Trade Secrets Law

The three primary legal mechanisms for securing property rights in commercially valuable information are trade secrets, patents, and copyrights. Although trade secrets law is often viewed as merely a contractual or tort-based alternative to the property protections provided under patent law, this is a mistake. Trade secrecy is an important and vibrant property doctrine that secures novel and valuable information to a firm that takes the necessary precautions to keep this information secret. This course will study the ways in which trade secrets are created, used, maintained, and ultimately enforced against infringers. It will cover the two sources of trade secrecy in state law—the common law and statutes—as well as the relationship between these state law regimes and the overlapping protections provided by federal intellectual property law (raising important questions of preemption). The purpose of this class is to give students a working knowledge of trade secrets doctrine, as well as an understanding of the policies and economics that justifies the legal protection of valuable confidential information.

LOGISTICS

1. Attendance and Class Preparation

Students are responsible for complying with GMU’s regulations regarding attendance. I will take attendance. If you are tardy, it will be counted as an absence unless you tell me to mark you as present before I leave the classroom at the end of class. Two tardies will equal one absence.

2. Grade

Grades will be based on a final exam with slight modifications for classroom performance.

Class discussion is important, because active engagement with the law and policies is essential to learning in law school. Class participation is taken into account in making small changes in grades, raising grades for consistently substantive participation in class discussion or lowering grades for being unprepared or for unprofessional conduct. At a minimum, classroom participation is used to make decisions on the margins.

3. Final Exam

The final exam will consist of essay questions, although the exact format remains to be determined. If past practice means anything, my exams have always comprised short answer and short essay questions. The exams were three hours, plus an extra one-half hour for reading the exam and outlining answers.
4. Technology Issues

**TWEN**

Students are required to register for this class at the TWEN site. (For those who may not have used TWEN yet, go to lawschool.westlaw.com, click on the TWEN link and follow the instructions.) I will post announcements, updates to the syllabus, and supplemental class materials to the TWEN site. If you do not register with your current email address, you risk not receiving class notices, changes to the syllabus, and whatnot. “I forgot to register at TWEN,” is not a valid affirmative defense against applying the grading rules.

**Computers in the Classroom**

Students may use computers or handheld devices for taking notes. Although I love computers and fully embrace everything that they do for us, I do not plan on using TWEN or the Internet during class. There may be some exceptions to this default rule, and in those situations in which a quick reference to a website or some other Internet resource is necessary, we’ll do so. Otherwise, computers should be used solely for note-taking.

 Depending on the recidivism of a student who insists on surfing the net during class, I reserve the right to ban the student from using a computer in class for the rest of the term. The same applies to playing games or using computers for any purpose other than note-taking, such as, but not limited to, instant messaging, posting to Facebook, blogging, or planning your next vacation. Such extraneous computer activities ensure that you will do worse in this course than you expect, and they are also unprofessional because they are disruptive to your fellow classmates sitting next to and behind you.

**Recording of Class Lectures**

Students do not have permission to record class lectures. If there is a particular reason to do so, such as missing class for a medical or family emergency, please speak with me.

5. Office Hours

I will remain in the classroom after each class meeting to answer questions, and I have an open door policy for students. (If my door happens to be closed, please knock and let me know that you are there.) Please feel free to stop by whenever you’d like or make an appointment, as I am in my office regularly throughout the workweek.

My “official” office hours are: 3:00 – 5:00 pm on Wednesdays or by appointment.
6. Miscellany

I RESERVE THE RIGHT TO CHANGE THE SYLLABUS AND ANYTHING ELSE DISCUSSED HEREIN, except those policies pertaining to attendance and grades, which will be set in stone by the first class.

READINGS

There is no casebook for this class. In lieu of a casebook, all reading assignments are available for download from the class TWEN site (in the section titled, “Reading Assignments”). You are responsible for downloading and reading all assigned material, regardless of whether we discuss them in class.

As in life as in law school, there are always trade-offs (a dominant theme of economics). You will notice that the opinions are unedited and unabridged. Thus, you are spared the necessity of purchasing a casebook, but you are not presented neat-and-tidy selections from opinions that are relevant to the particular legal issue we are discussing in class that day. (In sum, you must start to practice the daily work of being an attorney, which means reading entire opinions in one’s legal research and culling from the opinions the particular factual and legal material relevant to the client’s dispute.) Students are expected to read the full court opinions and to brief them, i.e., to learn the facts and to identify the portions of the legal analysis that are relevant for the particular class discussion. Anything less than this means that a student is unprepared for class that day.

I reserve the right not to cover some material in the readings in order to stay on schedule, and, as a reminder, you are responsible for all of the readings listed in the syllabus that we do not cover in class.

CLASS ASSIGNMENTS (v.1.1)

You are responsible for downloading, printing and reading all assigned material, regardless of whether we discuss them in class. I reserve the right not to cover some material in the readings in order to stay on schedule, and, as a reminder, you are responsible for all of the readings listed in the syllabus that we do not cover in class.

If a reading is designated as “skim,” then this means that you should read it for basic understanding, and not with the usual analytical scrutiny and note taking employed in the regular reading assignments.

[class assignments begin on the next page]
CLASS 1

What is Trade Secret Law?
Restatement (Third) of Unfair Competition § 39 and cmts. a-e

_Electro-Craft Corp. v. Controlled Motion, Inc._, 332 N.W.2d 890 (Minn. 1983)

_Electro-Craft Corp._ seeking an answer to this question: Who bears the burden of proving a trade secret is a trade secret, and what suffices to make out this burden?

Establishing Trade Secrecy: Value & Competitive Advantage:
Background: Restatement (Third) of Unfair Competition § 39 & cmt. e
_Electro-Craft_, 332 N.W.2d at 900-01

_Metallurgical Indus. v. Fourtek_, 790 F.2d 1195, 1201 (5th Cir. 1986)

_Phillips v. Frey_, 20 F.3d 623, 628 (5th Cir. 1994)


CLASS 2

Establishing Trade Secrecy: Novelty
Restatement of Torts § 757 cmt. b
Virginia UTSA § 59.1-336
Restatement (Third) of Unfair Competition § 39
_Organic Chemicals_ (from class 1), pp. 630-31 (discussion of the relationship between trade secrets and patents)

_Buffets, Inc. v. Klinke_, 73 F.3d 965 (9th Cir. 1996)

_Cataphote Corp. v. Hudson_, 422 F.2d 1290, 1293-94 (5th Cir. 1970)
Establishing Trade Secrecy: Secrecy

Restatement of Torts § 757 cmt. b
Virginia UTSA § 59.1-336
Restatement (Third) of Unfair Competition § 39 cmt. f


*Metallurgical Indus.* (from class 1), pp. 1199-1202


Establishing Trade Secrecy: Duration


CLASS 3

Establishing Trade Secrecy: Trade Secrets vs. Idea Submissions & Self-Disclosing Ideas:


Establishing Trade Secrecy: Use:

Restatement of Torts § 757 cmt. b
Virginia UTSA § 59.1-336
Restatement (Third) of Unfair Competition § 39

*Victor Chemical Works v. Iliff*, 132 N.E. 806 (Ill. 1921) (read what you need in order to follow the ¶ with keynotes 6-8 on p. 812)

*Dresser-Rand Co. v. Virtual Automation, Inc.*, 361 F.3d 831 (5th Cir. 2004) (read what you need to follow the discussion of the “no finished product” argument, keynotes 9 & 10 p. 839)

*Metallurgical Industries Inc.* (from class 1), pp. 1202-03 (the “negative know-how” argument)


CLASS 4

Establishing Trade Secrecy: Cost of Development & Sweat of the Brow:

Rest. Torts § 757 cmt. b (from class 1), factor 5.
Metallurgical Industries Inc. (from class 1), pp. 1201-02 (the discussion of the cost-of-development argument)

Read Learning Curve Toys v. Playwood Toys, 342 F.3d 714 (7th Cir. 2003)

Establishing Trade Secrecy: Reasonable Precautions:

Restatement of Torts § 757 cmt. b
Virginia UTSA § 59.1-336 (definition of “trade secret”)
Restatement (Third) of Unfair Competition § 39 and § 40(b)(4)

Electro-Craft (from class 1), 332 N.W.2d at 901-03 (focusing this time on part A.3(c))

Syntex Opthalmics, Inc. v. Novicky, 214 U.S.P.Q. 272 (N.D. Ill. 1982), aff’d, Syntex Opthalmics, Inc. v. Tsuetaki, 701 F.2d 677 (7th Cir. 1983)

In re Innovative Construction Sys., 701 F.2d 677 (7th Cir. 1983)


CLASS 5

Misappropriation: An Overview:

Restatement of Torts § 757
Virginia UTSA § 59.1-336 (definition of “misappropriation”)
Restatement (Third) of Unfair Competition § 40.

Double Misappropriation:

Restatement of Torts § 757(c)
Virginia UTSA § 59.1-336 (“Misappropriation,” 2(a) & 2(c))
Restatement (Third) of Unfair Competition § 40(b)(3)

Metallurgical Indus (from class 1), p. 1204-05 (parts V and VI)

CLASS 6

Accidental Disclosures:

Restatement of Torts § 757 cmt. b
Virginia UTSA § 59.1-336 (definition of “misappropriation”) Restatement of Unfair Competition § 40(b)(4) (from the section on the Restatements and UTSA).

B.C. Ziegler & Co. v. Ehren, 414 N.W.2d 48 (Wis. 1987)


Express & Implied Duties of Confidentiality:

Restatement of Torts § 757(b)
Virginia UTSA (definition of “misappropriation,” § (b)(2))
Restatement (Third) of Unfair Comp. §§ 40(b)(1) & 41

Restatement (Third) of Unfair Competition § 41 cmt. b (be prepared to discuss the illustrations)

Burten v. Milton Bradley Co., 763 F.2d 461 (1st Cir. 1985).


CLASS 7

Misappropriation: Confidentiality and Allocation of Trade Secret Rights between Employer and Employee:

Restatement (Third) of Unfair Competition § 42 cmt. e


Misappropriation: An Employee’s Duty of Confidentiality:

Restatement (Third) of Unfair Competition § 42 cmnts. b & c.

American Stay Co. v. Delaney, 97 N.E. 911 (Mass 1912).

Electro-Craft (from class 1), p. 903 (the discussion of misappropriation) and more generally pp. 901-03 (the discussion of reasonable precautions)
**Misappropriation: Confidentiality and an Employee’s Defense of Industry Skill:**

Restatement (Third) of Unfair Competition § 42 cmt. d.

*AMP v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987) (focus especially on pp. 1202-06)

*GTI Corp. v. Calhoon*, 309 F. Supp. 762 (S.D. Ohio 1969) (focus on the court’s discussion of the distinction between trade secrecy and employee general skill)

**CLASS 8**

Misappropriation: Non-Competition Agreements as an Alternative to Trade Secret Litigation:

Restatement (Third) of Unfair Competition § 42 cmt. g


*Calhoon* (from class 7) (focusing now on the court’s treatment of the non-compete agreement in the case)

Cal. Bus. & Prof. Code § 16,600


Fla. Stat. 542.335


**CLASS 9**

Misappropriation: Improper Means, Independent Discovery and Reverse Engineering:

Restatement (Third) of Unfair Competition § 43 & comments

*E.I. du Pont deNemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970)

*Chicago Lock Co. v. Fanberg*, 676 F.2d 400 (9th Cir. 1982)

*Texas Urethane, Inc. v. Seacrest Marine Corp.*, 608 F.2d 136 (5th Cir. 1979)

CLASS 10

Remedies: Equity:

Restatement (Third) of Unfair Competition § 44
Virginia UTSA § 59.1-337

Sperry Rand Corp. v. A-T-O, Inc., 447 F.2d 1387 (4th Cir. 1971). (For this class, read what you need only to follow part II.A at p. 1392)

Winston Research Corp. v. Minnesota Min. Co., 350 F.2d 134 (9th Cir. 1965) (read what you need to follow part IV of the court’s opinion)

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

CLASS 11

Remedies: Monetary Relief:

Virginia UTSA § 59.1-338
Restatement (Third) of Unfair Competition § 45 & comments

Sperry Rand (from class 10), only part II.B, pp. 1392-95

University Computing Co. v. Lykes-Youngstown Corp., 504 F.2d 518 (5th Cir. 1974) (read what you need to follow the discussion pp. 535-40)

CLASS 12

Preemption: Federal IP Law Preempting State Trade Secrecy Law (Copyright & Patent)

Copyright:


Patent:

CLASS 13

State-Based Preemption: The Uniform Trade Secrets Act and State Common Law:

Virginia UTSA § 59.1-341

_Burbank Grease Services v. Sokolowski (“Burbank I”), 693 N.W.2d 89 (Wis. App. 2005)_

_Burbank Grease Services v. Sokolowski (“Burbank II”), 717 N.W.2d 781 (Wis. 2006)_

_Sheets v. Yamaha Motors Corp., USA, 849 F.2d 179 (5th Cir. 1988). (class discussion will focus on part III of the court’s opinion (on unjust enrichment) – though you’ll need to understand part II to follow the holding in part III)_


CLASS 14

TBD