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An Analysis of Trade Secrets Under the UTSA and State Law

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Uniform Trade Secret Act

The Act:

Until the mid 1980s there was no uniform law regarding trade secrets. It was in 1985 that the National Conference of Commissioners on Uniform State Laws drafted the Uniform Trade Secrets Act (UTSA) to better define rights and remedies of common law trade secrets. The UTSA defines trade secrets, discusses how trade secrets can be misappropriated, and outlines the remedies associated with misappropriation of trade secrets. The full text of the act can be found online by clicking here.

Georgia Statutes

- **OCA §10-1-760 – Short Title**
  This article shall be known as the "Georgia Trade Secrets Act of 1990."

- **OCA §10-1-761 – Definitions**
  Gives definition of "improper means", "misappropriation", "person", and "trade secret"

- **OCA §10-1-762 – Injunctive Relief**
  Provides injunctive relief for misappropriation of trade secret
**State Statutes**

45 states and the District of Columbia and the Virgin Islands have adopted the UTSA. The relevant statutes are listed below:

- **Alabama** - Ala. Code 1975, §§ 8-27-1 to 8-27-6
- **Alaska** - Alaska Stat. §§ 45.50.910 to 45.50.945
- **Arizona** - A.R.S. §§ 44-401 to 44-407
- **Arkansas** - A.C.A. §§ 4-75-601 to 4-75-607
- **Colorado** - West's C.R.S.A. §§ 7-74-101 to 7-74-110
- **Connecticut** - C.G.S.A. §§ 35-50 to 35-58
- **Delaware** - 6 Del.C. §§ 2001 to 2009
- **District of Columbia** - D.C.Code §§ 36-401 to 36-410
- **Florida** - West's F.S.A. §§ 688.001 to 688.009
- **Georgia** - O.C.G.A. §§ 10-1-760 to 10-1-767
- **Hawaii** - HRS §§ 482B-1 to 482B-9
- **Idaho** - Idaho Code §§ 48-801 to 48-807
- **Illinois** - 765 ILCS 1065/1 to 1065/9
- **Indiana** - West's A.I.C. 24-2-3-1 to 24-2-3-8
- **Iowa** - Iowa Code Ann. §§ 550.1 to 550.8
- **Kansas** - K.S.A. 60-3320 to 60-3330
- **Kentucky** - KRS 365.880 to 365.900
- **Louisiana** - LSA-R.S. 51:1431 to 51:1439
- **Maine** - 10 M.R.S.A. §§ 1541 to 1548
- **Maryland** - Maryland Code, Commercial Law, §§ 11-1201 to 11-1209
- **Michigan** - M.C.L.A. §§ 445.1901 to 445.1910
- **Minnesota** - Minn. Stat. Ann. §§ 325C.01 to 325C.08
- **Mississippi** - Mississippi Code 1972, §§ 75-26-1 to 75-26-19
- **Missouri** - V.A.M.S. §§ 417.450 to 417.467
- **Montana** - Mont. Code Ann. §§ 30-14-401 to 30-14-409
- **Nebraska** - Neb. Rev. Stat. §§ 87-501 to 87-507
- **Nevada** - N.R.S. 600A.010 to 600A.100
Massachusetts, New Jersey, New York, North Carolina and Texas have not adopted the UTSA. Some of these states continue to apply common law to trade secrets, and some have adopted separate state statutes. In 2007, the UTSA was introduced in both the New York and New Jersey legislatures. Listed below is the current law relating to trade secrets in these states:

- **Massachusetts** – [MA ST 93 § 42](#) to [MA ST 93 § 42A](#), [MA ST 266 § 30](#)  
- **New Jersey** – Common Law  
- **New York** – Common Law  
- **North Carolina** – [NC ST § 66-152](#) to [NC ST § 66-157](#)  
- **Texas** – [TX CIV PRAC & REM § 16.010](#), [TX CIV PRAC & REM § 172.175](#)

50 State Survey – for a 50 state survey on trade secrets click [here](#).

### Legislative Histories

There are no current legislative histories on the statutes listed above. Any future legislation regarding trade secrets in Georgia can be found in the Georgia State University Law Review Peach Sheets found [here](#).

### Federal Law

Trade secrets are protected primarily by state law rules, with some limited federal protection thrown into the mix. Federal laws having an impact on trade secret protection include the Takings Clause of the U.S. Constitution and the Economic Espionage Act of 1996 codified at [18 USC §§ 1831-39 (2000)](#).

### Georgia Cases

Relatively recent actions by the Georgia legislature have improved the ability of trade secret owners to protect their property. Since the passage of the Georgia Trade Secrets Act, what can be protected as a trade secret has transformed from a narrow, stricter interpretation to a now more broad and clear interpretation that makes Georgia law comparable to the majority of other jurisdictions. The following cases highlight this transformation and other legal issues regarding trade secrets.

  The Georgia Supreme Court failed to adopt a broader definition of trade secret, instead holding that a trade secret, within the rules pertaining to the rights which can be protected by injunction, is a plan, process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it must be confided in order to apply it to the uses intended. This narrow definition almost made it so where there was complete secrecy before trade secrets were protected under law.
   This court held, citing the Georgia Trade Secrets Act's language authorizing recovery of damages for misappropriation of information which is not commonly known by or available to the public, which derives 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 which is the subject of efforts that are reasonable under the circumstances to maintain its secrecy, that whether a particular type of information constitutes a trade secret is a question of fact.

   This court held that parties may contract above and beyond the trade secrets protections of Georgia law with a valid nondisclosure agreement; however, when that agreement has been found invalid, the base standards apply, not the heightened standards of the invalidated agreement.

   The court held in this case that a cause of action for misappropriation of confidential business information exists when one who, for purposes of advancing rival business interest, procures by improper means information about another's business; “improper means” may include theft or fraudulent misrepresentation. To establish a claim for fraud, a party must prove the following elements: (1) The defendant made the representations; (2) At the time the representations were made, the defendant knew they were false; (3) The defendant made the representations with the intention and purpose of deceiving the plaintiff; (4) The plaintiff relied on the representations; (5) The plaintiff sustained the alleged loss and damage as the proximate result of the representations having been made.

   A very important case under Georgia trade secret law where the court issued many rulings related to the protection of trade secrets, including that a claim for misappropriation of trade secrets requires plaintiff to prove that it had a trade secret and the opposing party misappropriated the trade secret. This court also held that an employee does not breach a fiduciary duty by making plans to enter a competing business while still employed, but the employee cannot solicit the employer's customers while still employed.

   This court held that to be classified as a trade secret information in question must not be readily ascertainable by proper means by persons who can benefit from its use and must be subject of reasonable efforts to maintain its secrecy. The customer list in this case was not a trade secret because it was readily ascertainable by proper means.

   Supreme Court of Georgia held that a trade secret is a property right which the courts will protect by restraining its divulgence by one who has acquired it through a confidential relationship with the discoverer thereof; such right exists irrespective of any copyright or letters patent; however, it does not exist with respect to matters which are generally known in the trade, and, thus, an unpatented machine or process the knowledge of which has honestly and fairly come into the possession of others is not a trade secret.

   This court affirmed Georgia law's authorization of injunctive relief to protect trade secrets against actual or threatened misappropriation.

   This court held that under the Georgia Trade Secrets Act a court may award exemplary damages if it finds that willful and malicious misappropriation exists and punitive damages were asked for in the complaint. In this case, $158,410 in exemplary damages were awarded against competitor which misappropriated truck painting company's trade secrets.

Secondary Sources

Law Review Articles and Other Periodical Sources

Journal and Law Review articles can be found on LexisNexis and Westlaw. They are also available through Hein Online, and several other databases available through the GSU Law Library.

i. Patent, Copyright & Trademark Daily
   - This journal can be found on the GSU Law Library website via the E-Journal Locator link.
   - Published by The Bureau of National Affairs, Inc, this journal is intended to provide concise yet comprehensive news of the most important intellectual property cases, regulatory developments, and trends, on a daily basis.

ii. Patent, Copyright & Trademark Journal
   - This journal can be found on the GSU Law Library website via the E-Journal Locator link.
   - Published by The Bureau of National Affairs, Inc, this journal provides uniquely objective, comprehensive news of the most important intellectual property cases, statutes, trends, and other key developments in all areas of the law.
   - The August 31, 2007 issue includes an informative article on misappropriation of trade secrets by employees. To access this article, click here.
iii. Articles

  Discusses whether trade secrets are to be protected through a property rights approach or a relational approach. This Article reviews these 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.

- **Elizabeth R. Calhoun, Making Sense of Georgia’s State Law Protections for Trademarks and Trade Secrets, 5 J. Intell. Prop. L. 307 (Fall 1997).**
  This article discusses how Georgia courts are no longer bound by a narrow definition of a trade secret. It focuses on the new, broader definition of trade secret under state law and how that is helping plaintiffs to more easily meet the requirements for obtaining relief.

  This article first provides an overview of the evolution of trade secret law. It then follows with a summary of the view taken by many courts that the use of a nondisclosure agreement to protect information meets the requirement under the UTSA that an owner of information must make efforts that are reasonable under the circumstances to maintain its secrecy, even when little or no other efforts are made. This article further explores the common reasons that plaintiffs in trade secret disputes often ignore the nondisclosure agreement that initially served to establish the information, as a trade secret case will yield more liberal remedies than a breach of contract case brought under the nondisclosure agreement. In such cases it is common that courts may loosely apply contract interpretation principles, and contractual provisions which limit a contracting party's liability may be ignored. Finally, this article suggests that the practitioner must account for these unusual risks when drafting agreements that apply to the exchange of trade secret information.

- **Erica B. Garay, Hiring the Competition – Recent Trends in Trade Secret Law, 894 PLI/Pat 39 (March 2007).**
  This article outlines the options available and steps to be taken when a key employee leaves a company. Specifically, this article discusses the protection of trade secrets when an employee leaves a company. Topics discussed include what employer interests are protectible, when an employee's services are unique, and when restrictive covenants are appropriate.

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**Legal Encyclopedias**

i. American Jurisprudence:

- **27 Am. Jur. 2d Employment Relationship § 178.**
  This article discusses trade secrets in general, going over what exactly constitutes a trade secret. It also discusses the Uniform Trade Secrets Act and lists the factors used to determine if information is a trade secret.

- **42 Am. Jur. 2d Injunctions § 64**
  This article discusses the ability to obtain an injunction against the use or disclosure of a trade secret where the trade secret was obtained by breaching a confidential relationship. Specifically mentioned is the use of an injunction when an employee breaches the employer’s faith.

- **91 Am. Jur. Proof of Facts 3d 95**
  This article discusses the proof necessary to establish liability for misappropriation of trade secrets. It discusses the means by which an individual or company can bring an action for misappropriation of trade secrets and specifically discusses bringing an action under the Uniform Trade Secrets Act. This article includes a vast amount of helpful trial strategies when in litigation that is based upon misappropriation.

- **54A Am. Jur. 2d Monopolies and Restraints of Trade § 1114**
  This article discusses the importance of trade secret protection to encourage the development of new inventions, processes, etc. without having to worry about an employee misappropriating the invention or process. Also discussed is what must be proven when bringing a misappropriation claim.

ii. American Law Reports

American Law Reports provides annotations that tend to drill more deeply into a specific legal principle or doctrine as opposed to the short and broader annotations provided by AmJur and CJS.

- **Alois Valerian Gross, Annotation, What is “Trade Secret” so as to Render Actionable Under State Law its Use or Disclosure by Former Employee, 59 A.L.R.4th 641 (1988).**
  This annotation collects and analyzes the state and federal cases in which the courts have discussed or decided whether or to what extent items or information
constitutes a protectable trade secret under state law so as to render actionable its use or disclosure by a former employee. Within the scope of this annotation are those cases in which a former employer is suing either a former employee or an entity to which the former employee has allegedly disclosed a trade secret.

  This annotation collects and analyzes the state and federal cases in which the courts have discussed whether a party was liable in damages for interfering, either intentionally or negligently, with an at will business relationship. The term "at will business relationship" encompasses, and the annotation includes, unless otherwise specifically excluded, all business relationships not based on an existing contract or on negotiations to enter into a contract. Thus, included are cases dealing with interference with business relations generally where the circumstances indicate the probability that no contractual or precontractual relationship was involved.

  Collected in this annotation are the cases dealing with the rights and duties which arise upon termination of an employment relationship, with respect to solicitation of the former employee's customers or other use of customer information by the former employee, in the absence of express contractual restrictions.

  This annotation collects and analyzes the state and federal cases in which the courts have discussed or decided whether or to what extent computers, computer components (hardware or software), or related documentation or information constitutes trade secrets under state law. Coverage includes cases involving employer/employee disputes, as well as disputes in other factual contexts.

  This annotation collects and discusses the state and federal cases in which the courts have considered the measure and elements of recovery for misappropriation of a trade secret. Included herein is a discussion of all forms of remedies affording monetary relief, whether compensatory or restitutional, as well as accounting matters related thereto, and the recoverability of punitive damages and attorneys' fees.

### iii. Corpus Juris Secundum

CJS is an American legal encyclopedia that provides a clear statement of each area of law including areas of the law that are evolving and provides footnoted citations to case law and other primary sources of law.

The following C.J.S. entries address trade secrets and their protection in an employee-employer relationship:

- 30 C.J.S. Employer—Employee § 152
  Discusses employee’s obligation to not divulge employer's trade secrets during or after employment

- 30 C.J.S. Employer—Employee § 153
  Trade secrets and confidential information, in order to be protected against disclosure by employees, must be the particular secrets of the employer as distinguished from the general secrets of the trade in which it is engaged.

- 30 C.J.S. Employer—Employee § 154
  Lists what types of information may be considered to be a trade secret

- 30 C.J.S. Employer—Employee § 155
  Discusses whether customer information is a trade secret

- 30 C.J.S. Employer—Employee § 160
  Discusses the damages an employer may recover from an employee who has revealed a trade secret

The following entries discuss the use of injunctions to prevent the disclosure of trade secrets:

- 43A C.J.S. Injunctions § 269
  Injunctive relief against the use of trade secrets is discretionary, and depends on the facts and circumstances of the particular case.

- 43A C.J.S. Injunctions § 273
  Discusses what people may be enjoined from disclosing trade secrets

The following cases discuss the misappropriation of trade secrets:

- 86 C.J.S. Torts § 60
  Discusses the misappropriation of trade secrets in general

- 86 C.J.S. Torts § 61
  This article defines what a trade secret is

- 86 C.J.S. Torts § 62
  Lists the prima facie elements of the tort of misappropriation
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- 86 C.J.S. Torts § 63
  Discusses the prima facie element of secrecy

- 86 C.J.S. Torts § 64
  Discusses the prima facie element of novelty and uniqueness

- 86 C.J.S. Torts § 65
  Discusses who can be liable for misappropriation of trade secrets

- 86 C.J.S. Torts § 66
  States that a confidential relationship alone is enough to prohibit the disclosure of a trade secret, and so an employer is protected against unauthorized disclosure or use of a trade secret made known to an employee.

- 86 C.J.S. Torts § 67
  Holds that trade secrets are not protected against discovery by fair and honest means

Looseleafs

A looseleaf is a type of lawbook having pages that are periodically replaced with updated pages, designed to cope with constant change and increasing bulk. The following looseleaf pertains to trade secrets:

- Roger M. Milgrim, Milgrim on Trade Secrets (Matthew Bender 1983-)
  This guide to protecting and using trade secrets and other intangible property, this looseleaf discusses protection by contract and by operation of law, substantive and procedural problems of litigation, taxation and antitrust issues related to trade secrets, the effect of the employer-employee relationship on trade secrets, and the relationship between trade secrets and other areas of intellectual property.

Books

The Georgia State College of Law Library has several books and treatises available on the subject of trade secrets. These resources can be found on the second floor of the library under call numbers KF3195-3208. They also may be located using the online catalog GIL. Here are some of the resources you will find there:

  This book, which is somewhat outdated, discusses ambiguities in American and English trade secret law. It starts with a general discussion regarding the law of trade secrets before going into detail about specific types of information such as processes and know-how that are often protected under trade secrets law. The book also includes a chapter on remedies and damages. It is important to remember that this book is somewhat old and should not be used to find current law; instead, it should only be used to research old trade secrets law.

  The focus of this book is on trade secret theft and the protections available under the Uniform Trade Secrets Act. The intended audience of this book is executives who need to take proactive steps to protect their company's information. It is emphasized in this text that hiring competent counsel is of the utmost importance when dealing with trade secret protection. This book goes into an in-depth analysis of the UTSA and how to best protect information under this statute. Also included is a chapter discussing all the legal avenues and alternatives available when the protection of a trade secret has been jeopardized.

  This book is for lawyers, technology managers, investors, and entrepreneurs who must deal with the difficult issues of trade secret and related rights as actual or potential plaintiffs or as defendants in lawsuits. Provided are preventive strategies to avoid and minimize the need for litigation. Among the things included in this book are chapters on the identification of trade secrets, trade secret protection programs, covenants not to compete, dispute resolution, trade secret licensing agreements, and trade secrets in collaborative relationships.

  This book is designed to be a guide for attorneys who practice intellectual property and trade secret law. The chapters of this book introduce the basic components of trade secret misappropriation, place trade secret law in its context as a form of intellectual property protection, discuss what can or cannot be a trade secret, offer sample nondisclosure and use restriction agreements, evaluate the competitive advantage requirement, examine the use of improper means to obtain trade secrets, consider defenses, discuss litigation issues and international issues associated with trade secrets.

  This book gathers and analyzes the nature of the protections available for trade secrets, outlining essential contractual safeguards, physical security measures, statutory provisions, and common law protections. In addition, this book addresses the disclosures and claims that a franchisor may make about its trade secrets. Also, a comprehensive, well-organized battle plan for obtaining immediate injunctive relief is provided along with a plan for framing damage claims under theories such as lost profits, unjust enrichment, and reasonable royalties.
Electronic Resources

The following electronic resources pertaining to trade secrets are available:

  This file is an electronic version of a book which gathers and analyzes the nature of the protections available for trade secrets, outlining essential contractual safeguards, physical security measures, statutory provisions, and common law protections. In addition, this book addresses the disclosures and claims that a franchisor may make about its trade secrets. Also, a comprehensive, well-organized battle plan for obtaining immediate injunctive relief is provided along with a plan for framing damage claims under theories such as lost profits, unjust enrichment, and reasonable royalties.

  This computer file may be found in the Galileo NetLibrary eContent Collection.

f. Georgia Secondary Sources

The following secondary sources deal strictly with Georgia Trade Secret Law:

  These sections of Georgia Jurisprudence, Georgia's legal encyclopedia, discuss the two-part test that must be met to be deemed a trade secret and also discuss whether particular types of information such as customer lists can be considered trade secrets.

  These sections of Georgia Jurisprudence discuss what is a trade secret and how they may be misappropriated by employees.

- **Georgia Law of Torts §33-4**
  This source discusses the misappropriation of trade secrets and ideas in general and the illegality of doing so.

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Interest Groups & Associations

**American Intellectual Property Law Association**

The American Intellectual Property Law Association (AIPLA) is a national bar association constituted primarily of lawyers in private and corporate practice, in government service, and in the academic community, with more than 17,000 members. Their website is [http://www.aipla.org/](http://www.aipla.org/).

**Intellectual Property Owners Association**

Intellectual Property Owners Association (IPO), established in 1972, is a trade association for owners of patents, trademarks, copyrights and trade secrets. IPO is the only association in the U.S. that serves all intellectual property owners in all industries and all fields of technology. Their website is [http://www.ipo.org/](http://www.ipo.org/).
Computerized Research

**Westlaw**

Westlaw is a fee-based West database for computer-assisted legal research, providing online access to legal resources, including federal and state caselaw, statutes, regulations, and legal periodicals. Westlaw uses key numbers to break up legal research, assigning these numbers to different topic areas. Westlaw's databases are free for law students to access with a login and password, but practitioners must pay to use this research service.

- To access the LexisNexis website for practitioners click [here](#).
- To access the Law School portion of LexisNexis click [here](#).

**Casemaker**

Casemaker is a research database that is free to members of the bar. Although not very user friendly, Casemaker does allow users to search and browse a variety of legal information such as statutes, codes, rules, and case law on the web. Click [here](#) to access Casemaker.

**LexisNexis**

LexisNexis is Westlaw's chief competitor. It is also a fee-based research database that provides online access to numerous legal resources. Access to LexisNexis is free to law students who have a login and password.

- To access the LexisNexis website for practitioners click [here](#).
- To access the Law School portion of LexisNexis click [here](#).

**Blogs**

- **Womble Carlyle Trade Secrets Blog**
  This blog focuses on trade secrets and trade secret litigation, particularly in the southeast U.S. This blog may be accessed at [http://wombletradsecrets.blogspot.com/](http://wombletradsecrets.blogspot.com/).

- **The Trade Secrets Blog**
  This blog focuses on trade secrets litigation and closely follows new developments in the law as they pertain to the field of trade secrets, copyrights, trademarks and patents. This blog may be accessed at [http://thetradesecretsblog.wordpress.com/](http://thetradesecretsblog.wordpress.com/).

**Loislaw**

Loislaw is a research database that is much cheaper to access than Westlaw or LexisNexis. Click [here](#) to access Loislaw.

Conclusion

Trade secrets are an interesting and very important facet of law. They are particularly important in the employment law context when an ex-employee leaves the company. As trade secret law's importance increases with the advent of the internet and other technologies, many more individuals are likely to be involved in a situation involving this type of law. Hopefully this guide will provide a good starting point for these individuals and assist them in learning about the protection of trade secrets.