

Michigan Law Review

Volume 61 | Issue 2

1962

Turner: The Law of Trade Secrets

John Stedman
University of Wisconsin

Follow this and additional works at: <https://repository.law.umich.edu/mlr>



Part of the [Common Law Commons](#), [Intellectual Property Law Commons](#), and the [Legal Writing and Research Commons](#)

Recommended Citation

John Stedman, *Turner: The Law of Trade Secrets*, 61 MICH. L. REV. 410 (1962).
Available at: <https://repository.law.umich.edu/mlr/vol61/iss2/13>

This Book Reviews is brought to you for free and open access by the Michigan Law Review at University of Michigan Law School Scholarship Repository. It has been accepted for inclusion in Michigan Law Review by an authorized editor of University of Michigan Law School Scholarship Repository. For more information, please contact mlaw.repository@umich.edu.

RECENT BOOKS

THE LAW OF TRADE SECRETS. By *Amédée E. Turner*. London: Sweet & Maxwell, Ltd.; South Hackensack, N. J.: Fred B. Rothman & Co. 1962. Pp. xxxi, 519. \$21.50.

Whatever may be said for the "trade secrets" themselves, the *law* of trade secrets seems to be moving slowly out of the realm of the esoteric in which it has habitually dwelt. The increasing importance of the subject, and hence the slowly increasing attention that it currently seems to be receiving, probably stems from several factors: (1) the sharp increase in technological activity in recent years; (2) the complexity of much of the new technology—a complexity that manages to keep a step or two ahead of the increasing adeptness in and facilities for ferreting out the information that one would fain keep to one's self; (3) a somewhat disturbing "tradition" of secrecy that may be getting stronger rather than weaker—a tradition to which the extensive and often excessive efforts in this regard of the military establishments may contribute in no small part;¹ and (4) a tendency, discernible to at least some students of the subject, to rely less upon the patent system, and more upon secrecy, for the protection of new ideas.²

Given the continued operation of these forces, and there is little in the present situation to suggest their lessening, one may expect a steady accretion of new and increasingly complex technology, more and more efforts to keep such technology secret, and more and more efforts by outsiders to discover the secrets. All this adds up to a corresponding increase in controversy, and therefore law, in the trade secret area. Consequently, Mr. Turner's book appears upon the scene at a convenient time, provided it has something new to offer—as it does.

The author divides his discussion into five main areas, which he describes as follows (pp. 3-4):

"The first question, defined in Part II is: Is the subject matter (the so-called trade secret) *capable* of protection? The second question, defined in Part III, is: Are there special circumstances relating to employment which withdraw subject-matter otherwise protectable from protection, on the ground that public policy refuses to fetter the personal skill, knowledge and experience of any individual? The third question, defined in Part IV, is: Was the subject-matter dealt with in such a way, by disclosure from one person to another, that a relationship is created which controls the activity of the disclosee in relation to the subject-matter? The fourth question, if the alleged misuser of

¹ This is not inconsistent with simultaneous efforts of governments to pry more deeply into private affairs by means of lie detectors, wiretaps, extensive record and tab-keeping, etc. Card players who would sneak a peek at an opponent's hand while playing their own cards close to the chest are not unheard of.

² This is not the place to discuss the possible reasons for this; it is enough to note that the situation exists. Indeed, there are some who insist that in many ostensible patent license situations, the licensee is more interested in getting the attending know-how than in getting the patent rights themselves.

the subject-matter is a stranger to the person who claims it as his, is defined in Part V, and is: Is this stranger bound by the manner in which he acquired the disclosure? The last main question, defined in Part VI is: To what extent did the subsequent history of the secrecy of the subject-matter alter the liabilities and rights of the parties?"

More concretely, one might describe the major areas of analysis as: (1) the type of subject matter that is capable of protection: processes, machines, know-how, ideas, secret information such as chemical formulae, customer lists, sources of supply, etc.; (2) the respective rights of the employer and the employee in information obtained, or ideas developed, by the latter; (3) the respective rights of the discloser of trade secrets and the persons to whom he discloses them (involving problems of express and implied contract, confidential relationship, unjust enrichment, etc.); (4) the rights of, or limitations imposed upon, third parties who learn of the secret without having a contractual or confidential relationship with the "owner," and (5) the *extent and scope* of legal protection against unauthorized use of disclosure. Within this general break-down, the author further subdivides the discussion into separate treatments of English and United States law.

The conclusions that the author comes to—conclusions that unequivocally flow from the common-law case materials (statutes play little part in this field), both in England and the United States—are that trade secrets, once they become known to others (and *until* this happens, it is hard to conceive of many legal problems arising), are protectible against a given use or disclosure only where circumstances support a finding (1) of a contract, express or implied, not so to use or disclose, (2) of a confidential relationship, express or implied, that bars such usage or disclosure, or (3) in the United States, that "unjust enrichment" would result from such use or disclosure.

There is little disposition, fortunately, to resort to "property" concepts except in an occasional case where physical devices or written documents containing trade secret material are involved.³ There is little tendency, and then only in the United States, to resort to "unfair competition" concepts except as they tie in with doctrines of contract or breach of confidence. Lastly, there is little disposition to inquire openly into the "public policy" concepts that are constantly in the forefront in patent litigation, such as the effect upon competition or monopoly, the desirability of public access to technological or other information, and the stimulus and encouragement to inventive effort and research. About the only exceptions are the occasions when the courts are influenced by overt restraints upon competi-

³ Judge Learned Hand put both the "property" and "public policy" considerations into proper perspective in *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), when he said at 90: "'Property' is a historical concept; one may bestow much labor and ingenuity which inures only to the public benefit; 'ideas,' for instance, though upon them all civilization is built, may never be 'owned.' The law does not protect them at all, but only their expression; and how far that protection shall go is a question of more or less."

tion that at times collaterally attend "trade secret" relationships or agreements, and their recognition of the importance of not depriving artisans and the like of their means of livelihood by restricting them unduly in the use of their inventions or in undertaking further inventive activities.

All in all, the picture we get—and one that the author seems to accept without any serious question—is very much in line with certain hallowed traditions of the common law: the respective rights of the litigating parties are to be determined largely by what they have agreed to do, or by obligations that inescapably follow from the relationship between them. The fact that, more often than not, the terms of the agreement are dictated more by the court than by the parties themselves, and that the obligations are those that the court (influenced by "public policy" considerations?), rather than the parties, thinks *should* stem from the relationship, does not seem to give the courts (or the author) pause, any more than it did back in the days when they were reading assumption of risk, contributory negligence and implied contract into the master-servant and fellow servant relationships. Ironically, some of the most troublesome legal situations (as witness the employer-employee and "personal skill" cases) arise in those cases where the parties clearly and unequivocally agreed to terms of use and disclosure which did not square with the court's idea of what seemed fair and reasonable.

Within the conceptual limits indicated above, the author has done a workmanlike job and makes a contribution to the understanding of prevailing "trade secret" law. The contribution should prove especially useful to the practicing lawyer, for the author has taken all the significant cases in both countries, classified them accurately and in detail, and analyzed, distinguished and compared them in the accepted precedent-oriented tradition of legal brief writing. In an area of the law where this type of case analysis is distressingly scant, his well-phrased and easy-to-read contribution⁴ should prove useful for some time to come, that is, pending such legislative enactments or shift in judicial approach as may bring about a sharp change in the law. In addition to the basic text analysis and discussion, he includes three appendices which set forth some useful and original procedures for dealing with submitted ideas, suggested forms for royalty agreements, and a collection of English Commonwealth trade-secret cases.

The book is not without its shortcomings. The attempt at detailed classification on the basis of the type of reasoning used by the courts, in the face of the courts' proclivity for hopelessly scrambling the various rationales, necessarily results in considerable repetition and "*infra-supra*" references. The separate treatment of English and United States cases has the same result. Granted that some differences do exist in the law of the two countries, one may question whether they are sufficient to make this separate treatment necessary or desirable. As to workmanship, the book contains somewhat more than its fair share of typographical errors (which,

⁴ The English, on the whole, seem to write English better than Americans.

of course, do little harm, except as they may offend aesthetic senses and divert reviewers, in their excitement and glee at discovering them, from talking about important things). Its format is such that it is often difficult to distinguish the case quotations from the author's commentary. Although the Index is adequate, the Table of Contents and page headings are less so.

Beyond these rather minor points, the author's apparently unquestioning acceptance of the settled judicial approach to trade secret law results in his giving little attention to the underlying public policy aspects of the subject, except occasionally in those rare areas, noted above, where the courts themselves have seen fit to do so. Absorbed in this approach, he tends to neglect, or deal only summarily with, many areas of the law in which crucial policy issues *do* arise and *require* judicial discussion. Thus, he pays little attention to the impact of "unfair competition" law, gives only scant treatment to the crucial issues involved in the *International News* case,⁵ ignores the difficult relationships and policy issues attending such things as style piracy, common-law copyright, the broadcasting or photographing of sports events, radio or TV broadcasting of musical arrangements, "shop rights" in the employer-employee relationship, *how far* restraints upon ex-employees may go, and the like.

True, the author, in neglecting these areas, fairly accurately reflects the underlying approaches of the courts, which show only slight interest in such matters. The trouble is that plaguing policy questions *do* arise in this field which will necessarily become more insistent as, and if, the controversies over trade secrets increase in frequency and importance. How shall the antitrust and related laws and the trade secret law adjust to each other? And the trade secret law and patent policy?⁶ In this same area, should there be a law relating to limitations upon use, disclosure, exchange, and so on, for trade secrets similar to that which has developed with respect to patents? How far should the law go in protecting trade secrets against collateral attack? (The *St. Regis* situation, the antitrust grand jury controversies, the unsuccessful Kefauver demand for steel company data, and the controversies in the FTC over the disclosure of secret information, are examples of the problem areas.) What type of protection, short of relying upon private contract or upon existing institutions such as the patent system, could or should we provide for corporate employees and independent inventors to make sure that they get a fair shake? It is significant that in most European

⁵ *International News Serv. v. Associated Press*, 248 U.S. 215 (1918).

⁶ *Cf. Dr. Miles Medical Co. v. Park & Sons Co.*, 220 U.S. 373 (1911), in which the Court rejected the contention that trade secrets should be treated the same as patents in passing upon the validity of restrictive conditions. The Court said at 401-04: "The complainant urges an analogy to rights secured by letters patent. . . . But whatever rights the patentee may enjoy are derived from statutory grant under the authority conferred by the Constitution. This grant is based upon public considerations. The purpose of the patent law is to stimulate invention by protecting inventors for a fixed time in the advantages that may be derived from exclusive manufacture, use and sale. . . . The complainant has not seen fit to make the disclosure required by the statute and thus to secure the privilege it confers. Its case lies outside the policy of the patent law."

countries considerable statutory law has developed with respect to employee inventions, in contrast to both the United States and England which continue to rely largely upon private contract and the common law. Perhaps most important of all, what can be done, if anything, in a world where technological effort and development have become supremely important, to provide greater stimulus toward inventive effort and the prompt disclosure and maximum use of new ideas and information? In the past, we have looked to the patent system to provide the necessary stimulus. It is not at all clear, today, that this is sufficient—yet, we continue to go along with a “trade secret” law that contributes little to, and, in many respects, actually obstructs this public objective.⁷

One may surmise that, if the area of trade secrets continues to increase in importance, such questions will more and more insistently present themselves. Sooner or later, they will have to be answered. And if the lessons of history mean anything, either the courts must answer them, as they have not done thus far, or the legislative bodies will do it for them. The “trade secrets” area is, of course, no more immune to legislative response to judicial action or inaction than are other fields. Congress has enacted laws relating to trade secrets and secret data,⁸ and has seriously considered other proposals in this and related fields.⁹

All these, as I say, are underlying considerations to which Mr. Turner does not address himself. But they, after all, are another story and another book. We should perhaps be content with the fact that the author has taken on the somewhat narrower, though concededly no less difficult, area to work in and has made a competent and useful contribution within that area.

*John Stedman,
Professor of Law,
University of Wisconsin*

⁷ See Stedman, *Trade Secrets*, 23 OHIO ST. L.J. 4, 31 (1962).

⁸ E.g., Federal Trade Commission Act § 6(f), 38 Stat. 717 (1914), 15 U.S.C. § 46(f) (1958), excepting “trade secrets and names of customers” from the authority granted the Commission to make information public; Pub. L. No. 87-813, 87th Cong., 2d Sess. (Oct. 15, 1962), giving copies of Census reports in company files a confidential status; *cf.* *St. Regis Paper Co. v. United States*, 368 U.S. 208 (1961).

⁹ E.g., S. 1728, 48th Cong., 1st Sess. (1883), a proposal for giving limited protection to news disseminations, referred to in *International News Serv. v. Associated Press*, 248 U.S. 215, 264-66 (1918); S. 2075, 86th Cong., 1st Sess. (1959), Design Protection Act; H.R. 1270, 80th Cong., 1st Sess. (1947), a bill to protect music performers' rights.