

TRADE SECRETS
Course No. 347-002

1. Course Syllabus
2. The Virginia Uniform Trade Secrets Act
3. Federal Trade Secret Law: Economic Espionage Act

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Learning Outcome: After completion of this course, students will be able to understand trade secrets, how to apply trade secret agreements in employment, litigation, joint ventures, supplier agreements, and with customers.

1. **Trade Secrets v. Other Forms of Protection**
January 20, 2022

Introduction to Course

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 94 S.Ct. 1879, 1974 U.S. Lexis 134,
181 USPQ 673 (1974) (All)

DVD Copy Control Ass'n Inc. v. Bunner, 31 Cal. 4th 864, 2003 Cal. Lexis 6295,
68 USPQ2d 1385 (2003) (pp. 1386; I A, pp. 1387-88, II pp. 138990;
III B, pp. 1390-92; III D, pp. 1396-98)

Computer Assoc. International, Inc. v. Altai, Inc., 982 F.2d 693, (2nd Cir. 1992)
(Section II A., pp. 716-719); 1992 U.S. App. Lexis 33369

Harold L. Bowers v. Baystate Technologies, Inc., 320 F.3d 1317, 2003 U.S. App. Lexis 1423,
65 USPQ2d 1746 (Fed. Cir. 2003) (pp. 1323-1328, 1335-1338)

2. **Subject Matter of Trade Secrets & Competitive Advantage**
January 27, 2022

Optic Graphics, Inc. v. Agee, 87 Md. App. 770, 591 A2d 578 (Md. App. 1991)
(Part I, pp. 584-587); 1991 Md. App. Lexis 148 (1991)

Air Products & Chemicals Inc. v. Chas. S. Tanner Co., 1983 U.S. Dist. Lexis 17243,
219 USPQ 223 (D.S.C. 1983) (Part "V, A, B & C" pp. 251-253)

Web Communications Group v. Gateway 2000, Inc. 889 F. Supp. 316,
(N.D.Ill., 1995) (Part III A., pp. 319-321); 1995 U.S. Dist. Lexis 3992

Tao of Systems Integration Inc. v. Analytical Services, 299 F. Supp. 2d
565, pp. 568-570; 574-576 (E.D. Va. 2004); 2004 U.S. Dist. Lexis 313

Microstrategy Inc. v. Business Objects S.A., 331 F. Supp. 2d 396
(ED Va 2004) (pp. 421-426); 2004 U.S. Dist. Lexis 18228

E.I. DuPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1970 U.S. App. Lexis 8091,
166 USPQ 421, 167 USPQ 1 (5th Cir. 1970) (All)

3. **Secrecy - Techniques for Protection & Secrecy (Publication)**
February 3, 2022

Hoechst Diafoil Co. v. Nan Ya Plastics Corp., 174 F.3d 411, 1999 U.S. App. Lexis 6092, 50 USPQ2d 1332 (4th Cir. 1999) (pp. 1332-1338)
B.C. Ziegler & Co. v. Ehren, 141 Wis. 2d 19, 414 NW 2d 48 (1987); 1987 Wisc. App. Lexis 4024 (All)
Matter of Innovative Construction Systems Inc., 793 F.2d 875, 1986 U.S. App. Lexis 26357, 230 USPQ 94 (7th Cir. 1986) (pp. 94-103)
Aqua Connect, Inc v. Code Rebel, LLC, 2012 WL 469737 (C.D. Cal. 2012) (All)
Secure Services Technology Inc. v. Time and Space Processing Inc., 722 F. Supp. 1354, 1989 U.S. Dist. Lexis 11848, 12 USPQ2d 1617 (E.D. Va 1989) (pp. 1356-1632)
Rhone-Poulenc Agro SA v. DeKalb Genetics Corp., 272 F.3d 1335, 2001 U.S. App. Lexis 24812, 60 USPQ2d 1769 (Fed. Cir. 2001) (Sections I, VI)
Group One Ltd. v. Hallmark Cards Inc., 254 F.3d 1041, 2001 U.S. App. Lexis 13291, 59 USPQ2d 1121 (Fed. Cir. 2001) (Section III only)

4. **Wrongful use - Special Relationship- (including submission of outside ideas and employee covenants)**
February 10, 2022

Smith v. Snap-On Tools Corp., 833 F.2d 578, 1987 U.S. App. Lexis 17404, 5 USPQ2d 1122 (5th Cir.1987) (All)
Raybestos-Manhattan, Inc. v. Rowland, 460 F.2d 697, 1972 U.S. App. Lexis 9346, 174 USPQ 137 (4th Cir. 1972) (All)
Burten v. Milton Bradley Co., 763 F.2d 461, 1985 U.S. App. Lexis 20697, 226 USPQ 605 (1st Cir. 1985) (All)
Dionne v. Southeast Foam Converting & Packaging Inc., 240 Va 297, 1990 Va. Lexis 121, 17 USPQ2d 1565 (Va., 1990) (All)
Roto-Die Co. v. Lesser, 899 F. Supp. 1515 (W.D. Va., 1995) (pp. 1517-1522), 1995 U.S. Dist. Lexis 14806
Lanmark Technology Inc. v. Canales, 454 F.Supp 2d 524 (ED VA 2006) 2006 U.S. Dist. Lexis 72012 (All)
Pepsi Co, Inc. v. Redmond, 54 F.3d 1262, 1995 U.S. App. Lexis 10903, 35 USPQ2d 1010 (7th Cir. 1995) (Part "A" pp. 1267-1271)

5. **Wrongful Use and Transferring Rights (Joint Development and Confidentiality Provisions)**
February 17, 2022

Lamb-Weston, Inc. v. McCain Foods, Ltd., 941 F.2d 970, 1991 U.S. App. Lexis 18091, 19 USPQ2d 1775 (9th Cir. 1991) (Sections I and II, pp. 972-973)
Williams v. Curtiss- Wright Corp., 681 F.2d 161, 1982 U.S. App. Lexis 19108, 216 USPQ 108 (3rd Cir. 1982) (Section II, pp. 163-164)
Chicago Lock Co. v. Fanberg, 676 F.2d 400, 1982 U.S. App. Lexis 19484, 216 USPQ 289 (9th Cir. 1982) (All)
Aronson v. Quick Point Pencil Co., 440 U.S. 257, 1979 U.S. Lexis 64, 201 USPQ 1 (1979) (All)
Roton Barrier, Inc. v. The Stanley Works, 79 F.3d 1112, 1996 U.S. App. Lexis 5380, 37 USPQ2d 1816 (Fed. Cir. 1996) (Excluding Section IV)

**6. Defenses/Trial Strategy & Remedies
February 24, 2022**

Standard Brands Inc. v. Zumpe, 264 F. Supp. 254, 1967 U.S. Dist. Lexis 11364, 152 USPQ 731 (ED. La., 1967) (pp. 260-271)
Capital Tool & Jo.Mfg. Co. v. Maschinenfabrik Herkules, 837 F.2d 171, 1988 U.S. App. Lexis 434, 5 USPQ2d 1910 (7th Cir. 2001)
Seatrax Inc. v. Sonbeck International, Inc., 200 F.3d 358, 2000 U.S. App. Lexis 883, 53 USPQ2d 1513 (5th Cir. 2000) (Section I, pp. 1515-1518)
Automed Technologies Inc. v. Eller; 160 F. Supp 2d 915 (I Trade Secrets; V Protective Order) (N.D. III 2001), 2001 U.S. Dist. Lexis 9728
Mike's Train House, Inc. v. Lionel L.L.C., 472 F.3d 398 (6th Cir 2006). (Section 3B "Specificity of Trade Secrets"); 2006 U.S. App. Lexis 30628
Atlantic Research Marketing Systems, Inc. v. Stephen P. Troy, (Fed. Cir. 2011) 2011-1002, -1003, (Section III, pp. 17-20)

**7. Lecture on U.S. Trade Secret Law and Trade Secret Protection in Foreign Countries/Course Review
March 3, 2022**

Lecture - U.S. Trade Secret Law (18 USC ~ 1831-39)
US Attorney
Lecture Foreign Protection & Review

**FINAL EXAM TENTATIVE DATE
Thursday, March 10, 2022; 6:05-8:05 p.m.**

References

- A. Milgrim on Trade Secrets, by Roger M. Milgrim, Matthew Bender, New York, NY.
- B. Trade Secrets A State-by-State Survey, Arnold Pedowitz, et al., The Bureau of National Affairs, Inc., Washington DC, 1997.
- C. Trade Secrets Protection and Exploitation, Jerry Cohen, et al., The Bureau of National Affairs Inc., Washington DC, 1998.
- D. Trade Secrets A Practitioner's Guide, Henry Perrit, Jr., Practicing Law Institute, New York, NY, 1994.
- E. Restatement of the Law of Unfair Competition (1993) §§ 39-45.
- F. Restatement of Torts (1939) § 757.
- G. The Trade Secret Handbook, Protecting Your Franchise System's Competitive Advantage, Michael J. Lockerby, Editor, ABA (2000).

West's Annotated Code of Virginia [Currentness](#)

Title 59.1. Trade and Commerce

→ [Chapter 26. Uniform Trade Secrets Act \(Refs & Annos\)](#)

→ [§ 59.1-336. Short title and definitions](#)

As used in this chapter, which may be cited as the Uniform Trade Secrets Act, unless the context requires otherwise:

“Improper means” includes theft, bribery, misrepresentation, use of a computer or computer network without authority, breach of a duty or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.

“Misappropriation” means:

1. Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

2. Disclosure or use of a trade secret of another without express or implied consent by a person who

a. Used improper means to acquire knowledge of the trade secret; or

b. At the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was

(1) Derived from or through a person who had utilized improper means to acquire it;

(2) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use;

(3) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(4) Acquired by accident or mistake.

“Person” means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

“Trade secret” means information, including but not limited to, a formula, pattern, compilation, program,

device, method, technique, or process, that:

1. Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
2. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

→ **§ 59.1-337. Injunctive relief**

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

B. In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited. Exceptional circumstances include, but are not limited to, a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.

C. In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

→ **§ 59.1-338. Damages**

A. Except where the user of a misappropriated trade secret has made a material and prejudicial change in his position prior to having either knowledge or reason to know of the misappropriation and the court determines that a monetary recovery would be inequitable, a complainant is entitled to recover damages for misappropriation. Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. If a complainant is unable to prove a greater amount of damages by other methods of measurement, the damages caused by misappropriation can be measured exclusively by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

B. If willful and malicious misappropriation exists, the court may award punitive damages in an amount not exceeding twice any award made under subsection A of this section, or \$350,000 whichever amount is less.

→ **§ 59.1-338.1. Attorneys' fees**

If the court determines that (i) a claim of misappropriation is made in bad faith, or (ii) willful and malicious

misappropriation exists, the court may award reasonable attorneys' fees to the prevailing party.

→ **§ 59.1-339. Preservation of secrecy**

In an action under this chapter, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include:

1. Granting protective orders in connection with discovery proceedings;
2. Holding in-camera hearings;
3. Sealing the records of the action; and
4. Ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.

→ **§ 59.1-340. Statute of limitations**

An action for misappropriation shall be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim.

→ **§ 59.1-341. Effect on other law**

A. Except as provided in subsection B of this section, this chapter displaces conflicting tort, restitutionary, and other law of this Commonwealth providing civil remedies for misappropriation of a trade secret.

B. This chapter does not affect:

1. Contractual remedies whether or not based upon misappropriation of a trade secret; or
2. Other civil remedies that are not based upon misappropriation of a trade secret; or
3. Criminal remedies, whether or not based upon misappropriation of a trade secret.

→ **§ 59.1-342. Omitted**

→ **§ 59.1-343. Time of taking effect**

This chapter shall become effective on July 1, 1986, and shall not apply to misappropriation occurring prior to the effective date. With respect to a continuing misappropriation that began prior to the effective date, the chapter also shall not apply to misappropriation that occurs after the effective date.

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United States Code Annotated [Currentness](#)

Title 18. Crimes and Criminal Procedure ([Refs & Annos](#))

▢ [Part I. Crimes \(Refs & Annos\)](#)

→ [Chapter 90. Protection of Trade Secrets](#)

→ [§ 1831. Economic espionage](#)

(a) In general.--Whoever, intending or knowing that the offense will benefit any foreign government, foreign instrumentality, or foreign agent, knowingly--

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains a trade secret;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys a trade secret;

(3) receives, buys, or possesses a trade secret, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in any of paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in any of paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,

shall, except as provided in subsection (b), be fined not more than \$5,000,000 or imprisoned not more than 15 years, or both.

(b) Organizations.--Any organization that commits any offense described in subsection (a) shall be fined not more than the greater of \$10,000,000 or 3 times the value of the stolen trade secret to the organization, including expenses for research and design and other costs of reproducing the trade secret that the organization has thereby avoided.

→ [§ 1832. Theft of trade secrets](#)

(a) Whoever, with intent to convert a trade secret, that is related to a product or service used in or intended for use in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly--

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;

(3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,

shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.

(b) Any organization that commits any offense described in subsection (a) shall be fined not more than \$5,000,000.

→ § 1833. Exceptions to prohibitions

This chapter does not prohibit--

(1) any otherwise lawful activity conducted by a governmental entity of the United States, a State, or a political subdivision of a State; or

(2) the reporting of a suspected violation of law to any governmental entity of the United States, a State, or a political subdivision of a State, if such entity has lawful authority with respect to that violation.

→ § 1834. Criminal forfeiture

Forfeiture, destruction, and restitution relating to this chapter shall be subject to [section 2323](#), to the extent provided in that section, in addition to any other similar remedies provided by law.

→ § 1835. Orders to preserve confidentiality

In any prosecution or other proceeding under this chapter, the court shall enter such orders and take such other

action as may be necessary and appropriate to preserve the confidentiality of trade secrets, consistent with the requirements of the Federal Rules of Criminal and Civil Procedure, the Federal Rules of Evidence, and all other applicable laws. An interlocutory appeal by the United States shall lie from a decision or order of a district court authorizing or directing the disclosure of any trade secret.

→ **§ 1836. Civil proceedings to enjoin violations**

(a) The Attorney General may, in a civil action, obtain appropriate injunctive relief against any violation of this chapter.

(b) The district courts of the United States shall have exclusive original jurisdiction of civil actions under this section.

→ **§ 1837. Applicability to conduct outside the United States**

This chapter also applies to conduct occurring outside the United States if--

(1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or

(2) an act in furtherance of the offense was committed in the United States.

→ **§ 1838. Construction with other laws**

This chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal, provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation of a trade secret, or to affect the otherwise lawful disclosure of information by any Government employee under [section 552 of title 5](#) (commonly known as the Freedom of Information Act).

→ **§ 1839. Definitions**

As used in this chapter--

(1) the term “foreign instrumentality” means any agency, bureau, ministry, component, institution, association, or any legal, commercial, or business organization, corporation, firm, or entity that is substantially owned, controlled, sponsored, commanded, managed, or dominated by a foreign government;

(2) the term “foreign agent” means any officer, employee, proxy, servant, delegate, or representative of a for-

oreign government;

(3) the term “trade secret” means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if--

(A) the owner thereof has taken reasonable measures to keep such information secret; and

(B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public; and

(4) the term “owner”, with respect to a trade secret, means the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed.

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