation).

⁴⁷ *Cadence Design Sys., Inc. v. Avant! Corp.*, 57 P.3d 647, 653 (Cal. 2002).

⁴⁸ 57 P.3d at 654.

or disclosure.⁴⁹ In any event, the statute of limitations is not a major factor in trade secret litigation, especially in former employee cases. Litigation against former employees typically begins within a few months of the employee's departure.

More generally, we might be concerned that courtroom rhetoric about property rights—that belongs to *me*, that is *mine*—could harm the interests of departing employees.⁵⁰ But again, relational rhetoric about disloyalty, one-sided obligations and duties, and contracts that broadly bar use of information might be even more harmful. Property has boundaries, after all.⁵¹

III. TRADE SECRETS AS WEAK PROPERTY RIGHTS: A THEORETICAL JUSTIFICATION

The inconsistent results in decisions have arisen because there is an unresolved conflict in trade secret law: whether every item of valuable information a firm creates should be protectable against departing employees, or whether instead the law should define a set of information that is valuable but nonetheless cannot be the subject of a trade secret lawsuit.⁵² The broader question regarding the scope of protectable information goes beyond trade secret law and pulsates through other branches of intellectual property law.⁵³ In the trade secret context, there is

⁴⁹ *Id.* at 652.

⁵⁰ See Chiappetta, *supra* note 44, at 152 n.429. Professor Chiappetta correctly notes that many in the business world have a relatively simple concept of property where creation gives rise to exclusive rights. This type of rhetoric might be most effective when a defendant has clearly taken secret information. Where a mobile employee faces vague, undefined claims over areas of knowledge that may or may not contain trade secrets, however, such rhetoric may only beg the question about what is protectable.

⁵¹ A separate consideration involves the minority of trade secret cases that do not involve former employees. Specifically, the question is whether a theory of trade secret law based on property rights would affect such cases in any measurable way. Third party cases fall into two general categories. The first involves two parties to a business confidentiality contract. Most of these contracts include an exception for public domain material. Thus, disputes arising from such agreements would seemingly proceed in the same manner under a property rights or a relational approach, without the conflicting approaches to the meaning of trade secrecy found in many employee cases. The second category involves a true outsider—the case of espionage. Litigation over such cases appears to be rare, and because there is no relational theory that could be applied, a property approach appears to be the better fit.

⁵² For a recognition of the problem that alternative “misappropriation” claims pose for balancing the employer’s interests “with the interests of people who need to move from job to job and ply their trade,” see James Pooley, *The Top Ten Issues in Trade Secret Law*, 70 TEMP. L. REV. 1181, 1183 (1997).

⁵³ Outside of trade secret law, perhaps the two best descriptions of why not all information that is valuable should be the subject of legal protection are Wendy J. Gordon, *On Owning Information:*

no consensus on a theory that would best balance the competing interests of the employer and employee.⁵⁴ The issue remains to be resolved and has not been the subject of sufficient commentary given its importance to trade secret jurisprudence.

One goal of this Article is to provide a theoretical justification for a property concept that would best promote a more balanced approach to defining trade secrecy—an approach that would avoid the perpetual danger that trade secret law will slide into a catch-all tort to protect any information that a former employer subjectively claims as confidential.

Convincing others in a courthouse that a property approach is sound strategy to protect departing employees from overbroad trade secret claims is not the same as ensuring that such a concept makes analytical sense. If there is no reasoned basis for proposing a property-based theory of trade secret law, then making that court proceeding argument is no different from a mercenary approach where attorneys raise any argument that appears to be rhetorically effective without regard for its wider policy consequences or internal consistency.

In order to offer a property conception of trade secret law as a strategic approach to protecting employee mobility, then, there must be a property conception that is philosophically defensible.⁵⁵ This question is more pressing than it may first seem, for two reasons. First, a number of scholars have rejected the property conception over the past decade and offered alternative conceptions instead, with one well-known commentary questioning whether trade secret

Intellectual Property and the Restitutory Impulse, 78 VA. L. REV. 149, 178–79 (1992) (addressing the problematic tort claim of common law misappropriation) and Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1050–58 (2005) (describing why not all “free riding” is a problem requiring a legal remedy).

⁵⁴ Indeed, some commentators argue for strengthening the employer’s power and reducing the requirements necessary to prove trade secrecy or to pursue a tort claim over non-secret information. See, e.g., Robert Unikel, *Bridging the “Trade Secret” Gap: Protecting “Confidential Information” Not Rising to the Level of Trade Secrets*, 29 LOY. U. CHI. L.J. 841 (1998) (advocating recognition of a tort claim for non-secret information); Jonathan R. Chally, Note, *The Law of Trade Secrets: Toward a More Efficient Approach*, 57 VAND. L. REV. 1269, 1310–11 (2004) (proposing a lessening of requirements to establish trade secrecy).

⁵⁵ As a background methodological note, this Article seeks to define a property rights concept consonant with the interests of departing employees as well as their employers. A second order of philosophical analysis would be to justify that balance by describing the various reasons (economic, personal, and political) that the interests of employees matter. As discussed above, however, such further analysis is beyond the scope of this Article. Likewise, this Article assumes that trade secret law will continue to exist in the current UTSA/Restatement framework and does not attempt to justify trade secret law from the ground up against a state of nature. For two excellent approaches to the latter discussion from a largely economic perspective, see generally Chiappetta, *supra* note 44, and Michael Risch, *Why Do We Have Trade Secrets?*, 11 MARQ. INTELL. PROP. L. REV. 1 (2007).

jurisprudence stands on any coherent theory at all.⁵⁶ A careful and deliberate response to these positions must be offered for any property-based conception to be treated as a valid one that takes each separate critique into consideration.

Second, other scholars—those who advocate protecting and enlarging the informational public domain where intellectual property laws have no reach—are often critical of the propertization of information. For example, one commentator uses the metaphor of the centuries-long English enclosure of common agricultural lands into private holdings to describe the expansion of intellectual property rights into new types of information.⁵⁷ These critics would appear to be natural allies of a less strict trade secret theory that promotes employee mobility because such a theory necessarily means recognizing a wider public domain for non-secret information. But skepticism towards propertization may lead such thinkers to distrust a property-based trade secret conception unless they first recognize that this thesis offers more protection for the public domain than does the relational alternative.⁵⁸

Thus, defending a property-based conception of trade secret law also requires convincing potential skeptics who otherwise support the public policy goals of employee mobility. To fully address this audience, we must define the trade secret-based public domain—the boundaries where trade secret property rights end and where no trade secret laws can extend—and explain why defining the scope of the public domain for trade secret law necessarily requires making a choice between the property and relational theories.

The following discussion will do both. First, this Article will review the contours of the property/relational divide as expressed in the trade secret case

⁵⁶ See Bone, *supra* note 30. Professor Bone's article is highly thought-provoking. Although I criticize Bone's article here, I remain impressed by the number of questions raised there that appear nowhere else.

⁵⁷ See James Boyle, *The Public Domain: The Second Enclosure Movement and the Construction of the Public Domain*, 66 LAW & CONTEMP. PROBS. 33, 37 (2003) (“[T]he new state-created property rights may be ‘intellectual’ rather than ‘real,’ but once again things that were formerly thought of as either common property or uncommodifiable are being covered with new, or newly extended, property rights.”).

⁵⁸ Outside of trade secret law, there is some debate as to whether propertization of information ineluctably leads to greater power for information holders. Professor Michael Carrier suggests that because common law property conceptions have so often been subject to serious restrictions—and he catalogs numerous such restrictions on the right to transfer, use, exclude, and so forth—we should accept propertization as *fait accompli* and use those traditions to develop similar limitations on intellectual property rights. See generally Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1 (2004). Ultimately Carrier proposes modifications to the fair use doctrine and other such limitations in trademark, patent law, and the right of publicity. *Id.* Although Carrier's article does not touch on trade secret law, its themes are consistent with this Article: propertization is not inherently synonymous with greater latitude for information holders.

law, treatises, Restatements, and statutes. Second, it will critique the existing theoretical alternatives scholars have offered in recent years. Finally, it will examine whether one can adequately define the public domain for trade secret law if the property/relational debate remains unsettled.

A. TRADE SECRETS AS PROPERTY—THE EXISTING LEGAL UNCERTAINTY

One reason scholars debate whether trade secret law reflects property rights is that trade secret law itself does not provide a definitive answer.⁵⁹ Of the different sources of authority for trade secret law, only one took an explicit position on whether trade secrets should be treated as property. The commentary to the 1939 Restatement of Torts stated, probably too strongly, that a property theory “has been frequently advanced and rejected” and that “good faith” was the underlying policy rationale justifying the law.⁶⁰ But trade secret cases after the Restatement continued to use property language.⁶¹

The Uniform Trade Secrets Act—now the primary source of trade secret law in the United States—does not take an express position on whether trade secrets are property rights in its 1979 and 1985 versions.⁶² The 1995 Restatement (Third) of Unfair Competition likewise does not take a position on whether trade secrets should be treated as property, but notes that “modern” cases continue to use property terminology and states that “[t]he dispute over the nature of trade secret

⁵⁹ Most of the debate in the law journals is also fairly recent. An early and memorably-titled effort to note several conflicting strands in trade secret law is Todd M. Sloan, *Trade Secrets: Real/Toads in a Conceptual Garden*, 1 W. ST. U.C.L.L. REV. 113 (1973). This article includes a description of cases taking what this Article describes as subjective and objective approaches but does not propose a systematic theory. *Id.* at 131–51 (describing several earlier cases with inconsistent approaches to the secrecy question).

⁶⁰ See *RESTATEMENT OF TORTS* § 757 cmt. b (1939). The assertion appears to be overly strong; the comment does not provide case citations, and numerous cases in the decades before 1939 held that trade secret law was premised on a property conception. See MELVIN F. JAGER, *TRADE SECRETS LAW* § 2:3 (2004 ed.) (noting use of property terminology in early decisions in Massachusetts, Pennsylvania, New York, Michigan, Ohio, and California).

⁶¹ See 1 ROGER M. MILGRIM, *MILGRIM ON TRADE SECRETS* § 2.01[1], at 2–7 & n.15 (2006 ed.) (collecting post-*Masland* cases using property language).

⁶² See *id.* § 1.01[2][a]–[b] (reprinting 1979 and 1985 versions with original commentary). The UTSA did, however, promote a greater focus on the secrecy element of a trade secret claim, which implicitly shifts the analysis toward a property approach. For further discussion of the subtle differences in emphasis between the UTSA and the Restatement, see 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, 126–30 (2005) (“The significance of the UTSA is not that it fundamentally changed the law of trade secrets from that which existed at common law, but that it was designed to re-focus attention on the character of the thing to be protected and, thereby, limit the cases in which a successful trade secret claim can be brought.”).

rights has had little practical effect on the rules governing civil liability for the appropriation of a trade secret.”⁶³

Similarly, the treatises have noted the issue, but generally have not set forth a sustained defense of one position or another. One treatise defines trade secrets as property rights in order to address questions such as government takings and liability for those not in contractual privity and provides extensive citations to show that courts around the country frequently have used property-based concepts to describe trade secrets.⁶⁴ Another notes, in a history of early American trade secret common law, that state courts frequently held that trade secrets were property when developing the law in their particular jurisdictions.⁶⁵ Other treatises note the controversy over the property question and its lack of ready resolution.⁶⁶

In turn, it is difficult to review the hundreds of published trade secret cases to declare a “correct” answer as to whether trade secrets are primarily property rights or relational rights; there is no single case that has grappled with all of the issues set forth in this Article and issued a wide-ranging ruling. There are several reasons why this is so. First, there are fifty-one different versions of trade secret law in the United States, and, thus, what a court in Washington says does not control what a court in Washington, D.C. might do. Second, and more fundamentally, the fact that a court may in passing describe trade secrets as property rights or duties of confidence does not tell the reader whether the court is speaking as a result of sustained philosophical reflection on the subject.⁶⁷ Third, and similarly, when a court describes trade secrets as property rights or

⁶³ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. b (1995). Wyoming is the only state to expressly adopt this version of trade secret law. See *Briefing.com v. Jones*, 126 P.3d 928 (Wyo. 2006). However, other courts rely on the Restatement on occasion. See, e.g., *Lydall, Inc. v. Ruschmeyer*, 919 A.2d 421, 437 (Conn. 2007) (purposes of trade secret law); *Yield Dynamics, Inc. v. Tea Sys. Corp.*, 66 Cal. Rptr. 3d 1, 17–18 (Cal. Ct. App. 2007) (value element of a trade secret claim).

⁶⁴ See 1 MILGRIM, *supra* note 61, § 2.01[1]–[2] (“Practically all jurisdictions have recognized that a trade secret is property, or, stated more precisely, that the possessor of a trade secret has a property right in it that permits the possessor to restrict use and disclosure of it in many situations.”).

⁶⁵ See JAGER, *supra* note 60, § 2-2.03.

⁶⁶ See HENRY H. PERRITT, JR., *TRADE SECRETS: A PRACTITIONERS’ GUIDE* 9 (2d ed. 2005) (“Whether patent or copyright is therefore ‘property’ and whether trade secret is ‘property’ are thus a matter of degree rather than a matter of unambiguous classification.”); POOLEY, *supra* note 46, § 1.02[8] (noting dispute and its possible effects on issues such as the statute of limitations and the degree to which a strict secrecy test will be applied and concluding that trade secret law in practice reflects both property and relational concepts). Pooley notes that “[t]he more closely the cases are analyzed, the more this seems to be a ‘breath mint/candy mint’ sort of debate.” *Id.*

⁶⁷ See, e.g., *Nat’l Starch Prod. v. Polymer Indus.*, 79 N.Y.S.2d 357, 360 (N.Y. 1948) (stating that “a property right may inhere in a secret process” without ruling directly on the nature of trade secret law).

duties of loyalty, doing so does not establish one or the other conception as predominant. Finally, courts that *do* expressly rule on whether or not trade secrets are property tend to do so on questions, such as marital dissolution and Fifth Amendment takings jurisprudence, that provide little guidance for drawing property rights boundaries between employers and departing employees.⁶⁸

B. TRADE SECRETS AS PROPERTY—THE CONSTITUTIONAL DEBATES

Thus far, the only substantial debate about the practical consequences of treating trade secrets primarily as property rights has taken place at the constitutional level. We can set the stage for our discussion regarding employer/employee trade secret cases by highlighting two distinct and opposing opinions about the constitutional treatment of trade secrets as property. First, Professor Richard Epstein views trade secrets as property and argues that the differences between intangible and tangible property rights are exaggerated.⁶⁹ Applying the familiar bundle of rights theory, he notes the alienability and other property-like features of trade secrets.⁷⁰ Then, based on an apparent instrumental view that property interests serve to promote innovation, he approves of the *Ruckleshaus* decision,⁷¹ a 1984 U.S. Supreme Court ruling which held that trade secrets can be property for purposes of a Fifth Amendment takings analysis.⁷²

Epstein notes that Professor Pamela Samuelson takes the opposite position by arguing against treating trade secrets as property rights.⁷³ Indeed, Samuelson argues that treating trade secrets and other types of information as property might have negative consequences for free dissemination of information and criticizes the *Ruckleshaus* case for misreading the Missouri trade secret cases it purported to rely on.⁷⁴ In a more recent article, Samuelson argues forcefully that trade secret

⁶⁸ See, e.g., *Ruckleshaus v. Monsanto*, 467 U.S. 986, 1002–04 (1984) (finding that trade secrets are property under Missouri law for purposes of constitutional takings analysis); *Teller v. Teller*, 53 P.3d 240, 247–49 (Haw. 2002) (finding that trade secrets are a property right for purposes of state statute governing distribution of marital assets).

⁶⁹ See Richard A. Epstein, *The Constitutional Protection of Trade Secrets under the Takings Clause*, 71 U. CHI. L. REV. 57, 58 (2004) (discussing *Ruckleshaus*, 467 U.S. at 1002–04).

⁷⁰ *Id.* at 58–60.

⁷¹ *Id.* at 64–70.

⁷² 467 U.S. at 1004.

⁷³ Epstein, *supra* note 69, at 59.

⁷⁴ See Pamela Samuelson, *Information as Property: Do Ruckleshaus and Carpenter Signal a Changing Direction in Intellectual Property Law?*, 38 CATH. U. L. REV. 365, 374–75 (1989) (“It is simply unnecessary to call trade secrets ‘property’ to enforce confidences and penalize those who use improper means to obtain a valuable secret.”). Professor Samuelson notes that “[t]rade secret law has come the closest to designating information as property” but asserts that “[t]he more accepted view, however, has not regarded trade secrets in this way”—relying on Justice Holmes’s dictum in

law should be seen as a form of unfair competition, not property rights, so that certain types of trade secret disclosures have a better chance of receiving First Amendment protection.⁷⁵

To be clear, Samuelson does not rule out a property conception for trade secrets.⁷⁶ But the First Amendment generally does not apply to property (as opposed to speech), and Samuelson also expresses a concern that if mere facts or items of data are seen as property, trade secret law could more likely face federal preemption challenges.⁷⁷ She therefore emphasizes a non-property conception of trade secrets.

Whether Epstein or Samuelson is correct in the constitutional arena would not necessarily impact state law treatment of trade secrets in employer/employee disputes. Indeed, we can imagine a scenario where trade secrets are simultaneously viewed as property for takings purposes, not the type of property that precludes First Amendment protection, and property rights rather than relational obligations in the employment context. What is important about these constitutional debates for our purposes is that they properly focus attention on the practical consequences that flow from following a property conception for

the *Masland* case and commentary in the Restatement of Torts. *Id.* at 374. As discussed in this Article, the question is not so much whether a property conception is necessary to protect a legitimate rights-holder, but whether a property conception is necessary to protect those on the receiving end of overbroad, amorphous trade secret accusations. Samuelson's concern with protecting a wider dissemination of information (as discussed in her 1989 article) is, in this author's view, better served by a property conception than a relational conception.

⁷⁵ See Pamela Samuelson, *Principles for Resolving Conflicts Between Trade Secrets and the First Amendment*, 58 HASTINGS L.J. 777, 807 (2007) ("Although trade secret law is sometimes clustered for the sake of convenience under the general rubric of 'intellectual property' rights, this does not alter the essential nature of trade secrets as a form of unfair competition.").

⁷⁶ See *id.* at 808 (noting that even if trade secrets are treated as property in some ways—such as in Fifth Amendment takings jurisprudence—the First Amendment proposals Samuelson offers would still be valid). Nothing proposed in this Article regarding the state law, litigation-centric conception of trade secrets as property rights should be taken to affect Samuelson's proposed First Amendment framework, with which this author agrees.

⁷⁷ *Id.* at 805 ("To strengthen trade secret rights so that they become more property-like increases the likelihood of federal preemption as well as of conflicts with the First Amendment."). One response is that a property theory actually promotes a weaker, narrower trade secret concept than does the relational approach. Because one of the Supreme Court's key bases for distinguishing trade secret and patent law was the weakness—specifically, the effervescence—of trade secrets compared to patents, the property concept does not appear to create a greater danger of federal preemption. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489–90 (1974) (noting "weaker" protection of trade secrets compared to patents). Interestingly, the dissenting justices in *Kewanee*, who argued for preemption of injunctive relief for patentable trade secrets, argued that trade secrets are not property rights. *Id.* at 497 (Douglas, J., dissenting) ("A trade secret, unlike a patent, has no property dimension."). Thus, it is not clear that treating trade secrets as non-property necessarily avoids federal preemption questions.

trade secret law. That focus on practical consequences should be extended into the everyday world of trade secret litigation.

C. CONCEPTUALIZING TRADE SECRET LAW: FOUR COMPETING APPROACHES

Commentators, in turn, have offered theories about the nature of trade secret rights that fall into four basic categories. Some have argued that trade secret law does not (or should not) reflect property rights, at least not as the primary nature of the right, but should instead be seen as an adjunct of contract law or unfair competition tort law. Others have sought to ground trade secret law in a Hegel-inflected personhood theory. Finally, the majority of commentators believe that trade secret law is properly grounded on a property rights theory, but they have not attempted to define a boundary between such rights and the rights of departing employees or draw out the different consequences of a property and a relational approach on the breadth of information employees can take from job to job.

1. *The Contract-Based Relational Approach.* Some commentators have rejected a property-based theory—in whole or in part—and conceptualize trade secret law as one based on contractual obligations or the general tort law of unfair competition. A well-known article questions whether trade secret law stands on any independent justification apart from contract.⁷⁸ As will be discussed later, these conceptions may open trade secret law to the dangers of the subjective, relational approach to the secrecy question, where information can be deemed protectable even if it is non-secret.

Professor Robert Bone argues that contract is the most convincing theory for protecting rights in trade secrets.⁷⁹ He locates early trade secret cases taking a property-based approach in nineteenth century legal formalism, where broad concepts like “ ‘property’ [were] linked to the concept of exclusive control.”⁸⁰ According to Bone, the general breakdown in legal formalism, especially with the power of legal realist theory in the early twentieth century, did irreparable damage to a property-based conception of trade secret law:

⁷⁸ See Bone, *supra* note 30 and accompanying text.

⁷⁹ See *id.* at 243 (stating that “trade secret liability should be governed by contract principles”); *id.* at 246 (arguing that “trade secret law should not be expanded beyond the limits of its host theories (contract, theft, and the like)”; *id.* at 297–304 (proposing that “trade secrets should be protected only on contract principles). At least one other scholar appears to view trade secret as primarily a matter of contract, at least in contrast to copyright law. See generally Wendy J. Gordon, *An Inquiry into the Merits of Copyright: The Challenges of Consistency, Consent, and Encouragement Theory*, 41 STAN. L. REV. 1343, 1419 (1989) (“In addition, the legal rules that govern at least one type of intellectual product—trade secrets—follow the consent/contract line rather closely.”).

⁸⁰ Bone, *supra* note 30, at 254.

On this [non-formalist] view, property was not a logical entailment of fundamental truths about possession and ownership. Instead, property rights were created by positive law and were designed to serve whatever goals the community wished to pursue.⁸¹

This transformation, Bone argues, meant that “trade secret law lost its justifying theory and its source of normative independence from other fields of law. Courts and commentators have been trying to fill the gap ever since.”⁸² Bone then raises a host of arguments to conclude that contract is the only defensible ground for trade secret jurisprudence. In reaching that conclusion, he rejects several alternatives, including privacy rights, restitution, and Rawlsian contractarianism.⁸³

Viewing contract as the best defensible basis for trade secret law could open the law to the problems discussed in Part II above.⁸⁴ Bone certainly does not advocate a trade secret regime hostile to mobile employees. Based on a belief that trade secret lawsuits over publicly available information are uncommon, however, his article proposes that courts should relax secrecy requirements when interpreting confidentiality contracts: “[E]xpress confidentiality agreements should be enforced mainly according to their terms. For example, trade secret owners should not have to prove actual secrecy or reasonable secrecy precautions to recover for breach unless the contract so provides.”⁸⁵

⁸¹ *Id.* at 260.

⁸² *Id.*

⁸³ *Id.* at 283–90.

⁸⁴ More broadly, it is not clear that basing trade secret law on contract would be any less problematic than treating trade secret law as an independent legal regime. A rigorous examination of contract, tort, or any other theoretical basis would doubtless reveal paradoxes, inconsistencies, and uncertainties under those approaches as well. See generally Peter Benson, *Contract*, in A COMPANION TO PHILOSOPHY OF LAW AND LEGAL THEORY 24, 24 (Dennis M. Patterson ed., 1996) (describing conceptual problems in the law of contract, especially as to remedies, and asserting that “[t]he effort to develop a coherent explanation of contract seems to have reached an impasse”).

⁸⁵ Bone, *supra* note 30, at 302. There is some tension in Professor Bone’s position. Bone argues just four paragraphs above the quoted section that “[s]ometimes it seems as if courts believe that the mere taking of valuable information is itself unjust, but such a broad holding grants property protection foreign to trade secret law.” *Id.* at 300. It seems likely that permitting employers to enforce confidentiality contracts based on non-secret information could amount to making the mere use of information illegal, in the manner Bone criticizes in general. It may seem irrational that a company would sue a departing employee over non-secret information. The cases discussed *supra*, Part II.D.2, however, suggest that such claims are sometimes pursued. Moreover, in this author’s experience trade secret claims are often drafted for the first time after a lawsuit is filed, without sufficient public domain investigation ahead of time. Companies may not deliberately sue over non-secret information so much as avoid self-critical analysis before asserting claims.

The article also contends that such a practice would benefit both signatories to a confidentiality contract because they would not have to spend money litigating the defendant's secrecy defense in court:

Such an approach can benefit both parties. The trade secret owner is not likely to sue over publicly available information because the benefit of doing so is small relative to the cost. This means that a broad confidentiality agreement is likely to create little additional risk to the recipient of the secret. Moreover, the broad agreement should save the expense of proving secrecy and secrecy safeguards in court, which can benefit both parties.⁸⁶

Under this approach, however, the cost savings from not having to litigate secrecy would not outweigh the harm to departing employees whose ability to raise such defenses is often the best way to fend off an overreaching former employer. If a form employment contract could bar a departing employee from using information in the public domain at his or her next job, and if courts were not to consider secrecy defenses in such cases, the scope of information employees could use after changing jobs would be substantially narrower. Moreover, litigation might become even more common, as employers could more easily use the legal process to slow start-up enterprises newly founded by former employees.

This theory tends to downplay the approach's substantial practical effects on mobile employees and the larger economy when fewer start-up companies are formed and less information is free for use by skilled individuals. This theory also readily assumes that companies do not frequently sue over non-secret information and, by implication, that lawyers are not willing to bring such claims to serve their clients' goals.⁸⁷

More fundamentally, the proposal does not consider a more limited property-based alternative to contract theory. This is so because it does not weigh a property theory other than to recount the fall of the nineteenth century formalist category of "property."⁸⁸ Property conceptions did not end when rigid categorical

⁸⁶ *Id.* at 302.

⁸⁷ *See id.* at 278–79. Bone agrees that frivolous, harassment lawsuits exist but appears to believe both that trade secret litigation is uncommon and that companies are loath to bring such lawsuits. *Id.* at 279. An alternative viewpoint is that when the perceived benefits of stopping or slowing a new, competitive start up are deemed to be worth the cost of hiring a law firm to accomplish that task, many companies see the matter as a worthwhile business expense. Sometimes a few months of bruising litigation is all it takes to smother a weaker rival; no trade secret ever need be proven before a judge or jury.

⁸⁸ Bone asserts that the death of rigid conceptualism caused trade secret law to lose "its justifying theory and its source of normative independence from other fields of law." *Id.* at 260. But he does

thinking died under the realist critique. To the contrary, they emerged as today's familiar bundle of rights concepts—that property rights are variable sets of rights and obligations that differ widely for each item deemed property, and that these rights are constructed based on a weighing of varying social interests and ends.⁸⁹

As will be discussed below, a property conception is not only defensible, but provides a better balance of power between employer and employee. A property theory would also avoid a loophole in the contract theory. A contract-based theory is problematic for the situation where a departing employee discloses a trade secret to a new employer, who has no contract with the trade secret holder.⁹⁰ This appears to be a problem that would be solved by a weak property theory. Under a property approach, a new employer who knowingly continues to use information that is clearly non-public would be liable.⁹¹

2. *The Unfair Competition-Based Relational Approach.* Another alternative to a property theory is to subsume trade secret claims within the broader tort umbrella of unfair competition. Under this view, trade secret law represents a set of interdictions against “unfair competition” rather than recognition of a property right.⁹² One proponent of this view holds open the possibility that trade secret law might reflect property rights⁹³ and bases a critique of the property approach on a broader concern that treating more information as property will have negative consequences for the social availability and use of creative information.⁹⁴

A problem with pushing trade secret law into an unfair competition category, however, is that less information will become available for free use by others, especially the former employees who most frequently face problems of what

not offer a detailed historical analysis to support the proposition. Bone cites Justice Holmes' dictum from *E.I. du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917), but that case did not effect a permanent sea change in trade secret law.

⁸⁹ For a description of the end of formalist thinking and the attendant rise of the bundle theory of property rights, see MORTON J. HORWITZ, *THE TRANSFORMATION OF AMERICAN LAW, 1870–1960*, at 154–56 (Oxford Univ. Press 1992).

⁹⁰ See Bone, *supra* note 30, at 282 (“However, contract law is likely to be much less effective when competing firms learn secrets by hiring employees.”).

⁹¹ Bone argues that perhaps the loophole in the contract theory could be filled if companies were to buy “information outright rather than hiring employees.” *Id.* Companies will not stop hiring new employees, however, and Bone's statement would only apply in the first place to companies which deliberately seek to obtain a competitor's secrets. In any event, whether companies can be liable when lower-level employees are alleged to have used a former employer's trade secrets is a question which may generate different results in different jurisdictions. Compare *Infinity Prods., Inc. v. Quandt*, 810 N.E.2d 1028 (Ind. 2004) (Indiana UTSA does not provide for vicarious liability), with *Microstrategy, Inc. v. Business Objects, S.A.*, 331 F. Supp. 2d 396, 418 (E.D. Va. 2004) (Virginia UTSA does provide for vicarious liability).

⁹² See Samuelson, *supra* note 75, at 805–07.

⁹³ See *id.* at 808–10.

⁹⁴ See Samuelson, *supra* note 74, at 395–98.

information they may and may not use. The relational alternative to a property rights theory is a greater danger to the public domain and employee mobility. In turn, and on a narrower point, the phrase “unfair competition” is one that trade secret plaintiffs often use when trying to plead around the UTSA and thereby lower the bar for the information they can deem to be protectable.⁹⁵ The use of the phrase “unfair competition” as a basis for trade secret theory may very well have the unintended consequence of strengthening the subjective, employer-centric approach to trade secret law that undermines the policy goal of promoting a wider pool of unrestricted knowledge and information.⁹⁶

To be sure, scholars who reject the property rights view of trade secret law have not sought to defend the types of problematic holdings discussed in Part II.B.⁹⁷ But a contract law or unfair competition tort law approach opens everyday litigation practice to those problems, without providing benefits beyond those that can already be defended from a property rights approach.

3. *The Personhood Approach.* A wholly different theoretical approach is to view trade secret law primarily in restitutionary terms, where a trade secret is deemed part of the personhood of the owner, something that others cannot freely appropriate without paying for their unjust enrichment. This theory appears to

⁹⁵ In this author’s experience, most of the attempts by trade secret plaintiffs to plead around the UTSA through the use of other tort labels include claims for either common law unfair competition or, in states like California that have an unfair competition statute, statutory unfair competition.

⁹⁶ In general, and as a separate point, those critical of a property approach may place too much emphasis on the statement by Justice Holmes in the 1917 case *E.I. du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100 (1917). There, Holmes stated, in ruling on whether an alleged trade secret could be disclosed to a litigation expert, that “[t]he property may be denied, but the confidence cannot be.” *Id.* at 102. Holmes has been cited in passing for that quotation many times since. See, e.g., *Heyman v. A.R. Winarick, Inc.*, 325 F.2d 584, 586 (2d Cir. 1963) (referring to a different part of the same quotation), *Ferranti Elec., Inc. v. Harwood*, 251 N.Y.S.2d 612, 619 (N.Y. Sup. Ct. 1964). However, the value of the statement as a guiding principle of trade secret law appears to be overstated. See, e.g., MILGRIM, *supra* note 61, § 2.01[1] (explaining in detail why the statement in *Masland* is dicta and not binding on other courts); POOLEY, *supra* note 46, § 1.02[8][b] (criticizing the “rush to embrace” the *Masland* “dictum” because, among other reasons, it does not accurately describe what courts have decided in many other cases). Trade secret law does not develop from landmark federal cases in the same manner that, say, copyright or patent law does. The U.S. Supreme Court does not provide final authority on state law questions of trade secret law, except where they collide with federal law. More generally, state courts often decide issues on their own, quickly, without collecting law from elsewhere or looking to a guiding light such as Holmes. Thus, describing trade secret law based on references to *Masland*—or other older cases often cited by scholars, such as the 1868 Massachusetts case *Peabody v. Norfolk*, 98 Mass. 452 (1868)—gives too much weight to cases that few state court judges ever actually read and too little weight to the vast muddle of hundreds of low-level state court rulings that in totality make up the tangled jurisprudence on any given trade secret question.

⁹⁷ Again, however, one writer does propose a contract-based theory that could allow for a subjective approach to the interpretation of confidentiality contracts. See Bone, *supra* note 30, at 302.

be a creature of scholarly criticism and has not yet been employed in any published decision.⁹⁸ It also may derive from efforts in other areas of property law to bring in personhood concepts—inspired from readings of Hegel’s *Philosophy of Right*—to provide an alternative moral theory for property rights.⁹⁹ A limited restitutionary conception may be useful outside of trade secret law and the employment context to put restrictions on a “common law misappropriation” theory, where litigants seek recovery based on public information that the defendant used.¹⁰⁰ But in trade secret law, which already contains more precise and useful limits that can be amplified using a property theory, a strengthened restitutionary concept could have negative practical consequences. The personhood approach is unworkable not only because it is too vague to bring clarity to an already confused body of law but also because it vests the employer with even more power and ignores that the person who may actually have created information at issue is not the company but the target of the trade secret claim.

James Hill’s 1999 article most clearly sets forth the personhood conception of trade secret law.¹⁰¹ Hill opposes a contract-based theory of trade secret law¹⁰² and

⁹⁸ Of course, trade secret law does allow for unjust enrichment as a remedy, and that remedy is often the primary source of damages a plaintiff seeks. See, e.g., CAL. CIV. CODE § 3426.3 (West 2007) (unjust enrichment remedy). The remedy comes into play when a defendant has taken a trade secret, used it to develop a product, and sold the product for a profit, but the plaintiff has not lost sales as a result. This restitutionary unjust enrichment remedy is consonant with a property-based conception of trade secret law, with no need to resort to questionable personhood concepts.

⁹⁹ These efforts derive from the work of Margaret Jane Radin and her reading of Hegel’s theory of the constitution of the subject. See MARGARET JANE RADIN, REINTERPRETING PROPERTY 44–48 (1st ed. 1993) (asserting that Hegel’s theory of the subject makes relations with objects an initial and necessary factor in the subject’s move “from abstract autonomy to full development of the individual in the context of the family and the state”); see generally G.W.F. HEGEL, PHILOSOPHY OF RIGHT § 40 (T.M. Knox, trans., Oxford Univ. Press 1962) (“Right is in the first place the immediate embodiment which freedom gives itself in an immediate way, i.e. (a) possession, which is *property-ownership* [. . .] (b) A person by distinguishing himself from himself relates himself to another person, and it is only as owners that these two persons really exist for each other.” (emphasis added)). Hegel further states, “But I as free will am an object to myself in what I possess and thereby also for the first time am an actual will, and this is the aspect which constitutes the category of *property*, the true and right factor in possession.” *Id.* §§ 41–44, 45 (emphasis added).

¹⁰⁰ For a comprehensive attempt to limit common law misappropriation claims to a narrower concept called “malcompetitive copying,” see generally Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149 (1992). Gordon rejects a property conception for the types of information claimed under common law misappropriation theories because not everything that has value gives rise to a property interest. *Id.* at 178–79. The proposals set forth in this article are consistent with the general view presented here: information that is not a trade secret, and thus that is in the public domain, is not anyone’s property.

¹⁰¹ James W. Hill, *Trade Secrets, Unjust Enrichment, and the Classification of Obligations*, 4 VA. J.L. & TECH. 2 (1999).

¹⁰² See *id.* ¶¶ 96–98 (noting that a contract-based theory is inconsistent with the manner in which

also believes that a property theory alone would be incomplete because it does not take into account a moral “corrective justice” aspect that would seek to vindicate a trade secret owner’s sense of “well being” and “hypothetical consent” for use of the trade secret.¹⁰³ The theory proposed is not in direct conflict with a property-based conception of trade secret law but instead adds a moral dimension based on the trade secret owner’s personhood, a dimension seen as useful for injunctive relief and “punitive” damages.¹⁰⁴

The personhood concept, however, has a flaw that goes to the center of the power divide in trade secret law between the employer and the departing employee/creator. Specifically, there is no reason to grant a corporation the same sort of personal identity interest in the creative works of its employees as one might wish to grant an individual person in, say, his or her apartment in a landlord-owned complex.¹⁰⁵ This is especially the case where the occasion is a lawsuit between the former employer and the mobile employee who developed the information the corporation would claim as part of its core “personal” identity. One description of the personhood conception, when considered in the context of a lawsuit between a corporate former employer and a mobile “creator” employee, underscores the theory’s lack of separation between employer and creative employee:

There is no empirical reason to suspect that any less labor, creativity, or innovation might go into the production of a trade

courts will reject confidentiality contracts where the information is non-secret and that contract remedies do not provide for “punitive” damages). This author agrees with Hill on the first point and notes further that Bone’s approach could hinder courts’ ability to limit confidentiality contracts in the first place, especially if the reviewing court takes a freedom of contract approach without considering limitations based on unequal bargaining power. See discussion *supra* Part III. As to the second point, I do not see good reason to expand the availability of punitive damages in trade secret cases, which are unavailable in jurisdictions where the Uniform Act provides only for capped, exemplary damages.

¹⁰³ See Hill, *supra* note 101, ¶ 110 (asserting that use or rejection of a property concept is unnecessary to author’s thesis); *id.* ¶¶ 85–92, 125 (focusing on values of “well being” and “hypothetical context” in examination of trade secret remedies); *id.* ¶¶ 113–114 (discussing corrective justice concept in building toward author’s personhood theory).

¹⁰⁴ See *id.* ¶¶ 77–79, 88, 90, 93, 95.

¹⁰⁵ The apartment tenant is one of several examples in Margaret Jane Radin’s well-known use of Hegelian personhood themes to develop a “nonutilitarian, moral theory” of property. See RADIN, *supra* note 99, at 53, 57–59. Radin’s ideas are seemingly deployed to shift more power to the weaker party in certain situations and are thus a questionable fit for arguments in favor of granting more power to corporate intellectual property holders—indeed, her conceptions involve *lessening* property claims made by more powerful entities. In any event, secret commercial information used for profit seems more akin to Radin’s concept of “instrumental” property than to property wrapped up in “personhood.” See *id.* at 37.

secret than the creation of a copyrighted work. As a result, it seems likely that the identity of a “creator” could be just as strongly tied to a trade secret as to, for example, a short story or a painting. . . . If a famous restaurant’s success developed from a particular secret recipe, would the originator of the recipe feel any less personal identification with this trade secret than she would with, say, the restaurant’s trademark or its copyrighted advertising material? If so, the reason is not readily apparent.¹⁰⁶

One problem is that the real creator of an alleged secret may be an employee who is later targeted by the former employer. Adding a personhood concept to strengthen the arsenal of the former employer against the person who created the information would be conceptually difficult, and dangerous as well. It would be ironic if the concept of personhood were wielded to attack the actual creator, who may have more of a sense of identity with the information, and where the result of the lawsuit may have a more personal effect on his or her job and compensation.¹⁰⁷ Moreover, injecting a personhood conception into trade secret law would seemingly obviate the need to prove secrecy and erase any distinctions between secret and non-secret information an employee knows. After all, if the information is bound up within the corporation’s personality, why stop regulation just because the information is not a trade secret? In sum, because a limited property conception is sufficient to permit restitutionary remedies where there is a misappropriation of a legitimate trade secret, and because a personhood conception in favor of the former employer would further turn the power imbalance in favor of the former employer, there appears to be no reason to advocate a personhood theory of trade secret law.

This conclusion is made stronger by tracing the personhood concept back to Hegel because Hegel’s view on the origins of personality are problematic for

¹⁰⁶ Hill, *supra* note 101, ¶ 88. Of course, if the creator of secret information were a founder of the corporation, that individual might indeed feel pride of ownership in a personal sense, beyond a mere sense of corporate ownership of employee ideas. And, theoretically, that person might be on the plaintiff’s side of a case if an employee or a third party were to take that information. Because most trade secret lawsuits involve former employees accused of using their own ideas and information at the next job, however, the limited potential for the information creator to be aligned with the plaintiff is insufficient to justify the adoption of a personhood conception.

¹⁰⁷ There is at least one published proposal for injecting a Hegelian personhood component into intellectual property law from the perspective of the employee/inventor. See Steven Cherenksy, Comment, *A Penny for Their Thoughts: Employee-Inventors, Preinvention Assignment Agreements, Property, and Personhood*, 81 CAL. L. REV. 595 (1993). Regardless which side might seek to assert a personhood-based right, the concept seems too vague to usefully help courts and litigants draw the line between the information the former employee can take and the information that may be the subject of a valid trade secret claim.

would-be trade secret plaintiffs looking to advance a “personhood” concept.¹⁰⁸ If one were to accept that a corporation has a personhood interest in information created by the very former employee the corporation is attacking in court, one might well consider that in Hegel’s view, personhood itself develops from a back-and-forth dialectic with others, with each contributing to the identity formation of the other—most famously, between the “lord” and the “bondsmen.”¹⁰⁹ Upon recognizing, however, that the courthouse battle between former employer and former employee over the information the employee developed during the employment relationship is a battle over who gets to control what information afterwards, Hegel’s insight that the “personality” of both sides is a result of prior clashes and power relations between them is hardly an endorsement of granting total personhood rights to one side but not the other. If the corporation’s asserted personhood in information exists only because the employee created the information while employed and was compelled to assign it, then advancing the concept for only one side provides no guidance as to how best to draw the power balance between the two sides. The personhood concept, in summary, is both too one-sided and too vague to have any useful application in trade secret law.

4. *The Varying Property Rights Approaches.* Having found contract, unfair competition, and personhood-based theories of trade secret law unsatisfactory based in large part on their practical consequences for departing employees, this Article now moves to property theory, the most common justification for trade secret law. There are multiple ways, however, to assert a property theory of trade secrets, with differences in both the philosophical grounding of the rights and the strength of those rights. In recent years, scholars have offered several approaches sharing a general family resemblance: an instrumentalist justification rather than natural rights justification, and thin, limited property rights rather than strong, in rem-like property rights. Although this Article agrees with those general starting

¹⁰⁸ Of course, no resort to speculative philosophy is necessary to defend or defeat an instrumentalist legal theory, and a recent essay warns intellectual property commentators about citing Hegel’s legal writings without considering other aspects of his philosophy. See Jeanne L. Schroeder, *Unnatural Rights: Hegel and Intellectual Property*, 60 U. MIAMI L. REV. 453, 458 (2006) (“American readers tend to read their own pre-existing legal assumptions into Hegel and pull sentences out of context to arrive at wrongheaded conclusions.”). Schroeder argues that, among other things, Hegel’s theories can be read consistently with American trade secret law, *id.* at 472, but criticizes commentators for assuming that Hegel intended that subjects recognize one another by identifying other subjects with their property. See *id.* at 457–58 (“Consequently, Hegel’s project is completely antithetical to Radin’s theory of property and personhood that, from a Hegelian perspective, wrongly raises objects to the dignity of subjects and debases subjects to the indignity of objects.”).

¹⁰⁹ See generally G.W.F. HEGEL, PHENOMENOLOGY OF SPIRIT § 178 (A.V. Miller trans., Oxford Univ. Press 1977) (1807) (“Self-consciousness exists in and for itself when, and by the fact that, it so exists for another; that is, it exists only in being acknowledged.”); *id.* at 189–96 (describing mutual identity-formation in power imbalance between lord and bondsman).

points, the commentators have not focused in detail on the consequences of a property conception for employees who change jobs and must face lawsuits from former employers over information claimed as secret. Most commentators focus on the need to protect companies from espionage by third parties and to justify the existence of trade secret law against a state of nature where information holders resort to self-help.

One contribution of this Article is to identify those instrumentalist interests and supply a property rights theory that accounts for the conflicting but legitimate interests of employers and employees. This Article will conclude that although commentators are on track in cataloging the property-like aspects of trade secrets and are correct in expressing skepticism towards cliché-ridden rationales such as commercial morality, there remains a need to draw a balance between the interests of employers and employees in order to better define what a property right should mean in the trade secret context.

a. Rejection of Natural Rights and In Rem Concepts. It does not appear that any contemporary modern commentator believes in a trade secret theory premised on natural property rights, at least in the sense of property as envisioned by early modern thinkers.¹¹⁰ Likewise, none of the commentators view trade secret property rights as absolute, in rem rights or propose that trade secret law move in such a direction.¹¹¹

¹¹⁰ For examples of early modern natural rights thinking about property, see generally SAMUEL PUFENDORF, *ON THE DUTY OF MAN AND CITIZEN* 84–85 (James Tully ed., Michael Silverthorne, trans., Cambridge Univ. Press 1991) (1682) (claiming that property rights arose from “the will of God” under which first takers could claim what was available while leaving productive material for others, but social convention then dictated the assignment of a “proper portion” of productive “bodies” to each person); JOHN LOCKE, *THE TREATISE OF CIVIL GOVERNMENT AND A LETTER CONCERNING TOLERATION* 15 (J.W. Gough, ed., 2d ed., Basil Blackwell 1948) (1690, later revised) (asserting that individuals took property rights in “several parts of that which God gave to mankind in common” through this means: “[w]hatsoever, then, he removes out of the state that nature hath provided and left it in, he hath mixed his labour with, and joined it to something that is his own, and thereby makes it his property”; but also noting that theory was “unquestionable” if “there is enough and as good left in common for others”). The common characteristic of such thinking was a belief that property rights are part of a religious conception, pre-existing and at least to some degree independent of the law and social norms that bound them. Both thinkers cited here included limitations to their property theories based on wider community needs—suggesting that natural rights thinking is not an endorsement of absolute property rights.

¹¹¹ See, e.g., Chiappetta, *supra* note 44, at 152 (“[I]t is readily apparent that trade secret objectives do not require or support a full set of conversational property rights.”); Miguel Deutch, *The Property Concept of Trade Secrets in Anglo-American Law: An Ongoing Debate*, 31 U. RICH. L. REV. 313, 369 (1997) (arguing that an optimal theory of trade secret rights would fall below traditional in rem rights); Risch, *supra* note 55, at 19 (describing the trade secret bundle of rights as “substantive property,” an informal category whose validity is dependent upon whether a convincing economic justification for trade secret law can be mustered).

Instead, the scholars who have offered property-based conceptions of trade secret law all employ some form of the “bundle” approach to property rights or a set of powers and restrictions imposed based on calculations about their utility for desired ends.¹¹² Thus far, however, the bundle has generally been defined as rights against third parties and would-be licensees and purchasers. The absence of an account of the boundary line between the creative employee who invented the information and changes jobs and the company itself means that no commentator has yet offered a property rights theory for trade secret law to address the thorniest, most frequently-raised problem in trade secret law.¹¹³

b. The Instrumentalist Justifications and Their Limits. Commentators who approve of a trade secret-based property right generally base their position on instrumentalist justifications drawn largely from economic analysis. To conceive of trade secrets as property rights, most commentators begin by considering the things one can do with trade secrets that most resemble what one can do with property. For example, one theorist notes alienability, descendability and, most

¹¹² For one treatment of property as a “bundle” of abilities, see Jeremy Waldron, *Property Law*, in A COMPANION TO PHILOSOPHY OF LAW AND LEGAL THEORY 3, 8 (Dennis M. Patterson ed., Blackwell Publ'n Ltd. 1996) (“These, then, are the most striking incidents of ownership: the liberty of use, the right to exclude, and the various powers of transfer.”). For a description of a trade secret “bundle,” see Risch, *supra* note 63, at 25 (listing such powers as rights to control use and disclosure, as well as duties such as the duty to “attempt to keep information secret”).

¹¹³ One exception is Steven Wilf of the University of Connecticut. In a short essay that reflects an all-too-rare sensibility towards the concerns of mobile employees, Wilf views trade secrets as property rights and calls on courts to employ equitable doctrines to soften the blow of trade secret claims and non-competition covenants. See Steven Wilf, *Trade Secrets, Property, and Social Relations*, 34 CONN. L. REV. 787, 798–802 (2002). However, Wilf’s theoretical basis for calling trade secrets property, at least as it is briefly set forth in the essay, does not sufficiently protect against the danger that non-secret information could become a basis for a quasi-trade secret claim under a contract guise. Wilf argues that trade secret law reflects property rights more than contract rights because the need for confidentiality contracts is driven by an underlying property right. See *id.* at 795 (“The relational duty—the responsibility of the ex-employee, for example, to the employer—emerges as a consequence of the employer’s legal need to establish control in order to ensure that the information is indeed property.”). A problem with this analysis is that employers would just as soon use contracts to control non-secret information they deem to be confidential, so it is probably not true to assert that contracting is necessarily driven by underlying trade secrecy requirements that are in turn driven by property rights. As this Article argues, the property conception is most necessary to defeat attempts to turn non-secret, non-proprietary information into a basis for liability under a contract-based conception.

Two other commentators who have considered the impact of property rights in trade secret law on mobile employees are Geraldine Szott Moohr, *Federal Criminal Fraud and the Development of Intangible Property Rights in Information*, 2000 U. ILL. L. REV. 683, 729 (2000) (noting that granting employers overly expansive property rights in information “chills employee mobility”) and Suellen Lowry, Note, *Inevitable Disclosure Trade Secret Disputes: Dissolutions of Concurrent Property Interests*, 40 STAN. L. REV. 519, 539 (1988) (proposing a concurrent property right in employer and employee to help resolve disputes over aggressive employer requests for injunctive relief).

important, the right to exclude parties not in contractual privity.¹¹⁴ Another lists assignability, valid consideration for receipt of stock, valid subject matter for a trust, testamentary disposition, seizure during bankruptcy, and other aspects of trade secrets that reflect more traditional property rights.¹¹⁵

There have been three full-length treatments justifying trade secret law from an economic perspective, each of which views trade secrets as limited property rights under a “bundle” approach. One commentator, Miguel Deutch, undertakes a detailed comparison of in rem property rights with rights associated with trade secrets, which he describes as “proprietary rights” that bear “economic significance.”¹¹⁶ He compares the publicized nature of the in rem right, the absence of a requirement of reasonable security measures for in rem rights, the absence of valid means of appropriation such as reverse engineering for in rem rights, and the exclusivity of in rem rights to the differing rules in trade secret jurisprudence.¹¹⁷ He also notes the ways in which trade secret rights correspond to in rem rights: both may disappear upon destruction or loss of the asset; both feature immediate control, and both are negotiable, bequeathable assets.¹¹⁸ Based on this list of similarities and differences, Professor Deutch concludes that trade secrets are property rights “rather close, yet not identical to those characterizing in rem rights.”¹¹⁹ But while his study is exhaustive, the focus is not on departing employees but rather the question of tracing of trade secret liability to third parties not in privity with the information holder.¹²⁰ The study is convincing and thorough with regard to the rights of the trade secret holder vis-à-vis a third party outsider, but it does not offer clear guidelines for deciding whether a property conception is the best approach when facing the practical consequences in employee cases.

In turn, Vincent Chiappetta offers the most complex response to Professor Bone’s critique of trade secret law, and he arrives at a weak property rights definition guided by three instrumentalist economic goals.¹²¹ The first is

¹¹⁴ See Epstein, *supra* note 69, at 59–60.

¹¹⁵ See MILGRIM, *supra* note 61, § 2.02-06.

¹¹⁶ See Deutch, *supra* note 111, at 320.

¹¹⁷ See *id.* at 325–34, 352–53.

¹¹⁸ See *id.* at 334–37.

¹¹⁹ *Id.* at 361.

¹²⁰ See *id.* at 361–69.

¹²¹ See Chiappetta, *supra* note 44, at 154 (critiquing both a strong “conversational” property right conception for trade secret law and suggestions that trade secret law does not involve property interests); *id.* at 164–65 (noting that other forms of “intellectual property” do not always meet all definitions of strong property rights either); *id.* at 84 (noting that whether and how to call trade secrets property rights depends on the policy framework being proposed). Professor Chiappetta breaks his analysis into a separate consideration of third party acquisition and those in contractual privity, a salutary distinction because there are indeed differing policy considerations involved. This

leveraging of “holder controlled information,” meaning that legal incentives for information holders and acquirers to engage in voluntary transactions will reduce transaction costs, promote “economically efficient use of information,” and prevent “the self-help costs of obtaining relief.”¹²² The second is “supplement[ing] criminal enforcement of public order objectives,” or the provision of civil remedies that are analogous to independent criminal and tort wrongs.¹²³ The third is reducing the costs of the market-driven “precaution/stealing game,” or the concept that legal deterrents to taking information help reduce taking-prevention costs for information holders.¹²⁴ Chiappetta agrees with Bone that often-repeated, generalized rationales for trade secret law such as commercial morality are too vague to be meaningful.¹²⁵ But unlike Bone, he believes that trade secret law stands on its own feet as an independent legal doctrine.¹²⁶

Likewise, in a recent commentary, Michael Risch adds several additional considerations to justify trade secret law from an economic perspective. Risch distinguishes between trade secret property rights involved in constitutional and statutory disputes and those involved more directly in the legal protections and restrictions on trade secrets themselves.¹²⁷ Focusing on the latter, and concluding that “the marginal benefits of trade secrets outweigh the marginal costs,”¹²⁸ Risch then adds several new thoughts to concepts covered by prior commentators. He particularly addresses the idea that trade secret law reduces companies’ burdens in overprotecting against the taking of information and reviews the costs and burdens that would arise in an alternative system where trade secrets are unprotected.¹²⁹

All of this scholarly work is sufficient to defend a theory of trade secret law as a weak, instrumentalist bundle of property rights that protects the information holder from outsiders. The problem with these debates, however, is that they focus on the respective interests of the information holder and outsider and then ask whether that balance should be driven by an independently defined body of trade secret law. Asking whether information holders would resort to expensive

Article focuses on the more common and more pressing concern of those most often in contractual privity with a purported trade secret holder: the workforce.

¹²² *Id.* at 97–98.

¹²³ *Id.* at 104–09.

¹²⁴ *Id.* at 110–11.

¹²⁵ *See id.* at 73, 89–91 (criticizing ill-defined morality and incentive-to-invention rationales).

¹²⁶ *See id.* at 69–70, 164–65.

¹²⁷ *See* Risch, *supra* note 55, at 18–19 (labeling each category “collateral property” and “substantive property”).

¹²⁸ *Id.* at 37.

¹²⁹ *See id.* at 26, 41–46, 62–65.

self-help in the absence of trade secret law is helpful to mount a counter-argument to the proposition that trade secret law lacks independent justification, but does not illuminate the problems in the case law addressed by this Article.

We therefore still need to ask how a property right would be defined between employer and employee. This definition, more so than the economic debates discussed above, is what generates the differing practical consequences for the property and relational approaches.

c. The Infrastructural Nexus Alternative. The property rights theories above work well if the question is how the rights of a trade secret holder should be adjudicated against an outsider—whether a good faith license-seeker or an industrial spy. But what justifies a property right against inventive employees who create the firm’s information from which the firm profits? If there are social and economic goods that flow from employee mobility—the dissemination of knowledge from firm to firm, the more adept and nimble creativity of start-up companies, and the sheer sense of personal autonomy many creative individuals have when they can move from job to job—we might question whether the employer should be granted property rights at all in the creative ideas of its workforce.

Proposing that one side or the other take all the information generated on the job not protected by federal intellectual property statutes—which no commentator appears to advocate—would create substantial problems. If employees held all rights to such information, firms would face hold-ups, such as demands for compensation in order to use the information. In the context of justifying the modern invention assignment contract as to employees hired to invent, one account describes the negative economic consequences that would arise if individual employees could hold up the firm with compensatory assignment demands based on individual ownership shares in an invention.¹³⁰ The same would be true in the trade secret context.

At the same time, many trade secret threats and lawsuits today reflect the opposite type of hold up: the former employer’s demand, sometimes couched as a confidential settlement offer, for a percentage ownership of, or money payout from, a new start-up founded by its former employees. The implicit idea behind such a demand appears to be a relational theory with an overly expansive concept of what the employer should own. Such hold-up demands would increase if employers had greater power under a relational approach, just as employee hold-ups would increase if employees had intellectual property rights in discrete trade secrets created on the job. Some division of rights to the information is necessary to mitigate the problem.

¹³⁰ See Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARV. J.L. & TECH 1, 12–31 (1999).

In order, then, to balance the interests of employers and employees, there must be a justification for both granting the employer a limited property right and granting employees the latitude to take and use non-secret information from job to job. From the employer's side, the answer to justifying the property right lies in the infrastructural nexus the company provides for such creativity to take place. In part, the bargain for receiving a property right is this: the company, in most cases, provides the stability (through wages), the equipment, the location, the teamwork, and the general sense of direction from which creative ideas result. Many ideas would not occur but for this provision of infrastructure and nexus. Indeed, the group invention and teamwork characteristic of so many companies arose over a century ago and accounts for shifts in related legal regimes, such as invention assignment contracts and the work-for-hire doctrine under the Copyright Act.¹³¹

These factors are similar, though not identical, to the related theory that trade secret law promotes an incentive to invention—a theory that is sometimes advanced to justify trade secret law as a freestanding, property-based right. One version of this theory, for example, describes trade secrets as property rights and grounds trade secret law on an incentive to invent—that is, that allowing a property right in the product of inventive work encourages such invention by deterring free riding by others.¹³²

Not all commentators agree that the invention incentive theory holds water, even putting aside whether it supports a property right. One writer notes that the incentive concept does not provide guidance by itself on where to draw the line between protectable and unprotectable information.¹³³ This is a powerful point

¹³¹ See Catherine L. Fisk, *Authors at Work: The Origins of the Work-For-Hire Doctrine*, 15 YALE J.L. & HUMAN. 1, 9 (2003) (“When the dispute over authorship was between one natural person and another, judges tended to think that one of them had to be the real author. But if the work was created collaboratively, and one of the claimants was the corporation that employed the creators, it was much easier to characterize the corporate employer, in its role as the legal representative of the collective, as the author than it would have been if the employer were a natural person.”); Catherine L. Fisk, *Removing the ‘Fuel of Interest’ from the ‘Fire of Genius’: Law and the Employee-Inventor, 1830–1930*, 65 U. CHI. L. REV. 1127, 1174 (1998) (explaining how courts began to shift in favor of recognizing employer ownership of employee inventions in part because inventions came to be characterized as collaborative creations); see also MANUEL DE LANDA, *A THOUSAND YEARS OF NONLINEAR HISTORY* 94–95 (Jonathan Crary, Sanford Kwinter & Bruce Mau eds., Zone Books 1997) (noting the rise of research universities and the general replacement of the lone, self-educated inventor with teams of educated laboratory researchers, a trend completed by the early twentieth century); Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900–2000*, 88 CAL. L. REV. 2187, 2216 (2000) (“As the twentieth century progressed, inventions were more and more likely to be the product of large scale corporate R&D rather than one of the lone workshop tinkerer.”).

¹³² See Epstein, *supra* note 69, at 57 (“People will not develop certain forms of information . . . if the benefits of that information can be immediately socialized by the unilateral actions of others.”).

¹³³ See Chiappetta, *supra* note 44, at 88.

and corresponds to a wider concern in intellectual property law that Congress and information-holders too readily assume that any valuable information should be the subject of exclusive rights.¹³⁴ The same commentator also expresses a concern about the overlap of trade secret and other intellectual property incentives, and argues that “trade secret incentives must supplement or complement rather than conflict with, duplicate, or absorb those provided under patent and copyright law.”¹³⁵ Another writer views the incentives theory as a merely “minor” justification for trade secret law.¹³⁶

Another commentator expresses a concern that a trade secret-based incentive to invention may detract from the patent system by keeping inventions out of the public eye.¹³⁷ In turn, trade secret law may not add much to existing incentives to invent, especially the existence of other forms of intellectual property and economic incentives such as time to market.¹³⁸ Finally, and on a point which is discussed in more detail below, this writer argues that it may well be that no incentive is needed for companies to create non-technical categories of information such as marketing plans and financial data.¹³⁹

Given these problems, a focus on the infrastructural nexus provided by the employer appears to provide a better means of justifying the employer’s legitimate interests than the vague and potentially superfluous incentives to invention theory. To be sure, this interest is less overarching than the incentives theory; it does not serve to justify ownership of all information created on the job. Instead, it focuses on facilitating the successful exploitation of discrete and specific innovations through one channel—the employer—while avoiding collateral fights over ownership among contributors.

Defining the employer’s interests does not tell us where to draw the line between the property right to be granted and the knowledge base the creative employees are free to transfer after they leave.¹⁴⁰ As this Article has indicated, the

¹³⁴ For an excellent discussion of this problem, see Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1037 (2005).

¹³⁵ See Chiappetta, *supra* note 44, at 88.

¹³⁶ See Risch, *supra* note 55, at 26.

¹³⁷ See Bone, *supra* note 30, at 266–69.

¹³⁸ *Id.* at 264–67.

¹³⁹ *Id.* at 272.

¹⁴⁰ Some forms of employer control over employee knowledge do give rise to one-side-takes-all results, such as invention assignment agreements. In that context, one commentator has raised a number of arguments to justify such agreements, such as the prevalence of joint creations by teams of employee-inventors and the burden of risk assumed by the employer for failed experiments. See Merges, *supra* note 130, at 26–31. The problem for trade secret law, however, is that the type of knowledge at issue is broader and less specific than an actual invention and can directly affect the type of work a departing employee can do at the next job. Some division must be made between information that can and cannot be used. Thus, although many of the factors Merges points to in

central battle in the typical trade secret dispute is the degree and breadth of the employer's claim to control over the creative thinking of the former employee—that is, whether valuable information alone is enough to grant a subjective “trade secret” that exists in the mind of the employer, or whether courts should impose objective limitations based on actual secrecy.

What works best is a weak, limited property right bounded by a strict, objective secrecy rule that requires the property-holder to define the metes and bounds of its property and to prove the information's absence from the general knowledge of the industry in question in order to obtain a remedy against a former employee who uses the information. The social bargain for the receipt of a property right—and the related ability to exploit specific inventions created through the infrastructural nexus—should be the surrender of the one-sided advantages and abuses that come from a subjective, relational conception of trade secret law, where the employer can claim “confidential” information based on an employment confidentiality contract even where the information is generally known among others in a particular market segment.

This result is the best division between the competing interests at stake; it takes account of what the employer provides, as well as maximization of the economic and social benefits that flow from free employee mobility and the dissemination of non-secret information. As discussed above, this Article does not seek to repeat the theoretical work published elsewhere on the value of employee mobility but rather to describe how it might best be balanced against the employer's interests. Stated simply, the benefits of permitting a limited, objective definition of trade secrecy far exceed the interest of employers in making all valuable information learned on the job protectable. The employer's right to own discrete, narrowly-defined trade secrets is sufficient to provide a return on the employer's provision of the infrastructural nexus for creative work.

If departing employees can more freely use non-secret information without fear that a lawsuit will be controlled by the employer's self-serving, subjective view of confidentiality, more start-up companies may be formed, and non-secret information may be put to use by more people (thus giving rise to more ideas and more possibilities of success). Perhaps more important, the non-economic interests of employees in job satisfaction, personal choice and autonomy, control over workplace creativity, and compensation may be optimized.¹⁴¹

the invention assignment context can also tell us why the employer has rights in information created by employees, they are not sufficient to explain the employee's side of the division.

¹⁴¹ The literature on non-economic employee interests in intellectual property disputes is sparse. There is, however, overlap between the maximization of economic and non-economic interests. One commentator, in describing changing expectations and employer-employee exchanges in the contemporary labor market, suggests that courts should be more cognizant of employee interests in “training, skill development, networking opportunities, and general human capital” when ruling

In practical terms, this balance also allows a departing employee to make predictions more confidently about what information he or she cannot use and provides a bright-line test under which a judge in a trade secret case can reject overreaching claims based on non-secret information. There is value in providing greater certainty and predictability in the trade secret rules. Increasing employee confidence in new ventures and allocating the risk of losing on an overbroad claim to the employer may in themselves increase the number of new, competitive enterprises.

This weak property rights approach would better protect the interests of departing employees than alternative trade secret conceptions premised on contract, unfair competition, or personhood. As we have seen, each of those theories allows too much room for an overreaching former employer to pursue a subjective concept of trade secret law where non-secret information can nonetheless be deemed confidential and thus off-limits.

This proposed approach is not based on any natural rights or in rem property conception. Some scholars may argue that a collection (or bundle) of balanced policy preferences is not property at all.¹⁴² But if property is merely the collection of rights and obligations that accompany any defined and bounded thing—tangible or intangible—we have reached a satisfactory vehicle to promote the policy balances proposed here.

To be sure, a property-based, objective conception of trade secret law will weaken some types of trade secret claims based on information that is difficult to describe as property. In particular, claims based on the purported trade secrecy of employee identities, salaries, and skill sets would seemingly get little traction without a relational theory to support them because it is difficult to claim property rights in the bare identity and characteristics of one's workforce.¹⁴³ Likewise,

on trade secret and non-competition covenant questions. See Stone, *supra* note 1, at 577. All of these interests are congruent with the non-economic interests described above.

¹⁴² Professor Risch argues that the bundle theory divests the property concept of "any real meaning" and instead focuses on "a collection of social rights and duties." See Risch, *supra* note 55, at 18. I am skeptical that property ever had a true meaning apart from that collection of obligations and powers, even in the days when property was believed to be a formal category or substance in itself. Rather, the older, formalistic approach may have, at least to some extent, under-analyzed the property concept, at least more so than the modern bundle of rights approach. The bundle concept itself does not create a meaning or justification for trade secret law in a foundational manner, but is instead a means of articulating the various policies to be balanced within an optimal theory.

¹⁴³ Published cases involving these types of claims are rare. See, e.g., *GAB Bus. Servs., Inc. v. Lindsey & Newsom Claim Serv., Inc.*, 99 Cal. Rptr. 2d 665, 677–78 (Cal. Ct. App. 2000) (affirming jury finding that employee salaries were not trade secrets because they lacked the independent economic value required by the Uniform Trade Secrets Act). In this author's opinion, such claims are artfully pleaded as trade secret causes of action in an attempt to create liability for the hiring away of one's friends and co-workers when the employer does not have a non-solicitation covenant with

customer-list trade secret claims may be more difficult to justify under a property conception, again because it is difficult to claim a property right in the identity of a customer or a customer's desires, especially without the consent of that customer.¹⁴⁴ In my view, these would be salutary developments because they would expose non-solicitation agreements as non-competition covenants rather than contracts protecting trade secrets. If such claims are to have any economic or social merit, they must stand on their own and be justified on their own without bootstrapping their legitimacy onto the wider body of trade secret law.

IV. THE LIMITS OF PROPERTY RIGHTS IN TRADE SECRETS: DEFINING THE PUBLIC DOMAIN

No discussion of trade secret law and property rights would be complete without discussing where such property rights end and where the public domain begins.¹⁴⁵ Unfortunately, most commentary on trade secret law—whether in law

the former employee who has done the hiring. Calling these claims trade secret actions is a misnomer; they should never be analyzed as “intellectual property” claims even if the plaintiff labels them as such.

¹⁴⁴ Customer list claims are arguably not trade secret claims at all—despite more than a century of case law treating them as such—but rather disguised claims for a court-created non-competition covenant. Oddly, of all the forms of information traditionally treated as trade secrets, customer identities are the only type that the departing employee is free to disclose, so long as the communication is phrased as an announcement of the former employee's new job, rather than a direct invitation to do business. *See, e.g., American Credit Indem. Co. v. Sacks*, 262 Cal. Rptr. 92, 100 (Cal. Ct. App. 1989) (noting announcement rule under California trade secret law). There is no other type of “trade secret” that one can disclose in a permissible manner, and there are few others that allow a trade secrecy claim in information about another business without its consent. These anomalies are what call into question the treatment of customer information as trade secrets.

¹⁴⁵ The “public domain” is a phrase that courts have used in many trade secret cases over the decades to describe the informational areas where trade secret law cannot intrude. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974) (“By definition a trade secret has not been placed in the public domain.” (citation omitted)); *Mike's Train House, Inc. v. Lionel, L.L.C.*, 472 F.3d 398, 411 (6th Cir. 2006) (noting that a trade secret can exist “in a combination of characteristics each of which, by itself, is in the public domain” (citation omitted)); *Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc.*, 421 F.3d 1307, 1319 (Fed. Cir. 2005) (“[I]nformation that is in the public domain cannot be appropriated by a party as its proprietary trade secret.”); *Ferrolite Corp. v. Gen. Aniline & Film Corp.*, 207 F.2d 912, 921 (7th Cir. 1953) (“If all essential details have been disclosed, the process has become part of the public domain and cannot be claimed by plaintiff as its property.” (citation omitted)); *Gate-Way, Inc. v. Wilson*, 211 P.2d 311, 316 (Cal. Ct. App. 1949) (finding alleged secrets to have been “in the public domain”). More recently, the “public domain” is a concept that legal academics have used to describe an area of robust and creative information use where copyright and other federal intellectual property laws have no reach. *See generally* Jessica Litman, *The Public Domain*, 39 EMORY L.J. 965 (1990) (seminal early article exploring the then-underutilized concept of the public domain in copyright law).

journals, treatises, or practitioner-centered material—orients the discussion from the perspective of the putative trade secret holder.¹⁴⁶

By contrast, developing theoretical underpinnings for trade secret law by focusing on the departing employee necessarily means defining both the limits of the employer's right and the public domain from which the employee is free to draw after leaving. But as it turns out, defining the public domain for trade secret law suffers from the same problem that bedevils trade secret law more generally: whether a property rights approach or a relational approach should take center stage.

To better focus on this conundrum and to offer the first tentative definition of the public domain for trade secret law, this Article will first review recent public domain theory in general and then focus on the difficulties of defining a public domain for trade secret law.

A. OVERVIEW: WHAT IS ON THE OTHER SIDE OF THE PROPERTY BOUNDARY?

In the past few years, intellectual property scholars have begun to systematically define, explore, and defend the “public domain” of information where intellectual property laws cannot reach. There are multiple conceptions of public domains—at least thirteen, by one recent assessment.¹⁴⁷ These conceptions encompass both specific subject areas of information and different theoretical or political opinions about the value of a particular public domain. For different types of information and for different types of legal regimes there are distinct public domain boundaries and different ways of conceiving the meaning and value of the “public domain.” Examples include information made free for use by constitutional limitations on certain forms of intellectual property, contractual arrangement (such as GNU licenses), the Habermasian conception of the public sphere for communicative action, and the critique of Western public domain concepts by holders of indigenous knowledge who wish to enforce rights against Western corporations.¹⁴⁸

¹⁴⁶ As one example, Professor Bone's article states, in outlining potential policy goals served by trade secret law, that “[a]rguments from rights and fairness focus not on aggregate welfare effects or economic costs but on *the harm to trade secret owners.*” Bone, *supra* note 30, at 283 (emphasis added). Bone does note elsewhere, however, that trade secret lawsuits can be brought to “harass competitors.” *Id.* at 279.

¹⁴⁷ See Pamela Samuelson, *Enriching Discourse on Public Domains*, 55 DUKE L.J. 783, 788 (2006).

¹⁴⁸ See *id.* at 792–94, 799–802, 805–06, 811–13.

B. THE PUBLIC DOMAIN OF TRADE SECRET LAW: DEFINITIONAL DIFFICULTIES

To date, however, there appears to have been no formal effort to define the public domain for trade secret and employee mobility law, a shortcoming that is consistent with the relative inattention paid in intellectual property circles to trade secret law.¹⁴⁹ Perhaps this is not surprising. After all, unlike the Sonny Bono Copyright Term Extension Act, intellectual property rights in stem cells, the Digital Millennium Copyright Act, or the Internet in general, trade secret law has been around for a long time, and thus there is no similar sense of urgency that society slow down and think before enacting new laws to regulate new technologies.¹⁵⁰ In turn, at least some courts have historically shown sensitivity to the needs of the departing employee,¹⁵¹ and these decisions may also contribute to a sense that there is not a crisis in trade secret law.

Separately, the public domain in trade secret law is person-specific, not a global rule for everyone in a particular jurisdiction. The Digital Millennium Copyright Act affects everyone equally.¹⁵² By contrast, and with respect to trade secret law, the auto mechanic, the web designer, and the chemical engineer may each face particular restrictions on the use of information that is never registered with any government agency and that others in the same field who did not work for the same employer need not worry about.

¹⁴⁹ Recent overviews of the public domain(s) focus on many other areas of law but not trade secret law. See generally James Boyle, *Foreword: The Opposite of Property?*, LAW & CONTEMP. PROBS., Winter/Spring 2003, at 1; James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, LAW & CONTEMP. PROBS., Winter/Spring 2003, at 33; Samuelson, *supra* note 147.

¹⁵⁰ For an overview of how new technological transformations during the twentieth century caused ripple effects in intellectual property laws, see generally Merges, *supra* note 131. Merges is not particularly pessimistic about such changes; he believes that “intellectual property law has generally adapted quite well to each successive wave of technological innovation.” *Id.* at 2190. At the same time, he finds that recent intellectual property legislation “reveals an excessively protectionist bias.” *Id.* at 2191, 2233–40 (discussing copyright legislation).

¹⁵¹ See, e.g., *E.W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1112 (8th Cir. 1969) (reversing vague and overbroad preliminary injunction, and noting that “[t]his protection given to trade secrets is a shield, sanctioned by the courts, for the preservation of trust in confidential relationships; it is not a sword to be used by employers to retain employees by the threat of rendering them substantially unemployable in the field of their experience should they decide to resign”); *Continental Car-Na-Var Corp. v. Moseley*, 148 P.2d 9, 12 (Cal. 1944) (“Equity will to the fullest extent protect the property rights of employers in their trade secrets and otherwise, but public policy and natural justice require that equity should also be solicitous for the right inherent in all people, not fettered by negative covenants upon their part to the contrary, to follow any of the common occupations of life. Every individual possesses as a form of property, the right to pursue any calling, business or profession he may choose.”).

¹⁵² 17 U.S.C. §§ 1201–1205 (2000) (law of general applicability using phrase “no person shall” in describing prohibited conduct regarding circumvention technologies).

Further tangling the inquiry, trade secret law is only one of several legal doctrines that together govern the control of information between employer and employee. The law of employee mobility also includes non-competition covenants,¹⁵³ non-solicitation covenants,¹⁵⁴ the work-for-hire doctrine under the Copyright Act,¹⁵⁵ and invention assignment agreements.¹⁵⁶ Thus, defining a public domain for mobile employees requires the consideration of a large number of different legal regimes which overlap to some degree but which scholars have generally not treated as a single field of inquiry.

Finally, trade secret law differs from jurisdiction to jurisdiction to a degree greater than the circuit and district court splits that can sometimes occur under the federal intellectual property statutes. The information a departing employee can freely use in a state that bars non-competition covenants, like California,¹⁵⁷ or that bars the inevitable disclosure theory of injunctive relief, like Maryland,¹⁵⁸ is broader than the information a departing employee can use in states that recognize such practices. Non-competition covenants impose a temporal limitation on the use of any information at all for competitive purposes, and an inevitable disclosure injunction accomplishes the same result through a court order rather than the employment contract. And as discussed above, a jurisdiction's rules on identification of trade secret claims and preemption of alternative, non-UTSA tort claims can also affect the scope of information that can be taken from job to job.

For all of these reasons, the public domain for trade secret law remains undefined. This is a significant problem because the uncertainty in trade secret law about the scope of freely useful information affects the livelihoods of creative employees across the country as well as the inventive companies they form. It is time to hazard a definition, but the pursuit of this goal immediately runs into a

¹⁵³ See, e.g., *7's Enters., Inc. v. Del Rosario*, 143 P.3d 23, 32 (Haw. 2006) (three-year, Honolulu area non-competition covenant affirmed for travel business employee based on two months of allegedly special training and her receipt of confidential information from the employer).

¹⁵⁴ See, e.g., *Loral Corp. v. Moyes*, 219 Cal. Rptr. 836 (Cal. Ct. App. 1985) (coworker non-solicitation covenant under California law).

¹⁵⁵ For examples of cases under the work-for-hire doctrine's scope of employment test for ownership of information, see *PFS Dist. Co. v. Raduechel*, 332 F. Supp. 2d 1236, 1248 (S.D. Iowa 2004) (dispute over software application system); *Martin v. City of Indianapolis*, 982 F. Supp. 625, 633–34 (S.D. Ind. 1997) (dispute over sculpture design).

¹⁵⁶ See, e.g., *Inconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 982–87 (N.D. Cal. 2006) (finding officer's work for website business created with use of company time and computers to be within scope of invention assignment agreement).

¹⁵⁷ See, e.g., *Fortna v. Martin*, 323 P.2d 146, 149–50 (Cal. Ct. App. 1958) (finding non-competition clause to be void to the extent former employer sought to bar use of non-secret information).

¹⁵⁸ See, e.g., *LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451, 471 (Md. 2004) (rejecting "inevitable disclosure" theory of injunctive relief in Maryland).

difficulty: how the law might define the public domain in the abstract is not the same as the safe zone of information an individual employee may feel free to use without fear. Formal law on the books is one thing, but choosing what one can use without facing personal attacks and litigation costs is another. The fair use defense in copyright law offers an analogy. It is all fine and good to say that the law permits fair uses of copyrighted material, but creative individuals cannot realistically take advantage of a defense if they must fight through a difficult and expensive lawsuit to get there.¹⁵⁹

At the abstract level, the public domain for trade secret and employee mobility law might be defined as follows: beyond the federal intellectual property laws, it is the body of information each employee may legally (1) use to plan a future job before resigning or otherwise use away from work and (2) use for any purpose after leaving the job, considering the jurisdiction's rules on trade secrets, non-competition covenants, customer non-solicitation rules, co-worker non-solicitation rules, the scope of invention assignment covenants, fiduciary obligations, and the federal work-for-hire case law. The answer will differ from state to state. If the jurisdiction prohibits non-competition agreements, or at least limits their application in some significant manner,¹⁶⁰ the public domain will be enlarged. If the jurisdiction also appears to favor UTSA preemption of alternative claims, the public domain will likewise be broader than it would be elsewhere.

But at the practical level, the public domain for trade secret law is far narrower. Departing employees who seek to join a competitor or form a new enterprise face a vexing problem: they can make a reasoned judgment about what information learned from the former employer they are free to use, but the risk of threats and litigation increases with the similarity of the new job. The fear of trade secret litigation—a context in which the individual will suffer personal character attacks, the employer's attorneys will aggressively label areas of information as secret, and results may turn on whether the court applies a property or relational approach to secrecy—can dissuade former employees from using information they believe to be non-secret.

¹⁵⁹ See LAWRENCE LESSIG, *FREE CULTURE* 99 (2004) (“[I]n practice, fair use functions very differently. The fuzzy lines of the law, tied to the extraordinary liability if lines are crossed, means that the effective fair use for many types of creators is slight.”); Lawrence Lessig, *Re-Crafting a Public Domain*, 18 *YALE J.L. & HUMAN.* 56, 58 (2006) (advocating a “‘permission free’ zone of the public domain” where creative individuals can take advantage of legal rights to use information ‘without the burdens of significant legal cost and uncertainty’”).

¹⁶⁰ Georgia law, for example, bars contracts that would prevent a former employee from receiving business from a customer, as opposed to contacts initiated by the employee. See, e.g., *Waldeck v. Curtis 1000, Inc.*, 583 S.E.2d 266, 268 (Ga. Ct. App. 2003) (describing Georgia interpretation of non-competition covenants).

Thus, while a public domain for trade secret law can be defined in a formal sense, the useful public domain for each departing employee remains up in the air for reasons related, in part, to the conflict described in this Article. The adoption of a property-based conception of trade secret law, if it were successful in helping better define and limit the information that is off-limits to former employees, may also help define the public domain for trade secret law. With the tension in trade secret law between property and relational approaches and the resulting inconsistencies in practical results, however, the public domain for trade secret law remains a difficult definitional project at the practical level.

V. CONCLUSION

Trade secret law is most defensible as a weak property-based right, but this conclusion is not an endorsement of giving trade secret plaintiffs wide latitude to subjectively label information as “confidential” and thus off-limits to others, especially former employees.

Rather, a property conception of trade secret law provides more protection to mobile employees than does the alternative—a relational conception that places too much emphasis on a one-sided loyalty obligation and too little emphasis on defining the information at issue and comparing it to information in the public domain. The practical consequences of taking one approach or the other are significant, especially for departing employees who face uncertainty over the extent of their rights to use information learned on the job.

This is why we should continue making instrumentalist justifications for trade secret law instead of treating it as a matter of contract law.¹⁶¹ There are important reasons to limit the relational, contract-based model of trade secret law, reasons that the existing scholarship has not yet sufficiently included within the debates about the legitimacy of trade secret law.

Of course, trade secret litigation has existed for two centuries without anyone solving the question of whether trade secret law is primarily relational or based on property rights. And, to be sure, there is no hard-and-fast solution at all because all such conceptions are instrumental, created to serve desired policy goals. There is no natural law or other objective truth to be had. We must line up the goals and trade-offs we wish trade secret law to serve and create a theoretical justification that strikes the proper balance between former employer and departing employee. This Article is a modest step in that direction.

¹⁶¹ See Bone, *supra* note 30, at 245–46 (“I propose that we stop seeking a functional justification for trade secret law and recognize this body of law for what it really is—a collection of other legal wrongs.”); *id.* at 304 (recommending a contract-centered approach).

