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Third Time's the Charm: Remediating the Lack of Uniformity and Predictability in Trade Secret Law

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Third Time's the Charm

REMEDYING THE LACK OF UNIFORMITY AND PREDICTABILITY IN TRADE SECRET LAW

INTRODUCTION

The COVID-19 pandemic significantly impacted almost every industry in the world. Stay-at-home orders and the classification of workers as “essential” or “nonessential” forced many businesses to reevaluate the ways in which they operate.¹ According to an April 2020 study, 43 percent of small businesses were required to temporarily close, which forced these businesses to reduce their active employment by 40 percent since January 2020.² The decline in employment was most prevalent in the mid-Atlantic region, which saw 54 percent of small businesses close and a 47 percent reduction in employment.³

Although the harsh economic effects of the pandemic caused many businesses to shut down, other businesses, including some of the world's most prominent, made plans for their workforce to work remotely through 2021 and beyond.⁴ Google enacted a work-from-home policy that would not require workers to return to offices until sometime in 2022.⁵ Some

¹ See Eric Packel & Emma Schuering, *Are You Prepared for the Trade Secret Litigation Boom?*, JD SUPRA (Aug. 18, 2020), <https://www.jdsupra.com/legalnews/are-you-prepared-for-the-trade-secret-36933/> [<https://perma.cc/SQF8-DZHM>].

² Alexander W. Bartik et al., *How Are Small Businesses Adjusting to COVID-19? Early Evidence from a Survey* 3 (Nat'l Bureau Econ. Rsch., Working Paper No. 26989, 2020), https://www.nber.org/system/files/working_papers/w26989/w26989.pdf [<https://perma.cc/8E6A-QRG7>]; see also Heather Long, *Small Business Used to Define America's Economy. The Pandemic Could Change That Forever*, WASH. POST (May 12, 2020), <https://www.washingtonpost.com/business/2020/05/12/small-business-used-define-americas-economy-pandemic-could-end-that-forever/> [<https://perma.cc/35TS-KGNR>].

³ Bartik et al., *supra* note 2.

⁴ Joey Hadden et al., *21 Major Companies that Have Announced Employees Can Work Remotely Long Term*, BUS. INSIDER (Dec. 14, 2020, 10:35 AM), <https://www.businessinsider.com/companies-asking-employees-to-work-from-home-due-to-coronavirus-2020> [<https://perma.cc/P44L-VMUK>].

⁵ Jennifer Liu, *As Google Delays Return-to-Office Again, Experts Say Omicron May Make It 'Impossible' to Set New Dates*, CNBC (Dec. 3, 2021, 12:48 PM), <https://www.cnbc.com/2021/12/03/google-delays-rto-again-omicron-may-make-it-impossible-to-set-new-return-dates.html> [<https://perma.cc/JY5S-V7LH>].

companies, like Twitter and Microsoft, told employees they can work from home permanently.⁶

In addition to employment concerns in a time of severe economic instability, the move toward remote working also posed privacy and confidentiality concerns for businesses.⁷ The rise of employee turnover due to the COVID-19 pandemic, combined with businesses entrusting confidential information with remote workers, created an immense security risk for companies.⁸ “[T]he uncertainty caused during the initial days of the pandemic caused companies to roll out programs and grant access to their information under rushed conditions, with concerns for privacy taking a backseat to the urgency of ensuring continuity of operations using a remote workforce.”⁹ Corporations are justifiably worried about former employees sharing confidential information with competing companies in a sparse job market where unemployed workers will likely be looking to gain any advantage they can.¹⁰ As work-from-home continues to become the new normal even beyond the pandemic, the legal world must not neglect the incoming trade secret¹¹ litigation boom.¹² A major cause for concern, which the COVID-19 pandemic clearly exposed, is that the current legal framework concerning trade secrets in the United States lacks the uniformity and formalities necessary to protect businesses and to prevent a rise in trade secret litigation.¹³

⁶ Megan Graham, *Twitter Tells Employees They Can Work from Home “Forever,”* CNBC (May 12, 2020, 5:22 PM), <https://www.cnbc.com/2020/05/12/twitter-tells-employees-they-can-work-from-home-forever.html> [<https://perma.cc/MG6S-HRAJ>]; Carly Page, *Microsoft Will Let Employees Work from Home Permanently: Report*, FORBES (Oct. 9, 2020, 10:26 AM), <https://www.forbes.com/sites/carlypage/2020/10/09/microsoft-will-let-employees-work-from-home-permanently/#65bbbbb8172a> [<https://perma.cc/MGA7-GJ45>].

⁷ Packel & Schuering, *supra* note 1.

⁸ Chris Patton, *Texas Flood: Protecting Against the Rising Tide of Trade Secret Litigation*, LAW.COM (Aug. 27, 2020, 7:19 PM), <https://www.law.com/texaslawyer/2020/08/27/texas-flood-protecting-against-the-rising-tide-of-trade-secret-litigation/> [<https://perma.cc/HK77-24D3>].

⁹ Packel & Schuering, *supra* note 1.

¹⁰ Patton, *supra* note 8.

¹¹ Trade secrets are a type of intellectual property that have economic value because they are not generally known by others. *See* Defend Trade Secrets Act of 2016 § 2(b), 18 U.S.C. § 1839(3).

¹² *See* Packel & Schuering, *supra* note 1.

¹³ *See generally* Chris Patton, *When the Levee Breaks: Preparing for a Flood of Trade Secret Litigation*, AM. BAR ASS’N (Sept. 1, 2020), <https://www.americanbar.org/groups/litigation/committees/corporate-counsel/articles/2020/summer2020-when-the-levee-breaks-preparing-for-a-flood-of-trade-secret-litigation/> [<https://perma.cc/9Q27-F3HY>] (“[T]he upheaval following the COVID-19 crisis should spur companies to take a hard look at old playbooks and to prepare for a ‘new normal’ in trade secret protection and defense. For corporations hoping to ride out the COVID-19 flood—and the wave of trade secret litigation that COVID-19 is likely to unleash—such a reassessment isn’t just prudent. It’s essential.”).

Before 2016, state law provided the only avenue by which trade secret owners could pursue legal remedies.¹⁴ Almost every state uses the Uniform Trade Secrets Act (UTSA), a model statute, to frame its laws.¹⁵ However, many states interpret the UTSA differently, resulting in variations in trade secret laws across states.¹⁶ Furthermore, “[a] combination of increased technological and employee mobility, compounded by reduced patent protection, prompted the need for federal trade secrets legislation after centuries of enforcement under common law and state statutes.”¹⁷ In 2016, Congress decided it was best to bring more uniformity and predictability to trade secret law, aiming to provide clear rules governing trade secret litigation.¹⁸ The Defend Trade Secrets Act of 2016 (DTSA)¹⁹ was signed into law to provide litigants the opportunity to sue in federal court when trade secrets are misappropriated.²⁰ The DTSA defines trade secrets as

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, another person who can obtain economic value from the disclosure or use of the information.²¹

In other words, a trade secret is information that is generally unknown and is capable of adding economic value to the information holder so long as the holder undertook reasonable measures to preserve its secrecy.²² However, because the DTSA does not preempt state laws, courts often apply divergent

¹⁴ Danielle A. Duszczyszyn & Daniel F. Roland, *Three Years Later: How the Defend Trade Secrets Act Complicated the Law Instead of Making It More Uniform*, FINNEGAN (July/Aug. 2019), <https://www.finnegan.com/en/insights/articles/three-years-later-how-the-defend-trade-secrets-act-complicated-the-law-instead-of-making-it-more-uniform.html> [<https://perma.cc/J9BC-JUTX>].

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Douglas R. Nemec & P. Anthony Sammi, *The Rise of Trade Secret Litigation in the Digital Age*, SKADDEN (Jan. 23, 2018), <https://www.skadden.com/insights/publications/2018/01/2018-insights/the-rise-of-trade-secret-litigation> [<https://perma.cc/A5YG-K7EM>].

¹⁸ Duszczyszyn & Roland, *supra* note 14.

¹⁹ Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. §§ 1832–1839 and 34 U.S.C. 41310).

²⁰ *Id.*

²¹ 18 U.S.C. § 1839(3).

²² *Id.*

analyses dependent on the jurisdiction of the claim, which is a major reason behind the increase in trade secret litigation.²³ According to a trade secret litigation report released by Lex Machina, the DTSA caused trade secret case filings to increase by 30 percent between 2015 and 2017.²⁴

As a result of a continuous rise in trade secret litigation and the impending trade secret litigation boom stimulated by the COVID-19 pandemic,²⁵ altering the trade secret litigation framework is more important than ever. First, given the current legislative backdrop, there is a major lack of uniformity surrounding trade secrets.²⁶ The DTSA's passage underscored Congress's desire to provide clear rules, however, the DTSA has failed to provide uniformity and has made trade secret litigation more complex since the DTSA does not preempt state trade secret law.²⁷ Second, there is uncertainty as to what a trade secret is and what "reasonable measures" must be taken to keep such information secret.²⁸ As remote work becomes more ubiquitous, the time has come for Congress to develop trade secret formalities. To build an effective and lasting formalities regime, the United States should consider the influence of the formalities system employed in Russia's trade secret law and the formalities system utilized in traditional copyright law.²⁹

Part I of this note provides essential background on trade secret legislation. This Part analyzes the UTSA, interprets Congress's intent in enacting the DTSA, and discusses the

²³ See Duszczyszyn & Roland, *supra* note 14.

²⁴ Jason K. Yu, *Commentary Sheds Light on Appropriate Level of Detail for Plaintiffs in Misappropriation Cases*, ORRICK (June 10, 2020), <https://blogs.orrick.com/trade-secrets-watch/2020/06/10/commentary-sheds-light-on-appropriate-level-of-detail-for-plaintiffs-in-misappropriation-cases/#more-2940> [<https://perma.cc/S4SS-GSRL>].

²⁵ See Patrick Dempsey, *Trade Secret Litigation Is Poised to Take Off Amid Downturn*, LAW360 (July 30, 2020, 1:56 PM), <https://www.law360.com/articles/1293853/trade-secret-litigation-is-poised-to-take-off-amid-downturn> [<https://perma.cc/H35L-7GFR>] ("The true accelerant behind an increase in trade secret cases, if it comes to pass, will be the pandemic's effect on the workplace. Again, two forces are at work here—mass layoffs and the sudden shift to mandatory work-from-home policies. Unlike the legal developments described above, which make trade secret legal claims more likely, these developments make the violations themselves more likely. We know from unfortunate experience that mass layoffs create a fertile groundwork for trade secret litigation. At any period when many people are losing jobs, some will be desperate enough to use their former employer's confidential information for selfish purposes—to start their own venture, to give themselves a leg up with a competitor, or even to sell any marketable secrets. A Winston & Strawn LLP report confirms that 'certain types of trade secret cases appear to have increased due in part to the notable employee turnover that occurred as a result of the Great Recession.' Over the 2007-2009 period of that recession, 37 million new unemployment claims were filed. In the pandemic, more than 40 million new unemployment claims were filed by May." (footnote omitted)).

²⁶ Duszczyszyn & Roland, *supra* note 14.

²⁷ *See id.*

²⁸ *See infra* Part II.

²⁹ *See infra* Part IV.

necessary elements of a trade secret claim. Part II explores different judicial interpretations of what a trade secret is and what “reasonable measures” must be taken to keep such information secret. Part III illustrates the need for trade secret formalities and change by analyzing different jurisdictional approaches to protecting trade secrets and by examining other areas of the law beyond trade secrets. This Part first discusses the lack of uniformity in trade secret legislation and compares the US model of trade secret legislation to Russia’s statutory law for trade secrets. This Part proposes that the United States should consider the Russian model for trade secrets, a system that requires formalities. Then, this Part analyzes the use of formalities in copyright law and explores the evolution of those formalities from mandatory to voluntary. Finally, Part IV analyzes how the United States could implement certain aspects of both the Russian model and the voluntary copyright framework to make for a more organized and efficient doctrine.

I. BACKGROUND: TRADE SECRET LEGISLATION

The US Supreme Court has explained that “[t]rade secret law will encourage invention in areas where patent law does not reach, and will prompt the independent innovator to proceed with the discovery and exploitation of his invention. Competition is fostered and the public is not deprived of the use of valuable, if not quite patentable, invention.”³⁰

A. *Historical Background*

The idea that confidential information should be afforded legal protection may be traced back to Roman laws that prohibited corrupting the slaves of another.³¹ The concept existed even prior to the Industrial Revolution, when craftsmen would forfeit information to their apprentices with the understanding that the information would be held in confidence.³² However, in the early nineteenth century, industrialization brought new challenges to protecting confidential information.³³ “While patents afforded protection for larger, discrete advances, smaller-bore, incremental know-how was more vulnerable to misappropriation in the impersonal, specialized

³⁰ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 485 (1974).

³¹ See A. Arthur Schiller, *Trade Secrets and the Roman Law; The Actio Servi Corrupti*, 30 COLUM. L. REV. 837, 843–44 (1930); 1 PETER S. MENELL ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE*: 2020, at 42 (2020).

³² MENELL ET AL., *supra* note 31, at 42.

³³ *Id.*

factory setting.”³⁴ English factory owners who relentlessly vouched for stronger protection of trade secrets received recognition by common law courts as early as 1817,³⁵ and many US courts began to follow suit.³⁶ This recognition led legislatures to draft statutes intended to protect “industrial secrets.”³⁷ Courts began to protect trade secrets so long as (1) the information that comprised said trade secret was generally not known, and (2) the holder of the trade secret took reasonable measures to maintain its secrecy.³⁸ In an effort to comply with the reasonable measures requirement, business owners initiated the use of nondisclosure agreements (NDAs), legal instruments used to maintain trust and protect valuable information.³⁹

Modern trade secret law was first assembled in the Restatement of Torts in 1939.⁴⁰ Section 757 of the Restatement defined a trade secret as any “compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.”⁴¹ The Restatement (Second) of Torts, published in 1979, omitted Section 757 due to the fact that trade secret law had evolved into its own separate doctrine that no longer relied on tort law principles.⁴²

In an effort to unify protection among the states upon recognition of “the growing economic importance of trade secret protection,” the National Commission on Uniform State Laws promulgated the UTSA in 1979.⁴³ The UTSA “arose to create a uniform business environment that created more certain standards for protection of commercially valuable information.”⁴⁴ To date, forty-

³⁴ *Id.*

³⁵ See *Newberry v. James* [1817] 35 Eng. Rep. 1011, 1011; MENELL ET AL., *supra* note 31, at 42–43.

³⁶ See *Vickery v. Welch*, 36 Mass. (19 Pick.) 523, 525–27 (1837); MENELL ET AL., *supra* note 31, at 42–43.

³⁷ MENELL ET AL., *supra* note 31, at 43.

³⁸ *Id.*

³⁹ ‘Reasonable Measures’ for Protecting Trade Secrets: A Primer, WINSTON & STRAWN LLP (Feb. 27, 2019), <https://www.winston.com/en/thought-leadership/reasonable-measures-for-protecting-trade-secrets-a-primer.html#:~:text=In%20general%2C%20to%20constitute%20a,keep%20the%20information%20a%20secret> [https://perma.cc/GS9C-3J75] (“The clear takeaway here is that courts view confidentiality agreements as a solid protective measure as part of a larger protection strategy, but not sufficient in and of themselves.”).

⁴⁰ See MENELL ET AL., *supra* note 31, at 43; RESTATEMENT (FIRST) OF TORTS §§ 757-59 (AM. L. INST. 1939).

⁴¹ RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939).

⁴² MENELL ET AL., *supra* note 31, at 43.

⁴³ *Id.*; see UNIF. TRADE SECRETS ACT (1979) (UNIF. L. COMM’N, amended 1985).

⁴⁴ *Auto Channel, Inc. v. Speedvision Network, LLC*, 144 F. Supp. 2d 784, 789 (W.D. Ky. 2001); see also Sid Leach, Snell & Wilmer L.L.P., Anything but Uniform: A State-By-State Comparison of the Key Differences of the Uniform Trade Secrets Act 1 (Nov. 6, 2015) (unpublished manuscript), <https://www.swlaw.com/assets/pdf/news/2015/11/06/How%20Uniform%20Is%20the%20Uniform%20Trade%20Secrets%20Act%20-%20by%20Sid%20Leach.pdf> [https://perma.cc/77P2-6BJ2].

nine states have adopted the UTSA, leaving New York as the only state that exclusively uses common law to protect trade secrets.⁴⁵ The UTSA defines a trade secret as information that “derives independent economic value, actual or potential, from no[t] being generally known to . . . other persons,” which must be “the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”⁴⁶ In 2016, Congress enacted the DTSA which provided litigants a private right of action in federal court for trade secret misappropriation claims.⁴⁷ Additionally, the DTSA added express immunity from liability for whistleblowers who confidentially disclose suspected illegal activity to the government or in a court filing.⁴⁸ Despite the lack of uniformity in the current doctrine, the history of trade secret laws highlights both the importance of protecting trade secrets as well as the need for reform in the legislative schemes designed to do so.

B. *Essential Elements of a Trade Secret Claim*

There are three key elements to every trade secret claim.⁴⁹ First, “the subject matter . . . must be the type of knowledge or information that trade secret law was meant to protect, and it must not be generally known to all.”⁵⁰ In terms of the information necessary to satisfy this requirement, jurisdictions that model their trade secret laws on the UTSA tend to protect information that creates an economic advantage over competitors or customers.⁵¹ Additionally, the “not . . . generally known” requirement serves to ensure that a person or business does not seek protection for information that is already well-known and understood within the industry.⁵²

The second essential element of a trade secret claim requires the holder of the information to take “reasonable measures” to maintain secrecy of the information.⁵³ In general, this element requires trade secret owners to be proactive and take necessary precautions when it comes to protecting their valuable information.⁵⁴

⁴⁵ MENELL ET AL., *supra* note 31, at 43; Lawrence Goodwin & Stacy Grossman, *Trade Secrets*, N.Y. CITY BAR (Dec. 2018), <https://www.nycbar.org/get-legal-help/article/intellectual-property/trade-secrets/#:~:text=New%20York%20State%20does%20not,comes%20from%20the%20common%20law> [<https://perma.cc/KRE2-QHJ5>].

⁴⁶ UNIF. TRADE SECRETS ACT § 1(4)(i)–(ii) (UNIF. L. COMM’N 1985).

⁴⁷ 18 U.S.C. § 1836; *see* H.R. Rep. No. 114-529, at 6 (2016).

⁴⁸ Defend Trade Secrets Act of 2016 § 7(a), 18 U.S.C. § 1833(b).

⁴⁹ MENELL ET AL., *supra* note 31, at 49.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *See* 18 U.S.C. § 1839(3)(A); *see also* MENELL ET AL., *supra* note 31, at 49.

⁵⁴ MENELL ET AL., *supra* note 31, at 49.

The determination of what efforts are “reasonable” is oftentimes fact dependent and thus varies from case to case.⁵⁵ For example, the Coca-Cola company takes reasonable measures to maintain the secrecy of its famous soft drink recipe by keeping its original formula locked in a vault, the contents of which are known only by a select few executives.⁵⁶ In contrast, Kentucky Fried Chicken takes reasonable measures to protect its chicken spice mix by not allowing one company to assemble the spice mix.⁵⁷ To ensure the spice mix is kept secret, Griffith Laboratories produces half of the ingredients before the mixture is given to McCormick that adds the other half.⁵⁸ And, in addition to these fact-dependent analyses, courts have various explanations regarding the purpose of this element.⁵⁹ However, many agree that, where a trade secret owner has taken reasonable measures to protect its trade secrets, the thief likely obtained said “trade secret wrongfully.”⁶⁰

The third element of a trade secret claim is that a trade secret owner must prove that its trade secret was misappropriated.⁶¹ Section 1(2) of the UTSA defines “misappropriation” as

(i) 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 (ii) 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 (I) derived from or through a person who has utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or (C)

⁵⁵ *Id.*

⁵⁶ *Basics of a Trade Secret Claim*, DIGIT. MEDIA L. PROJECT (Sept. 10, 2021), [http://www.dmlp.org/legal-guide/basics-trade-secret-claim#:~:text=%22Misappropriation%20%22%20means%3A%20\(i,improper%20means%20to%20acquire%20knowledge](http://www.dmlp.org/legal-guide/basics-trade-secret-claim#:~:text=%22Misappropriation%20%22%20means%3A%20(i,improper%20means%20to%20acquire%20knowledge) [https://perma.cc/8UET-MLNC].

⁵⁷ Dan Myers, *Even KFC's Head Chef Doesn't Know the Secret Recipe*, DAILY MEAL (Feb. 2, 2018), <https://www.thedailymeal.com/eat/kfc-secret-recipe-fried-chicken> [https://perma.cc/NBL5-476D] (“[T]he recipe itself—signed by Colonel Sanders himself—is locked inside a vault at KFC’s headquarters in Louisville. The spice mix isn’t even assembled by one company; in order to keep it a secret, half of the ingredients are blended by Griffith Laboratories and then the mixture is sent to McCormick, where the other half is added. And . . . KFC’s head chef, Bob Das . . . revealed that even *he* doesn’t know the secret formula; it’s only known by a very small number of the company’s highest-ranking executives.”).

⁵⁸ *Id.*

⁵⁹ MENELLE ET AL., *supra* note 31, at 49 (“Some view it as evidence that the trade secret is valuable enough to bother litigating; others reason that where the plaintiff has taken reasonable precautions, the defendant likely acquired the trade secret wrongfully. Whatever the justification, it is clear that no one may let information about products and operations flow freely to competitors at one time and then later claim that competitors have wrongfully acquired valuable trade secrets.”).

⁶⁰ *Id.*

⁶¹ *Id.*

before a material change of his position, knew or had reason to know that it was a trade secret a[n]d that knowledge of it had been acquired by accident or mistake.⁶²

While this definition appears technical, the idea of theft sits at the heart of this third element.⁶³

II. HOW JUDICIAL INTERPRETATIONS OF TRADE SECRET ELEMENTS HIGHLIGHT A LACK OF UNIFORMITY AND PREDICTABILITY

Both the UTSA and the DTSA provide courts with some guidance as to what a trade secret is and what reasonable measures must be taken to protect trade secrets.⁶⁴ However, Congress has yet to accomplish its goal of providing clarity and uniformity regarding trade secret litigation.⁶⁵ Although the UTSA serves as the model statute for many states, some states have adopted their own variations of the UTSA,⁶⁶ leading to different interpretations of trade secrets across jurisdictions.⁶⁷ This variability is compounded by the fact that states model their laws on one of two versions of the UTSA⁶⁸—some states have opted to develop their own variations based on the language used in the 1979 version, yet many others adopted language from the 1985 version.⁶⁹ Additionally, several states decided not to adopt all of the provisions of the UTSA, instead choosing to either make alterations to the specific language in UTSA provisions⁷⁰ or implement only specific portions of the UTSA.⁷¹ Moreover, “Texas took the adoption of the federal law [DTSA] as evidence of *disuniformity*, modifying its version of the UTSA in 2017 to adopt the definition of a trade secret in the DTSA . . . rather than

⁶² UNIF. TRADE SECRETS ACT § 1(2) (UNIF. L. COMM’N 1985).

⁶³ MENELL ET AL., *supra* note 31, at 49.

⁶⁴ See UNIF. TRADE SECRETS ACT §§ 1(4), 5 (UNIF. L. COMM’N 1985); Defend Trade Secrets Act of 2016, §§ 2(b),(d)(1), 18 U.S.C. §§ 1836, 1839(3).

⁶⁵ Duszczyszyn & Roland, *supra* note 14.

⁶⁶ “Although the UTSA is effective in [forty-nine] states, those laws ‘vary in a number of ways and contain built-in limitations that make them not wholly effective in a national and global economy.’” *Adams Arms, LLC v. Unified Weapon Sys., Inc.*, No. 8:16-CV-1503-T-33AEP, 2016 WL 5391394, at *5 (M.D. Fla. Sept. 27, 2016) (quoting H. REP. NO. 114-529, at 4–5 (2016)).

⁶⁷ Duszczyszyn & Roland, *supra* note 14.

⁶⁸ States may model their laws on the UTSA adopted in 1979, *see* UNIF. TRADE SECRETS ACT (UNIF. L. COMM’N 1979), or as amended in 1985, *see* UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS (UNIF. L. COMM’N 1985).

⁶⁹ Leach, *supra* note 44, at 1–2.

⁷⁰ See *Hughes Elecs. Corp. v. Citibank Del.*, 15 Cal. Rptr. 3d 244, 257 (Ct. App. 2004) (“Typically, when a [l]egislature models a statute after a uniform act, but does not adopt the particular language of that act, courts conclude the deviation was deliberate and that the policy of the uniform act was rejected.”).

⁷¹ Leach, *supra* note 44, at 1–2.

conforming to the laws of other states.”⁷² Given these statutory variations, courts across the United States have different interpretations as to what actually constitutes a trade secret as well as what reasonable measures are sufficient to protect them.⁷³

A. *What Information Constitutes a Trade Secret?*

The National Conference of Commissioners on Uniform State Laws developed the UTSA because of “the commercial importance of state trade secret law to interstate business.”⁷⁴ Yet, as the cases below illustrate, there is some ambiguity when it comes to defining a trade secret. Consequently, how can businesses, specifically large businesses who navigate various consumer markets across the country, know what confidential information constitutes a trade secret and what confidential information is not a trade secret for purposes of protection?⁷⁵

In re Patriot National Inc., a 2018 case in the US Bankruptcy Court for the District of Delaware, illustrates the uncertainty regarding what constitutes a trade secret.⁷⁶ In this dispute, Corporate Claims Management, Inc. (CCMI) alleged that its former Chief Operating Officer (COO), Michelle Shaiper, in conjunction with her new employer, Brentwood Services Administrators, Inc. (Brentwood), “stole customers and employees” through the use of the

⁷² MENELL ET AL., *supra* note 31, at 48.

⁷³ See generally Leach, *supra* note 44 (discussing differences in trade secret law across states).

⁷⁴ UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS prefatory note at 3 (UNIF. L. COMM’N 1985).

⁷⁵ Charles Tait Graves & Brian D. Range, *Identification of Trade Secret Claims in Litigation: Solutions for a Ubiquitous Dispute*, 5 NW. J. TECH. & INTELL. PROP. 68, 68–69 (2006) (“Precise identification of the alleged trade secrets is a crucial component of trade secret litigation. . . . Stated differently, the parties and the court cannot accurately decide the question of whether a trade secret exists without first understanding what precisely is asserted as a secret. It is not surprising, then, that disputes over identification of the plaintiff’s alleged trade secrets are common. However, it is notable that courts nationwide have not yet articulated a set of guidelines and standards to assist judges who must rule on identification questions. Indeed, courts in various jurisdictions have issued rulings on the same identification issues with almost opposite results—a majority requiring more identification, but a minority allowing the plaintiff to proceed with only general, conclusory descriptions of the alleged trade secrets. The published rulings indicate that courts subjectively reach their own conclusions, often with little or no reference to other published decisions. The problem is further exacerbated because courts rarely, if ever, quote precise descriptions of potentially valuable trade secrets in publicly available opinions, and thus most published opinions do not clarify the degree of specificity required. As a result, the scattered case law in this area does not always serve as precedent, and it is difficult for parties to predict the result in any given case. The lack of a uniform set of guidelines invites trade secret plaintiffs to avoid identifying their alleged secrets in detail, because there is always a fair chance that the reviewing court will not require them to do so.” (footnote omitted)).

⁷⁶ See Corp. Claims Mgmt., Inc. v. Shaiper (*In re Patriot Nat’l Inc.*), 592 B.R. 560, 574–77 (Bankr. D. Del. 2018).

CCMI's trade secrets.⁷⁷ CCMI and Brentwood were considered competitors as they both provided insurance related services.⁷⁸

Shaiper was the COO of CCMI for around twenty years.⁷⁹ As COO, Shaiper obtained confidential information concerning CCMI's customers and employees.⁸⁰ In 2015, Patriot National, Inc. (Patriot) acquired CCMI, and upon completion of the acquisition, Shaiper signed an employment and confidentiality agreement with Patriot.⁸¹ As part of the confidentiality agreement, Shaiper documented her understanding that as COO, she would acquire confidential information, which may include trade secrets.⁸²

In 2017, Shaiper received an employment offer from Brentwood, which eventually led to her resignation from CCMI.⁸³ Shaiper began working for Brentwood in 2018, and from the time of Shaiper's departure from CCMI to the commencement of the case, Brentwood had hired more than half of CCMI's employees and had acquired fifteen CCMI customers.⁸⁴ In response to these occurrences,

CCMI raise[d] three claims asserting misappropriation of trade secrets under three separate statutes: the Missouri Uniform Trade Secrets Act (MUTSA), the Florida Uniform Trade Secrets Act (FUTSA) and the Federal Defend Trade Secrets Act (DTSA). Within each allegation, CCMI allege[d] that Defendants misappropriated seven different types of information held by CCMI which constitute trade secrets: (1) contract pricing terms and structure; (2) customer lists; (3) customers' contractual terms; (4) customer preferences; (5) market opportunities; (6) employee salary information; and (7) employee scope of duties.⁸⁵

In analyzing the proper choice of law, the court found that Missouri law applied to the claims against Brentwood, and Florida law applied to the claims against Shaiper.⁸⁶

In particular, the alleged misappropriation of customer lists raised an interesting issue for the court.⁸⁷ The court determined that customer lists do not constitute trade secrets under the Missouri Uniform Trade Secrets Act (MUTSA), and, therefore,

⁷⁷ *Id.* at 568.

⁷⁸ *See id.* at 569.

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.* at 569–70.

⁸⁵ *Id.* at 574 (footnote omitted).

⁸⁶ *Id.* at 574 n.8 (“Shaiper’s Non-Interference Agreement provides that any disputes arising from the agreement shall be governed by Florida law, permitting CCMI to bring claims against Shaiper under the Florida law. The remaining claims, however, are governed by Missouri law under the ‘most significant relationship test,’ which provides the [c]ourt with a framework to analyze choice of law issues.”).

⁸⁷ *See id.* at 575.

CCMI's claim against Brentwood was dismissed.⁸⁸ Interestingly, however, the court noted that the Florida Uniform Trade Secrets Act (FUTSA) "includes customer lists in [its] definition of trade secrets," thus holding that CCMI was entitled to pursue a trade secret misappropriation claim against Shaiper regarding the same trade secret it alleged against Brentwood.⁸⁹ Equally concerning, the court failed to recognize Congress's goal of bringing uniformity to trade secret litigation in its analysis of CCMI's DTSA claims.⁹⁰ The court had the authority to use Florida law, Missouri law, or Delaware law when analyzing the federal claims at issue, but the court opted to "mirror its rulings under the MUTSA and the FUTSA."⁹¹ Therefore, the DTSA ultimately had no impact on CCMI's attempt to pursue a trade secret misappropriation against Shaiper, and the court was left handling the same exact trade secret in two different manners.⁹² Essentially, the court's analysis in this case demonstrates how each jurisdiction may interpret the DTSA in its own way which mitigates Congress's intent of "provid[ing] a single, national standard."⁹³

B. What Constitutes "Reasonable Measures" to Maintain Secrecy?

The inconsistent use of the term "reasonable" and the inability of courts to successfully illustrate what actions businesses must take to meet the reasonable measures standard has complicated trade secret law, increased litigation, and left many businesses frustrated and unsuccessful in court.⁹⁴ With no clear standard or bright line rule, courts struggle to draw lines and continue to issue conflicting decisions.⁹⁵

It is generally understood that, in cases where a company is unable to prove that it has taken specific protective steps to protect trade secrets, it is rather unlikely that the company would succeed in defending its trade secrets in court.⁹⁶ However,

⁸⁸ *Id.*

⁸⁹ *Id.* at 576.

⁹⁰ See Duszczyszyn & Roland, *supra* note 14.

⁹¹ *Corp. Claims Mgmt.*, 592 B.R. at 577–78.

⁹² *Id.*

⁹³ H.R. REP. NO. 114-529, at 6 (2016).

⁹⁴ Sharon K. Sandeen, *Through the Looking Glass: Trade Secret Harmonization as a Reflection of U.S. Law*, 25 B.U. J. SCI. & TECH. L. 451, 463–64 (2019); see also David Cohen, *Reasonable Steps and Trade Secret Protection*, JD SUPRA (June 23, 2020), <https://www.jdsupra.com/legalnews/reasonable-steps-and-trade-secret-57358/> [<https://perma.cc/T7E7-4DHK>]; 'Reasonable Measures' for Protecting Trade Secrets: A Primer, *supra* note 39.

⁹⁵ MENELL ET AL., *supra* note 31, at 49.

⁹⁶ See *Solid Wood Cabinet Co. v. Partners Home Supply*, No. 13-CV-3598, 2015 WL 1208182, at *4 (E.D. Pa. Mar. 13, 2015) (granting summary judgment in favor of

even when businesses take certain protective steps that are beyond normal business practice, their trade secrets are not guaranteed to receive protection in court because many courts treat protective measures differently.⁹⁷ Thus, businesses are left making judgment calls as to whether their protective measures qualify as “reasonable measures.”⁹⁸ For example, one protective step that has received mixed treatment in the courts is the practice of “marking” trade secrets as confidential.⁹⁹ Courts have held that “an employer’s failure to mark documents as confidential or trade secret ‘precludes in many cases trade secret protection for those materials.’”¹⁰⁰

In *SortiumUSA LLC v. Hunger (Sortium)*, a trade secret dispute arose regarding whether the plaintiff-company’s set of drawings, which plaintiff alleged were misappropriated, constituted trade secrets.¹⁰¹ As part of the court’s determination of whether the drawings may be protected as a trade secret, the court ultimately found that

[plaintiff’s] pleading of what precautions it took to prevent dissemination of [its trade secrets] is fatally deficient. . . . [Plaintiff’s] failure to identify any of the [trade secrets] as confidential . . . and its failure to plead any other steps to protect the secrecy of the [trade secrets] preclude it from recovering¹⁰²

Thus, in *Sortium*, the district court granted the defendants’ motion to dismiss based largely on plaintiff’s failure to “mark” its purported trade secrets as confidential.¹⁰³

However, a district court in Alabama reached a different conclusion in analyzing a plaintiff-company’s failure to mark certain purported trade secrets as confidential.¹⁰⁴ In *Southern Field Maintenance & Fabrication LLC v. Killough*, the court, unlike the court in *Sortium*, denied defendant’s motion to dismiss the plaintiff-company’s trade secret misappropriation claims.¹⁰⁵ The court reasoned that, although the trade secrets in question were not marked, the plaintiff took other sufficient

defendants since there was “no evidence that [plaintiff-company] took any steps to maintain the confidentiality of its customer lists”).

⁹⁷ See ‘Reasonable Measures’ for Protecting Trade Secrets: A Primer, *supra* note 39.

⁹⁸ See *id.*

⁹⁹ See *S. Field Maint. & Fabrication LLC v. Killough*, No. 2:18-CV-581-GMB, 2019 WL 360515, at *3–4 (M.D. Ala. Jan. 29, 2019); *SortiumUSA LLC v. Hunger*, No. 3:11-CV-1656-M, 2013 WL 11730655, at *11 (N.D. Tex. Mar. 31, 2013).

¹⁰⁰ *Mattel, Inc. v. MGA Ent., Inc.*, 782 F. Supp. 2d 911, 959 (C.D. Cal. 2010).

¹⁰¹ *SortiumUSA*, 2013 WL 11730655, at *11.

¹⁰² *Id.* at *12.

¹⁰³ *Id.* at *17.

¹⁰⁴ See *Killough*, 2019 WL 360515, at *4.

¹⁰⁵ *Id.* at *8.

steps, such as holding its trade secrets in an access-limited and password-protected server.¹⁰⁶

Despite the above examples, there are cases in which a trade secret owner may clearly mark its trade secrets as confidential and yet still fail to receive protection from the courts.¹⁰⁷ For example, the plaintiff-company in *Hospitality Marketing Concepts LLC v. Six Continents Hotels, Inc.* argued that the defendant misappropriated trade secrets that were marked as confidential.¹⁰⁸ However, the court granted the defendant's motion to dismiss even though the plaintiff marked its trade secrets as confidential because the plaintiff failed to take other actions, such as securing NDAs, which suggested to the court that the plaintiff did not take the reasonable measures necessary to protect its trade secrets.¹⁰⁹

Essentially, there are no clear guidelines for businesses to ensure that they are adhering to the "reasonable measures" element of trade secret law.¹¹⁰ To date, while courts have provided businesses with guidance as to what may be needed in order to satisfy the reasonable measures element, they have refrained from suggesting or requiring any specific type of protective measure.¹¹¹ Thus, many businesses are left conducting a cost-benefit analysis, weighing the costs of putting in place reasonable measures to protect secrecy with the benefits these businesses may be afforded in potential trade secret litigation in the future.¹¹²

¹⁰⁶ *Id.* at *3–4.

¹⁰⁷ *See, e.g.,* Int'l Mezzo Techs., Inc. v. Frontline Aerospace, Inc., No. 10-397-SCR, at *18 (M.D. La. Sept. 25, 2014) ("Although [the report at issue] was marked as proprietary and confidential, the plaintiff did not introduce evidence to demonstrate its affirmative efforts to maintain the secrecy of the information contained in the report.").

¹⁰⁸ *See* Hosp. Mktg. Concepts LLC v. Six Continents Hotels, Inc., No. SACV 15-01791 JVS (DFMx), 2016 WL 9045853, at *4–5 (C.D. Cal. May 2, 2016).

¹⁰⁹ *See id.* at *5.

¹¹⁰ *See* Defend Trade Secrets Act of 2016 § 2(b), 18 U.S.C. § 1839(3)(A).

¹¹¹ *See To Mark or Not to Mark: Mitigating Trade Secret Theft Risk*, WINSTON & STRAWN LLP (Aug. 22, 2019), <https://www.winston.com/en/thought-leadership/to-mark-or-not-to-mark-mitigating-trade-secret-theft-risk.html> [<https://perma.cc/CH6Z-KDVN>].

¹¹² *See* Sandeen, *supra* note 94, at 463–64 (Professor Sharon K. Sandeen, a recognized expert on trade secret law, commented on the meaning of the reasonable measures requirement and trade secret owners' concerns: "[a] common point of consternation voiced by trade secret owners concerns how . . . courts define the 'reasonable efforts' requirement of trade secret law. Understandably, trade secret owners want the bar set low when determining 'reasonable efforts' so that more information can be protected as a trade secret with less efforts. When . . . courts focus on the veracity and notice functions of the reasonable efforts requirement, however, the bar is often set higher and businesses become frustrated that the information they classify as trade secrets are not treated as such. This is the current state of the law in the [US], with some courts finding that a company's protective efforts are reasonable when other courts do not."); *Member Spotlight: An Interview with Professor Sharon K. Sandeen*, AM. BAR ASS'N (Oct. 20, 2014), https://www.americanbar.org/groups/business_law/publications/blt/2014/10/member_spotlight/#:~:text=Share%20this%3A-,Sharon%20K.,Secret%20Law%20in%20a%20Nutshell [<https://perma.cc/5GMM-EZZQ>]; *see also* 18 U.S.C. § 1839(3)(A).

III. THE NEED FOR TRADE SECRET FORMALITIES AND CHANGE

The current trade secret doctrine has proved unsuccessful in providing uniformity in courts' analyses and decisions and in providing certainty for businesses. First, in an effort to establish uniformity of protection among the states, the National Conference of Commissioners on Uniform State Laws promulgated the UTSA in 1979.¹¹³ However, as the cases in Part II demonstrate, the UTSA actually regressed the uniformity of trade secret law, as many states adopted their own variations of the UTSA.¹¹⁴ When Congress considered its options to bring uniformity to trade secret legislation, thirty-one law professors wrote a letter to Congress in August 2014 to warn legislators "that adopting a parallel federal statute for trade secret claims—particularly one that did not preempt existing state law—would result in 'less uniformity and predictability.'"¹¹⁵ However, contrary to the law professors' warning, Congress enacted the DTSA with the goal of "provid[ing] a single, national standard for trade secret misappropriation with clear rules and predictability for everyone involved."¹¹⁶ Yet, several recent cases have confirmed the professors' ex-ante concerns in that many courts use state trade secret law when addressing DTSA claims,¹¹⁷ thus minimizing the uniformity that the DTSA was intended to create.¹¹⁸ Since neither the UTSA nor the DTSA were able to provide predictability in the courts and for trade secrets owners, Congress should consider alternative trade secret protection models.

Much of the ambiguity surrounding trade secret law results from the fact that courts analyze trade secret claims in a fact-specific manner.¹¹⁹ Prominent trade secret commentators recognize the need to assess trade secret claims on a case-by-case basis in which courts make an inquiry based on the

¹¹³ MENELL ET AL., *supra* note 31, at 43.

¹¹⁴ Leach, *supra* note 44, at 2; *see also* MENELL ET AL., *supra* note 31, at 43.

¹¹⁵ Sharon K. Sandeen & Christopher B. Seaman, *Toward a Federal Jurisprudence of Trade Secret Law*, 32 BERKELEY TECH. L.J. 829, 856 (2017).

¹¹⁶ H.R. REP. NO. 114-529, at 6 (2016).

¹¹⁷ *See, e.g.*, *Air Dynamics Indus. Sys., Inc. v. Lehman*, No. 1:19-CV-2073, 2020 WL 6544966, at *7 n.3 (M.D. Pa. Nov. 6, 2020) ("Our court of appeals has not decided whether [Pennsylvania Uniform Trade Secrets Act]'s standard applies with equal force to DTSA claims. Nevertheless, we think applying the [Pennsylvania Uniform Trade Secrets Act] standard to DTSA cases makes sense because the two statutes 'essentially protect the same type of information.'"); *Deerpoint Grp., Inc. v. Agrigenix, LLC*, 345 F. Supp. 3d 1207, 1228 (E.D. Cal. 2018) ("In the absence of contrary authority, and given the similarity between the DTSA and [California Uniform Trade Secrets Act], the [c]ourt will interpret [plaintiff]'s DTSA claims consistently with its [California Uniform Trade Secrets Act] claims.").

¹¹⁸ Duszczyszyn & Roland, *supra* note 14.

¹¹⁹ 'Reasonable Measures' for Protecting Trade Secrets: A Primer, *supra* note 39.

circumstances surrounding the company involved in that particular case.¹²⁰ Therefore, this note calls for the introduction of a “trade secret formalities model” that encompasses formal requirements on the front end, prior to any litigation, which may have the potential to provide businesses and courts with more certainty regarding trade secret litigation while still allowing trade secret claims to be assessed on a case-by-case basis at the litigation stage. In considering the potential use of a trade secret formalities model, Congress should look toward (1) the Russian model for trade secrets, and (2) the impact of the formalities system used in traditional copyright law.

A. *Trade Secret Law in Russia*

If Congress considers adopting a trade secret formalities model, it should reference Russia’s statutory law for trade secrets.¹²¹ The primary laws that govern Russian trade secret law are the Federal Law No. 98-FZ of July 29, 2004, on Trade Secrets¹²² (Russian Trade Secret Law) and Federal Law No. 149-FZ of July 27, 2006, “On Information, Information Technologies, and Information Protection.”¹²³ These laws are quite explicit about what qualifies as a trade secret (which Russian federal law calls a “commercial secret”).¹²⁴ Under the Russian Trade Secret Law, a trade secret is defined as “a regime of confidentiality of information, which allows its owner, under existing or possible circumstances, to increase income, avoid unjustified expenses, maintain a position in the market for goods, works, services or obtain other commercial benefits.”¹²⁵ Similar to trade secret law in the United States, the Russian Trade Secret Law requires confidential information to have “valid or potential commercial value due to the fact that [it is] unknown to third parties, to which third parties do not have free access on a legal basis” in order to be considered a trade secret.¹²⁶

¹²⁰ Sandeen, *supra* note 94, at 464; *see also* MENELL ET AL., *supra* note 31, at 49.

¹²¹ Readers should use caution in assuming that Russian terms directly translate into their English equivalents.

¹²² *See* SOBRANIE ZAKONODATEL’STVA ROSSIYSKOI FEDERATSII [SZ RF] [Russian Federation Collection of Legislation] 2004, No. 32, Item 3283 [hereinafter TRADE SECRET LAW]. An English translation of the Russian Trade Secret Law as amended up to Federal Law No. 35-FZ of March 12, 2014, is analyzed in this note, *available at* <https://wipolex.wipo.int/en/text/440296> [<https://perma.cc/QP2Q-9EHS>].

¹²³ *See* SOBRANIE ZAKONODATEL’STVA ROSSIYSKOI FEDERATSII [SZ RF] [Russian Federation Collection of Legislation] 2006, No. 31, Item 3448. An English translation of the law as enacted in 2006 is analyzed in this note, *available at* <https://www.legislationline.org/documents/id/17757> [<https://perma.cc/W8W5-3VSL>].

¹²⁴ *See* TRADE SECRET LAW, art. 3.

¹²⁵ *Id.* art. 3(1).

¹²⁶ *Id.* art. 3(2).

Moreover, Russian law helpfully illustrates what information may not be considered a trade secret—guidance that Congress has never provided. Article 5 of the Russian Trade Secret Law, titled “Information that cannot constitute a commercial secret,” lists eleven categories of information that help provide trade secret owners with more clarity and certainty in determining whether their information constitutes a trade secret.¹²⁷

To protect trade secrets in Russia, trade secret owners must adhere to certain statutory formalities that are much stricter than the United States’ ambiguous “reasonable measures” framework.¹²⁸ Russian trade secrecy law mandates the following formalities: (1) create a list of information constituting a trade secret; (2) establish a policy that restricts access to any information constituting a trade secret; (3) keep a record of people who have access to the information constituting a trade secret; (4) regulate the “use of information constituting a [trade] secret by employees on the basis of employment . . . and . . . civil law contracts;” and (5) mark all documents and other media containing trade secrets with the inscription “[trade] secret” along with an indication of the trade secret’s owner.¹²⁹ Additionally, Russia’s trade secrets doctrine provides that

[m]easures to protect the confidentiality of information are considered reasonably sufficient if: (1) access to information constituting a trade secret is excluded for any person without the consent of its owner; (2) it is possible to use information constituting a [trade] secret by employees and transfer it to counterparties without violating the [trade] secret regime.¹³⁰

Notably, if a trade secret owner has taken all these measures, a trade secret “shall be considered established.”¹³¹ However, an owner’s failure to implement any of these formalities may render the confidential information unprotectable as a trade secret.¹³²

¹²⁷ See *id.* art. 5. Some examples of information that do not constitute a trade secret include: employee number and composition, wage system, working conditions and job vacancies; information about violations of environment pollution and people’s safety; information about any violations of Russian Federation laws and facts bringing responsibility for committing the violations; and a list of people who are entitled to act on behalf of the trade secret owner’s company without power of attorney. *Id.*

¹²⁸ See *id.*; see also 18 U.S.C. § 1839(3) (“[T]rade secret’ means . . . information . . . the owner thereof has taken reasonable measures to keep . . . secret” and that “derives independent economic value . . .”); UNIF. TRADE SECRETS ACT § 1(4)(i)–(ii) (UNIF. L. COMM’N 1985) (“Trade secret’ means information . . . that: (i) derives independent economic value . . . and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”).

¹²⁹ TRADE SECRET LAW, art. 10(1).

¹³⁰ *Id.* art. 10(5).

¹³¹ *Id.* art. 10(2).

¹³² Olga Anisimova & Bairta Mezhueva, *Protecting Trade Secrets in Russia*, ORRICK (Oct. 22, 2013), <https://blogs.orrick.com/trade-secrets-watch/trade-secrets-laws/protecting-trade-secrets-in-russia/> [<https://perma.cc/XCM2-5K92>]; see also Jane C. Ginsburg, *The U.S. Experience*

B. *History of Copyright Formalities in the United States*

The use of formalities in copyright law, as well as the evolution of those formalities, must be assessed when considering a trade secret formalities model. “Copyright ‘formalities’ are procedural requirements imposed on authors by the government that are necessary to obtain copyright protection but do not relate to the substance of the copyright.”¹³³ Historically, the United States had four copyright formalities: “[1] notice of copyright; [2] publication of the work; [3] registration of the work with the Copyright Office; and [4] deposit of a copy of the work with the Library of Congress.”¹³⁴ In light of these formalities, if a copyright owner failed to adhere to these requirements, the owner would forfeit any protection that copyright law provides.¹³⁵

The United States’ decision to join the Berne Convention in 1989, however, transformed the use of formalities in copyright law.¹³⁶ The Berne Convention is “a unifying multi-lateral agreement” that was signed in 1886 by ten countries in Berne, Switzerland.¹³⁷ The agreement was formed in an effort to address the increase in piracy of copyrighted works internationally.¹³⁸ Article 5(2), a key provision in the agreement, specified that copyrights “shall not be subject to any formality.”¹³⁹ Because the United States joined the agreement in an effort to increase its influence on global copyright protection, the United States had to meet the requirements set out in the Berne Convention.¹⁴⁰ Therefore, between 1988 and 1994, Congress approved of several amendments to succumb to a system in which formalities are mostly voluntary.¹⁴¹

with Mandatory Copyright Formalities: A Love/Hate Relationship, 33 COLUM. J.L. & ARTS 311, 342–43 (2010).

¹³³ 2 PETER S. MENELL ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE*: 2020, at 535 (2020).

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ *Id.* at 510.

¹³⁷ Samuel Jacobs, Note, *The Effect of the 1886 Berne Convention on the U.S. Copyright System’s Treatment of Moral Rights and Copyright Term, and Where That Leaves Us Today*, 23 MICH. TELECOMMS. & TECH. L. REV. 169, 170 (2016).

¹³⁸ *Id.*

¹³⁹ Berne Convention for the Protection of Literary and Artistic Works art. 5, ¶ 2, Sept. 9, 1886, S. Treaty Doc. No. 99-27, 828 U.N.T.S. 221 (amended Sept. 28, 1979); see Jacobs, *supra* note 137, at 170.

¹⁴⁰ See 2 MENELL ET AL., *supra* note 133, at 510.

¹⁴¹ *Id.* at 510–11 (“Notice of copyright is required on all works published prior to 1989. Registration of a copyright is not strictly required for its validity, but is required of [US] authors prior to instituting an infringement suit. Deposit of copies of the work is required to obtain registration of copyright.”).

However, and most importantly for the purposes of this note, copyright formalities, and thus formalities in general, do have benefits that could also be valued in trade secret law.¹⁴² Professor Jane C. Ginsburg, in her analysis of the benefits of copyright formalities, argues that

if the creator cannot take care enough to mark off her claims, then perhaps the public should be entitled to rely on the absence of notice to treat the work as unclaimed and free. Law and economics reasoning might reinforce this conclusion: The creator is better able to assume the costs of notification than the public is to incur the costs of tracing rights holders. And those search costs can be high, particularly if the work is old, or if rights have been divided up among a variety of grantees (and their heirs). A system that requires authors first to assert rights, through notice in distributed copies, or registration in a publicly accessible record, alerts the world to the author's claims. A system that obliges all transfers of rights to be recorded on the publicly accessible record facilitates tracing rights holders. Notice, registration and recordation of transfers thus are unquestionably beneficial and desirable; the problem, and the historical difference between the [US] and much of the rest of the world, lies in the consequences of failure to affix notice, register, or record a transfer of ownership.¹⁴³

Professor Ginsburg importantly points out that US copyright formalities were not abolished because they did not have benefits—they were modified to become voluntary because “not all those who fail to fulfill these obligations do so because they do not care about their works.”¹⁴⁴ Several copyright formalities

¹⁴² Ginsburg, *supra* note 132, at 342; *see also* Daniel Gervais & Dashiell Renaud, *The Future of United States Copyright Formalities: Why We Should Prioritize Recordation, and How to Do It*, 28 BERKELEY TECH. L.J. 1459, 1460–61 (2013) (“America’s initial copyright statutes included a set of state-imposed formalities with which rights holders were required to comply in order to obtain and maintain copyright protection. The formalities served several functions. By excluding from copyright works of foreign authors, the system served the interests of publishers—who felt their industry relied upon being able to reproduce foreign works without being required to pay for that privilege—and the general intellectual and entertainment interests of the early republic in having potentially faster (because it was local) and less expensive access to foreign books. Requiring registration generated publicly available information that users could consult in order to obtain metadata. By requiring that copyrighted works display a notice indicating the identity and residence of the author, and the date of publication, the system allowed consumers to ascertain whether copyright protection had been ‘claimed.’ Requiring that notice be published in a newspaper provided additional public notification of the copyright claim. Requiring that instruments of transfer be recorded enabled license-seekers to ascertain the identity of the present owner of a work. Requiring that authors deposit copies of their works with a clerk’s office enabled the cultivation of a national repository. These formalities also served to limit the number of works receiving copyright protection, such that many works immediately entered the public domain upon publication. Finally, the renewal formality, requiring that creators record and publish a second time should they desire a second term of protection, likewise served a filtering function.” (footnotes omitted)).

¹⁴³ Ginsburg, *supra* note 132, at 342.

¹⁴⁴ *Id.*

were burdensome to comply with, and therefore many copyright owners were unable to register their copyrights correctly, or were not aware of whether they fully satisfied the formalities.¹⁴⁵ Professor Ginsburg further explains that some copyright owners “lose track; some are ignorant of the obligation, particularly if they reside in foreign countries which do not impose formalities; some may find the fees prohibitive.”¹⁴⁶ Thus, that certain copyright owners were forced to forfeit copyright protection because they failed to comply with the technical formality requirements was seen as harsh,¹⁴⁷ and as a result, the law shifted to accommodate these types of copyright owners.¹⁴⁸

In today’s modern copyright regime, because of the benefits that notice, registration, and recordation provide, Congress provides incentives for copyright owners to voluntarily comply with formalities.¹⁴⁹ “Former Register of Copyrights Barbara Ringer, whose understanding of [US] copyright formalities was second to none, proclaimed, regarding the registration formality, ‘[m]y philosophy has always been to reward authors for what they do, not to punish them for what they don’t do.’”¹⁵⁰ One example of such incentives is that successful registration of a copyright establishes “prima facie [proof] of . . . the validity of the copyright.”¹⁵¹ Moreover, the early registration of a copyright allows a copyright holder to obtain statutory damages and attorneys’ fees for any infringement that occurred after the date of the copyright’s registration, or any infringement that occurred after the first publication of the work, so long as the work was registered within three months after publication.¹⁵²

Based on the history of both mandatory and voluntary copyright formalities, the use of a formalities model in trade

¹⁴⁵ Gervais & Renaud, *supra* note 142, at 1461.

¹⁴⁶ Ginsburg, *supra* note 132, at 342. Similarly, given the importance of trade secrets, which consist of confidential information that derive independent economic value for businesses, it is unlikely that a trade secret owner would lose track of its trade secrets or be ignorant of any type of requirement it needed to follow to keep a trade secret protected. *See* 18 U.S.C. § 1839(3) (“[T]rade secret’ means . . . information . . . the owner thereof has taken reasonable measures to keep . . . secret . . . and . . . [that] derives independent economic value”); UNIF. TRADE SECRETS ACT § 1(4)(i)–(ii) (UNIF. L. COMM’N 1985) (“‘Trade secret’ means information . . . that: (i) derives independent economic value . . . and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”); *see also* UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS prefatory note at 3 (UNIF. L. COMM’N 1985).

¹⁴⁷ *See* Ginsburg, *supra* note 132, at 342–43.

¹⁴⁸ *Id.* at 343–44.

¹⁴⁹ *Id.* at 338–39.

¹⁵⁰ *Id.* at 343 (quoting Judith Nierman, *Barbara Ringer: 1925-2009*, COPYRIGHT NOTICES, Apr. 2009, at 1, 5).

¹⁵¹ 17 U.S.C. § 410(c).

¹⁵² *Id.* § 412.

secret law may be beneficial for both businesses and the US court system if the formal requirements can provide businesses with more certainty, and in turn, result in less litigation over trade secrets.

IV. SOLUTION: HOW THE UNITED STATES COULD IMPLEMENT A TRADE SECRET FORMALITIES REGIME

The United States should consider implementing a trade secret formalities model to diminish concerns regarding uniformity and predictability.¹⁵³ The United States should examine the impact of the formalities system used in Russia's trade secret law and US copyright law to create an effective and sustainable formalities regime.

The Russian model for protecting trade secrets has several appealing features. First, the Russian trade secrecy doctrine is much less vague than the law in the United States.¹⁵⁴ The system is also more efficient when it comes to defining trade secrets—Russia not only lists what type of information can constitute a trade secret,¹⁵⁵ but also what types of information cannot constitute a trade secret.¹⁵⁶ Instead of the “reasonable measures” standard used in the United States,¹⁵⁷ Russia requires trade secret owners to follow certain formalities, and one provision expressly defines what is considered reasonable in regard to a trade secret owner's effort to maintain secrecy.¹⁵⁸

There are several benefits to adopting a similar formalities approach in the United States. One of the major problems it would eliminate, for example, is the “marking” issue.¹⁵⁹ This issue would be rendered moot because Russia's trade secret model requires that trade secret owners mark their trade secrets and maintain a list of all trade secrets.¹⁶⁰ Furthermore, this type of system has the potential for economic benefits in that it may eliminate needless litigation and would

¹⁵³ See Duszczyszyn & Roland, *supra* note 14; see also Leach, *supra* note 44, at 1–2, 46, 48–49.

¹⁵⁴ See Donal O'Connell, *Trade Secret Law in Russia*, SEYFARTH (Jan. 15, 2020), [https://www.tradesecretslaw.com/2020/01/articles/international-2/trade-secret-law-in-russia/#:~:text=A%20trade%20secret%20is%20any,economic%2C%20organizational%2C%20etc.\)&text=Russian%20law%20does%20not%20state,protected%20trade%20secret%20or%20not](https://www.tradesecretslaw.com/2020/01/articles/international-2/trade-secret-law-in-russia/#:~:text=A%20trade%20secret%20is%20any,economic%2C%20organizational%2C%20etc.)&text=Russian%20law%20does%20not%20state,protected%20trade%20secret%20or%20not) [https://perma.cc/M5H9-56YG].

¹⁵⁵ See TRADE SECRET LAW, arts. 3, 6.

¹⁵⁶ *Id.* art. 5.

¹⁵⁷ See *supra* text accompanying notes 20–22 and 53–60 for discussion of the reasonable measures standard.

¹⁵⁸ TRADE SECRET LAW, art. 10(5).

¹⁵⁹ See discussion *supra* Section II.B.

¹⁶⁰ See TRADE SECRET LAW, art. 10.

preclude courts from reaching different conclusions in trade secret determinations.¹⁶¹ Additionally, if the same formalities regime were adopted in every state in the United States, there would likely be less need for courts to heavily depend on the circumstances surrounding each company involved in every claim because formalities provide strict requirements and thus less room for courts to maneuver. Hence, a formalities model has the potential to bring more uniformity and predictability to trade secret law across various jurisdictions.

However, Russia's model also has negative features. First, one could argue that the purpose of trade secret law, and intellectual property law in general, is to encourage companies to innovate and develop valuable information.¹⁶² Thus, if Congress were to initiate a formalities regime with a vast set of requirements for trade secret holders to follow, companies may be less inclined to develop valuable information. However, Professor Mark A. Lemley argues that granting legal protection for trade secrets encourages their creation and enables a trade secret owner to economically benefit from the valuable information.¹⁶³ Accordingly, a formalities regime with strict requirements in which trade secret holders are given more guidance on how to protect their trade secrets may encourage the development of more valuable information.

Additionally, one could argue that the United States has attempted a formalities regime in copyright law and later circumvented that model; therefore, it would make little sense for the United States to opt for a similar type of regime once again.¹⁶⁴ There is reasonable cause for concern in that, similar to traditional copyright law, it is rather harsh that a trade secret may lose protection if the owner fails to adhere to the formalities in play.¹⁶⁵ Although there may be concern that loss of protection is too severe a penalty for noncompliance, it is much less likely that a trade secret owner, given a trade secret's commercial value and importance, would fail to comply with formalities for the same reasons that a traditional copyright owner would fail to comply with traditional copyright formalities.¹⁶⁶

¹⁶¹ See discussion *supra* Section II.B.

¹⁶² See Mark A. Lemley, *The Surprising Virtues of Treating Trade Secret Rights as IP Rights*, 61 STAN. L. REV. 311, 313 (2008).

¹⁶³ *Id.*

¹⁶⁴ See 2 MENELL ET AL., *supra* note 31, at 535.

¹⁶⁵ See Ginsburg, *supra* note 132, at 342–43; see also Anisimova & Mezheva, *supra* note 132.

¹⁶⁶ See discussion *supra* Section III.A.

In an effort to introduce the positive aspects of Russia's formalities system while limiting the negative features that may come with a formalities regime, the United States should look to partially integrate the Russian model by using modern copyright law principles. Similar to modern copyright law, in which Congress provided copyright holders with incentives to adhere to voluntary requirements,¹⁶⁷ the United States should consider adopting an opt-in or voluntary formalities regime in which trade secret holders may obtain benefits for adhering to certain requirements. For example, if a trade secret holder maintained a list of its trade secrets and correspondingly marked each with the inscription "trade secret,"¹⁶⁸ then Congress could provide that trade secret holder the benefit of establishing prima facie proof of a valid trade secret. However, if a trade secret holder fails to institute these formalities,¹⁶⁹ the holder would not suffer the harsh punishment of complete loss of protection, which would be the penalty under Russia's trade secret law regime and in traditional copyright law.¹⁷⁰ Only then would a trade secret dispute move on to litigation, substantially lessening the impact of the upcoming pandemic-induced trade secret litigation boom on courts.

CONCLUSION

Although both the UTSA and DTSA provide courts and litigants with guidance as to what a trade secret is and what reasonable measures must be taken to protect trade secrets, neither has fashioned a sense of certainty to combat increases in litigation.¹⁷¹ As work-from-home becomes the new normal even beyond the COVID-19 pandemic,¹⁷² litigation will continue to increase as businesses are forced to entrust confidential information with remote workers.¹⁷³ Considering the use of formalities in traditional copyright law and Russia's trade secret law, the introduction of a trade secret formalities regime in the United States has the potential to provide businesses and courts

¹⁶⁷ Incentives to adhere to voluntary requirements include prima facie proof of validity, statutory damages, and attorneys' fees. 17 U.S.C. §§ 410(c), 412.

¹⁶⁸ Both actions are required for trade secret protection under Russian law. *See* TRADE SECRET LAW, art. 10(1).

¹⁶⁹ Although an overarching goal of this regime is to decrease trade secret litigation, if a trade secret owner fails to institute the formalities, any case that may arise would most likely move to litigation.

¹⁷⁰ *See* Anisimova & Mezhueva, *supra* note 132; Ginsburg, *supra* note 132, at 343.

¹⁷¹ *See supra* Part II.

¹⁷² *See* Graham, *supra* note 6; Page, *supra* note 6.

¹⁷³ *See* Patton, *supra* note 8; Packel & Schuering, *supra* note 1; Yu, *supra* note 24.

with a better understanding of what constitutes a trade secret and how trade secrets must be protected. In a time where the protection of trade secrets is as vulnerable as ever,¹⁷⁴ the United States should consider the use of formalities in any effort to address the issues of uniformity and predictability.

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¹⁷⁴ See *COVID-19: How Economic Bust Could Lead to IP Litigation Boom*, PILLSBURY L. (May 27, 2020), <https://www.pillsburylaw.com/en/news-and-insights/covid-19-how-economic-bust-could-lead-to-ip-litigation-boom.html> [<https://perma.cc/3J66-QTRK>] (“We may be inhabiting a giant petri dish of trade secret litigation. ‘With everybody working from home, there is a lot more potential for cybersecurity issues,’ . . . Plus, companies are being forced to lay off employees. Some may possess confidential technical or business information. ‘There is an opportunity for those employees to take information to try to benefit themselves and another company.’ ‘It’s more critical than ever to ensure the recovery of intellectual property as part of termination procedures,’ . . .”).

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