

PERMANENT INJUNCTIVE RELIEF FOR TRADE SECRET MISAPPROPRIATION
WITHOUT AN EXPRESS LIMIT UPON ITS DURATION:
THE UNIFORM TRADE SECRETS ACT RECONSIDERED

Richard F. Dole, Jr.*

Table of Contents

I.	INTRODUCTION.....	2
II.	BACKGROUND.....	3
A.	<i>The Uniform Act</i>	3
B.	<i>The General Injunctive Provisions of the Uniform Act</i>	5
C.	<i>Types of Injunctive Relief</i>	13
III.	UNIFORM ACT TREATMENT OF PERMANENT INJUNCTION DURATION	19
A.	<i>Common-Law Approaches Prior to the Adoption of the Uniform Act</i>	19
B.	<i>Uniform Act Section 2(a)(Second Sentence)</i>	25
C.	<i>A Test for Commercial Advantage from Misappropriation With Respect to a Trade Secret That Has Ceased to Exist</i>	27
D.	<i>Commencement of the Period During Which An Injunction is Appropriate</i>	30
E.	<i>The Implications of Uniform Act Section 2(a)(Second Sentence) for Trade Secrets That Continue to Exist</i>	33
F.	<i>The Procedure for Obtaining Dissolution of a Permanent Injunction Without an Express Limit Upon Its Duration</i>	35
IV.	CONCLUSION.....	39

* B.W. Young Professor of Law, University of Houston Law Center.

I. INTRODUCTION

This article discusses whether a permanent injunction¹ issued after a trial on the merits under the Uniform Trade Secrets Act (the Uniform Act)² should have an express expiration date. The common-law cases are in conflict with respect to former trade secrets that have entered the public domain.³ Although the Uniform Act was promulgated by the National Conference of Commissioners on Uniform Laws⁴ in 1979⁵ and has statutory language and commentary addressing the issue,⁶ case-law has continued to conflict under the Act.⁷

Because an injunction is the most common form of relief⁸ for trade secret misappropriation⁹ and versions of the Uniform Act have been enacted in 45

¹ Injunctive relief is either provisional or permanent. A provisional injunction is issued prior to trial upon the merits; whereas a permanent injunction is issued after trial upon the merits. Discussion *infra* Part II.C.

² Unif. Trade Secrets Act, §§1-12, 14 U.L.A. 529-659 (2005) & 26-37 (Supp. 2010).

³ Discussion *infra* Part III.A.

⁴ The National Conference of Commissioners on Uniform State Laws was organized in 1892 to promote desirable and practicable uniformity in state laws. Commissioners are appointed by each state, the District of Columbia, and Puerto Rico. See Unif. Trade Secrets Act, *supra* note 2, at III-IV.

⁵ See *infra* notes 18-19 and accompanying text.

⁶ See Unif. Trade Secrets Act, *supra* note 2, §2(a)(second sentence) & cmt. ¶1-4 at 619-620.

⁷ See D. Kirk Jamieson, "Just Deserts: A Model to Harmonize Trade Secret Injunctions," 72 Neb. L. Rev. 515, 536-537 (1993)[hereinafter Jamieson]("[S]ome courts have interpreted the UTSA [the Uniform Act] as supporting indefinite, and often apparently perpetual or punitive, injunctions. Others have set definite periods....")[material in brackets supplied].

⁸ 4 Roger M. Milgrim & Eric E. Benson, *Milgrim on Trade Secrets* at 15-158.44 (2010) [hereinafter 4 Milgrim] ("Injunctive relief is the most commonly sought form of relief in trade secret litigation.").

⁹ Misappropriation is wrongful acquisition, disclosure, or use of another's trade secret. See, e.g., Unif. Trade Secrets Act, *supra* note 2, §1(2) at 537 (defining misappropriation). However, the Restatement of Unfair Competition refers to wrongful "appropriation" of trade secrets. See Restatement of the Law (Third) of Torts: Unfair Competition §40 (1995)[hereinafter Restatement (Third) of Unfair Competition]("One is subject to liability for the appropriation of another's trade secret if....").

American States, the District of Columbia, and the American Virgin Islands,¹⁰ this issue is significant throughout the United States. Moreover, the interests at stake, which include encouraging businesses to invest by adequately protecting the fruits of research, employee job mobility, and the public interest in free competition,¹¹ influence the scope of trade secret protection in all jurisdictions.¹²

II. BACKGROUND

A. *The Uniform Act*

The 1939 Restatement (First) of Torts¹³ was an influential partial formulation of American common-law trade secret law.¹⁴ But, due to its specialized nature, trade secret law was omitted from the 1979 Restatement

¹⁰ See Unif. Trade Secrets Act, *supra* note 2, at 26-27 (Supp. 2010) (table of enactments). New Jersey, New York, and Texas are among the states that have not enacted the Uniform Act. See James Pooley, Trade Secrets 2-30.3 (Law Journal Press 2010)[hereinafter Pooley].

¹¹ See Restatement (Third) of Unfair Competition, *supra* note 9, §39, cmt *a* at 425-426 (stating that trade secret protection encourages research by providing the opportunity to capture the returns of innovation but that the scope of protection is limited by the freedom to copy information not protected by patent, copyright, and trademark law by proper means). The Restatement also refers to trade secret protection as preventing unfair competition, unjust enrichment attributable to bad faith, breaches of confidence, and improper physical intrusions, and as encouraging disclosure of information to employees, agents, and licensees. See *id.* Although the Restatement does not mention it, employees' interest in job mobility also is impacted by trade secret protection, which can limit the ability an employee to whom trade secrets have been disclosed in confidence to change jobs. See, generally, Comment, "The Secret's Out: California's Adoption of the Uniform Trade Secrets Act—Effects on the Employer-Employee Relationship," 20 LOY. L. REV. 1167 (1987).

¹² See, generally, Michael Risch, "Why Do We Have Trade Secrets," 11 Marq. Intell. Prop. L. Rev. 1, 26-28 (2007)(arguing that trade secret protection is justified by its economic effects, which include providing an incentive to innovate).

¹³ 4 Restatement of Torts §§757-759 (1939)[hereinafter Restatement of Torts].

¹⁴ See, e.g., *Curtiss-Wright Corp. v. Edel-Brown Tool & Die Co.*, 381 Mass. 1, 5-8, 407 N.E.2d 319, 323-25 & nn.4-6 (1980) (following the Restatement's concept of liability). The Restatement focused upon liability with only limited discussion of remedies and no treatment of the statute of limitations. See *supra* note 13.

(Second) of Torts.¹⁵ The Uniform Act¹⁶ was proposed by the National Conference to fill the gap left by the Restatement (Second) by elaborating the common-law principles reflected in the 1939 Restatement.¹⁷

The Uniform Act initially was approved by the National Conference in 1979,¹⁸ with four Official Amendments added in 1985.¹⁹ In 1995, the Restatement (Third) of Unfair Competition reinstated Restatement coverage of trade secret law, generally following the Uniform Act's approach.²⁰ The Act defines a protectable trade secret as information that is the subject of reasonable efforts to maintain secrecy and that derives independent economic value from not being generally known to, and not being readily ascertainable by proper

¹⁵ See 4 Restatement (Second) of Torts at 1-2 (1979)(stating that trade secret law had become independent of tort law).

¹⁶ See Unif. Trade Secrets Act, *supra* note 2.

¹⁷ See *id.*, at 531 (stating that the Uniform Act provides a unified theory of trade secret protection with a single statute of limitations and appropriate remedies). The 1939 Restatement substantially omitted discussion of remedies and did not address the statute of limitations at all. See *supra* notes 13 & 14.

¹⁸ See *supra* note 2, at 530.

¹⁹ See *id.* The four Official Amendments were adopted in response to four issues under the 1979 Official Text of the Uniform Act raised by the American Bar Association Section of Patent, Trademark and Copyright Law. See 1981 A.B.A. Sec. Pat., Trademark, & Copyright L. Proc. 30-31. The ABA Section recommended amending Section 7 to make clear that state remedies for breach of contract were not preempted, amending Section 3 to allow reasonable royalty damages if neither a plaintiff's actual loss nor a defendant's unjust enrichment were provable, amending Section 2(b) to limit injunctions allowing future use upon payment of a reasonable royalty to exceptional circumstances, and amending Section 11 to clarify that the Uniform Act does not apply to a continuing misappropriation that began prior to its effective date. See *id.* (Resolutions 206-3 to 206-6)

²⁰ See Restatement (Third) of Unfair Competition, *supra* note 9, §39, cmt *b.*, at 427 ("Except as otherwise noted, the principles of trade secret law described in this Restatement are applicable to actions under the Uniform Trade Secrets Act as well as to actions at common law. The concept of a trade secret as defined in this Section is intended to be consistent with the definition of "trade secret" in §1(4) of the Act.").

means by, persons who can obtain economic value from its disclosure or use.²¹

Trade secret misappropriation is conduct that one knows or has reason to know involves improper acquisition, disclosure, or use of another's trade secret.²²

B. The General Injunctive Provisions of the Uniform Act

Section 2(a) of the Uniform Act provides:

Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when a trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.²³

These provisions are in force in most enacting jurisdictions. The first sentence of Section 2(a) is a barebones authorization of discretionary equitable relief against actual and threatened misappropriation under general equitable

²¹ See Unif. Trade Secrets Act, *supra* note 2, §1(4) at 538 ("Trade Secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.").

²² See *id.* §1(2) at 537 ("Misappropriation" means: (i) acquisition of 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 had 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) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.").

²³ See *id.* §2(a), at 619. Sections 2(b) & (c) deal with specific types of injunctions. Section 2(b), which was officially amended in 1985, in exceptional circumstances authorizes an injunction to condition future use upon payment of a reasonable royalty and Section 2(c), which was not officially amended in 1985, authorizes a court to compel affirmative acts, like surrender of misappropriated blueprints, in order to protect a trade secret. See *id.* §2(b)&(c).

principles,²⁴ which require that a complainant suffer irreparable harm if an injunction is not granted.²⁵ Some jurisdictions rebuttably presume that trade secret misappropriation causes irreparable harm.²⁶ Others require affirmative proof.²⁷

²⁴ See *Proctor & Gamble Co. v. Stoneham*, 140 Ohio App.3d 260, 268-269, 747 N.E.2d 268, 273-274 (1st Dist. 2000), *appeal held in abeyance pending consummation of settlement*, 91 Ohio St.3d 1454, 742 N.E.2d 657 (table), *appeal dismissed*, 91 Ohio St.3d 1478, 744 N.E.2d 775 (2001)(table)(stating that the Uniform Act authorizes injunctive relief without providing statutory guidelines and normal equity rules apply). *Accord*, *Bishop & Co. v. Cuomo*, 799 P.2d 444, 445-447 (Colo. App. Div. C 1990)(stating that the Colorado version of Uniform Act §2(a) is insufficiently detailed to conflict with or to displace the Colorado court rule requiring irreparable harm for a preliminary injunction to be granted).

²⁵ See *id.* But see Thomas L. Casagrande, “Permanent Injunctions in Trade Secret Actions, 28 AIPLA Q.J. 113, 139 (2000)[hereinafter Casagrande](stating that “subject to the principles of equity” should be added to Uniform Act §2(a)). Casagrande argued that the courts’ failure to limit injunctions in trade secret cases to the prevention of irreparable harm has led to serious mistakes. See *id.*, at 139 (“In trade secret cases, courts exceed their equitable powers when they enter injunctions that not limited to the prevention of irreparable harm, but instead purport to compensate the plaintiff or punish the defendant.”).

²⁶ See *FMC Corp. v. Taiwan Tainan Giant Indus. Co.*, 730 F.2d 61, 63 (2d Cir.1984)(per curiam)(applying New York law)(“The only question remaining, then, is whether FMC has established irreparable harm. The district court correctly found that the information in question is of great value to FMC, and it is clear that the loss of trade secrets cannot be measured in money damages....A trade secret once lost is, of course, lost forever.”).

See also *Winter v. National Defense Counsel*, 555 U.S. 7, 129 Sup. Ct. 365 (2008), the United States Supreme Court rejected the Ninth Circuit position that a preliminary injunction could issue upon a demonstration of a strong likelihood of prevailing upon the merits plus the “possibility” of irreparable harm. *Id.*, 555 U.S. at --, 129 Sup. Ct. at 375-377 (“Issuing a preliminary injunction based only on a possibility of irreparable harm is inconsistent with our characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.”).

See also *Sky Capital Group, LLC v. Rojas*, 2009 WL 1370938 at *2 (D. Idaho 2009)(unpublished)(interpreting *Winter* as rejecting a presumption of irreparable harm)(“Thus, no longer are plaintiffs granted the presumption of irreparable harm upon a showing of likelihood of success on the merits.”).

²⁷ See, e.g., *Faiveley Transport Malmö AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir. 2009)(reanalyzing New York law)(“A rebuttable presumption of irreparable harm might be warranted in cases where there is a danger that, unless enjoined, a misappropriator of trade secrets will disseminate those secrets to a wider audience or otherwise irreparably impair the value of those secrets. Where a misappropriator seeks only to use those secrets without further dissemination or irreparable impairment of value in-pursuit of profit, no such presumption is warranted...”); *Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, 2010 WL 3370286 at *3 (N.D. Ohio 2010)(unpublished)(“[E]ven though Allied has won on the merits at trial, it has not shown by clear and convincing evidence that it has not been adequately compensated by the jury’s award, and therefore has not proven that it has suffered irreparable harm. Accordingly, this Court believes a permanent injunction to be inequitable...”).

An enforceable agreement that breach of a contract not to disclose trade secrets will cause irreparable harm to a person with trade secret rights is comparable to a presumption of irreparable harm. See *Veliz v. Cintas Corp.*, 2004 WL 2452851 *12, *25 (N.D. Cal. 2004), *modified on other grounds*, 2005 WL 1048699 (N.D. Cal. 2005)(unpublished)(“[T]he Irreparable Harm Clause...does not expand Cintas’ rights in Connecticut. It merely

The second sentence of Section 2(a) deals with the effect of subsequent loss of secrecy upon prior injunctive relief for misappropriation.

Although enacting states have made a number of substantive nonuniform amendments to other provisions of the Uniform Act,²⁸ the nonuniform amendments to the first sentence of Section 2(a) typically have not been substantive and the substantive nonuniform amendments to the second sentence exist in only six states. The 1985 Official Amendments, which have not been adopted by all enacting states,²⁹ do not affect Section 2(a).³⁰

The nonuniform amendments to the first sentence of Section 2(a) elaborate its scope by, for example, making explicit reference to temporary and permanent injunctions,³¹ and by stating that an injunction must contain “equitable terms”.³² On the other hand, the nonuniform amendments to the second sentence of Section 2(a) are substantive. Alabama and Colorado delete the second sentence

mirrors them. Connecticut’s trade secret law provides that an aggrieved party may obtain an injunction without showing irreparable harm.”).

²⁸ See Pooley, *supra* note 10, at 2-30.3 (“The major drawback of the Uniform Trade Secrets Act is that it is not uniform.”).

²⁹ See *id.* (“[T]here were two versions promulgated by the National Conference of Commissioners, one in 1979 and another in 1985. Some states adopted the first, some the second, and some a combination of the two.”).

³⁰ See note 19 *supra* (discussing the 1985 Official Amendments).

³¹ *E.g.*, Colo. Rev. Stat. Ann. tit 7 art. 74 §7-74-103 (2010)(reference to “temporary and final injunctions”); Ore. Rev. Stat. Ann. tit. 50 ch.646 §646.463(1)(2009)(“misappropriation may be temporarily, preliminarily or permanently enjoined”).

³² Colo. Rev. Stat. Ann. tit 7 art. 74 §7-74-103 (2010)(“injunctions...may be granted on such equitable terms as the court deems reasonable....”).

entirely.³³ Illinois accomplishes the same result by making the termination of an injunction after a trade secret has ceased to exist discretionary.³⁴ Like Georgia and Tennessee, the Illinois amendments also provide that an injunction can continue after a trade secret has ceased to exist “in appropriate circumstances.”³⁵ Illinois, Georgia, Nevada, and Tennessee identify additional circumstances in which an injunction can continue,³⁶ the most common of which is a trade secret’s cessation being caused by the wrongful conduct of the defendant or others.³⁷ But, if a misappropriator’s conduct has made a trade secret generally known, it is more appropriate to hold the misappropriator liable in damages for the trade secret’s value³⁸ than to restrain the misappropriator’s use of the trade secret for

³³ See Michie’s Ala. Code tit 8 ch. 27 §8-27-4(1)(a)(2010 Supp.); Colo. Rev. Stat. Ann. tit. 7 art. 74 §7-74-103 (2010).

³⁴ See Ill. Comp. Stat. Ann. ch.765 §1065/3(a)(2010)(“an injunction may be terminated when the trade secret has ceased to exist....”).

³⁵ See *id.* (“the injunction may be continued for an additional reasonable period of time in appropriate circumstances....”). Georgia and Tennessee also allow an injunction to continue after a trade secret has ceased to exist in “appropriate circumstances”. See Georgia Code Ann. tit. 10 §10-1-762(a)(2009) & (2010 Supp.)(“the injunction may be continued for an additional reasonable period of time in appropriate circumstances....”); Tenn. Code Ann. tit. 47 ch. 25 §47-25-1703(a)(2001) & (2010 Supp.)(“the injunction may be continued for an additional reasonable period of time in appropriate circumstances....”).

³⁶ See Georgia Code Ann. tit. 10 §10-1-762(a)(2009) & (2010 Supp.)(“where the trade secret ceases to exist due to the fault of the enjoined party or others by improper means”); Ill. Comp. Stat. Ann. ch.765 §1065/3(a) (2010)(“deterrence of willful and malicious misappropriation, or where the trade secret ceases to exist due to the fault of the enjoined party or others by improper means”); Michie’s Nev. Rev. Stat. Ann. ch. 600A §600A.040 (1)(2010)(“other advantage that otherwise would be derived from the misappropriation”); and Tenn. Code Ann. tit. 47 ch. 25 §47-25-1703(a)(2001) & (2010 Supp.)(“deterrence of willful and malicious misappropriation, or where the trade secret ceases to exist due to the fault of the enjoined party or others by improper means”).

³⁷ Georgia, Illinois, and Tennessee have adopted this nonuniform amendment. See *supra* notes 34-35.

³⁸ See, e.g., *Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp.*, 435 F.2d 1262, 1263-1264 (5th Cir. 1970)(per curiam), *cert. den. sub nom.*, *Shappell v. Martin-Marietta Corp.*, 404 U.S. 1002 (1971)(complainant awarded the investment value of trade secrets destroyed by the defendant’s unauthorized disclosure). See, generally, Restatement (Third) of Unfair Competition, *supra* note 9, §44, cmt *f.*, at 504 (“[I]f the defendant’s public disclosure results in extensive use of the information by others, a continuing injunction against the defendant may

longer than the duration of any commercial advantage derived from misappropriation.³⁹ Loss of secrecy makes long-term injunctive relief anticompetitive.⁴⁰

Illinois and Tennessee also allow continuation of an injunction notwithstanding a trade secret's loss of secrecy in order to punish "willful and malicious misappropriation."⁴¹ This nonuniform amendment reverses the Uniform Act's rejection of "punitive perpetual injunctions" and general limitation of the duration of injunctive relief,⁴² inviting unwarranted restraint of competition.⁴³ Finally, a Nevada nonuniform amendment allows an injunction to continue notwithstanding a trade secret's loss of secrecy in order preclude a noncommercial advantage derived from misappropriation.⁴⁴ Because trade

yield little benefit to the plaintiff. It may also be difficult to determine the appropriate duration of the injunction....in some cases, a court may properly conclude that monetary relief is a sufficient remedy.").

³⁹ The second sentence of Uniform Act Section 2(a) allows a court to enjoin a misappropriator's enjoyment of a commercial advantage derived from misappropriation no matter how a trade secret has become generally known. *See* Unif. Trade Secrets Act, *supra* note 2, §2(a)(2d sentence), at 619.

⁴⁰ *See* Restatement (Third) of Unfair Competition, *supra* note 9, §44, cmt c., at 500-501 ("If the trade secret has already entered the public domain, an injunction may be appropriate to remedy any head start or other unfair advantage acquired by the defendant as a result of the appropriation. However, if the defendant retains no unfair advantage from the appropriation, an injunction against the use of information that is no longer secret can be justified only on a rationale of punishment and deterrence. Because of the public interest in promoting competition, such punitive injunctions are ordinarily inappropriate in trade secret actions.").

⁴¹ *See supra* notes 34-35 *supra*.

⁴² *See* Unif. Trade Secrets Act, *supra* note 2, §2 cmt. at 619 ("Although punitive perpetual injunctions have been granted,...Section 2(a) of this Act adopts the position of the trend of authority limiting the duration of injunctive relief....").

⁴³ *See supra* note 40.

⁴⁴ The Nevada nonuniform language referring to "other advantage that otherwise would be derived from the misappropriation" immediately follows the Nevada enactment of the reference to "commercial advantage" in the Official Text of the Uniform Act and accordingly refers to noncommercial advantage. *Supra* note 23 and accompanying text.

secret rights are most appropriately recognized in commercial contexts,⁴⁵ the vague and unnecessary Nevada nonuniform amendment all too easily could morph into a purported justification for a long-term injunction against a willful misappropriator.

The Uniform Act tersely authorizes injunctive relief with respect to “threatened misappropriation,”⁴⁶ allowing other state law to elaborate the concept. The common-law “inevitable disclosure” theory of PepsiCo, Inc. v. Redmond⁴⁷ has been treated as Uniform Act “threatened misappropriation” in some states.⁴⁸ In PepsiCo the Seventh Circuit Court of Appeals affirmed a preliminary injunction⁴⁹ under the Illinois enactment. The injunction enjoined Mr. Redmond, who had signed a confidentiality agreement with PepsiCo, from at any time disclosing PepsiCo’s trade secrets to Quaker Oats (Quaker) and also from assuming a comparable position with Quaker for approximately five and one half

⁴⁵ See Restatement (Third) of Unfair Competition, *supra* note 9, §40, cmt. c., at 456 (“The scope of liability at common law and under the Uniform Trade Secrets Act for disclosures that do not involve commercial exploitation of the secret information is unclear.”).

⁴⁶ See Unif. Trade Secrets Act, *supra* note 2, §2(a)(1st sentence), at 619 (“threatened misappropriation may be enjoined”).

⁴⁷ PepsiCo., Inc. v. Raymond, 54 F.3d 1262 (7th Cir. 1995).

⁴⁸ See *id.* at 1269 (“The defendants are incorrect that Illinois law does not allow a court to enjoin the “inevitable” disclosure of trade secrets.”) & Elizabeth Rowe, “When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine,” 7 Tul. J. Tech. & Intell Prop. 167, 181 (2005)(“The Seventh Circuit....proceeded to analyze the case treating inevitable disclosure interchangeably with threatened misappropriation.”). Charles Graves and James Diboise portray the inevitable disclosure theory as “[t]he single biggest threat to innovation under trade secret law.” Charles T. Graves & James A. Diboise, “Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation?,” 1 Entrepren. Bus. L.J. 323, 337 (2007)(“The biggest single threat to innovation under trade secret law is the so-called “inevitable disclosure theory....”).

⁴⁹ See notes 64-66 *infra* and accompanying text (discussing the distinction between preliminary and permanent injunctions).

months.⁵⁰ The trial court found that Redmond's breach of his confidentiality agreement with PepsiCo would be inevitable without injunctive relief for three reasons: (1) the direct competition between PepsiCo and Quaker; (2) the close relationship between Redmond's new position at Quaker and his former position at PepsiCo;⁵¹ and (3) Redmond's and Quaker's lack of candor."⁵²

In Whyte v. Schlage Lock Co.⁵³ a case with "strikingly similar" facts to PepsiCo,⁵⁴ a California intermediate appellate court "completely rejected" the PepsiCo theory under the California enactment.⁵⁵ The court emphasized that the PepsiCo approach unjustifiably impairs employee mobility by imposing the equivalent of a contract not to compete upon an employee who has not agreed to

⁵⁰ See *PepsiCo, Inc. v. Raymond* 54 F.3d 1262, 1272 (7th Cir. 1995)("[W]e affirm the district court's order enjoining Redmond from assuming his responsibilities at Quaker through May, 1995, and preventing him forever from disclosing PCNA trade secrets and confidential information.").

⁵¹ See *id.*, at 1269 ("The district court concluded...that unless Redmond possessed an uncanny ability to compartmentalize information, he would necessarily be making decisions about Gatorade and Snapple by relying on his knowledge of PCNA trade secrets."). See also *id.* at 1267 ("On December 15, 1994, the district court issued an order enjoining Redmond from assuming his position at Quaker Oats through May, 1995, and permanently from using or disclosing any PCNA trade secrets or confidential information.").

⁵² See *id.*, at 1270 ("The district court also concluded from the evidence that Uzzi's actions in hiring Redmond and Redmond's actions in pursuing and accepting his new job demonstrated a lack of candor on their part and proof of their willingness to misuse PCNA trade secrets....").

⁵³ *Whyte v. Schlage Lock Co.*, 101 Cal. App.4th 1443, 125 Cal. Rptr.2d 277 (4th Dist. 2002)[hereinafter *Whyte*].

⁵⁴ See *id.*, 101 Cal. App.4th at 1460, 125 Cal. Rptr.2d at 291 ("Schlage asserts the facts here are 'strikingly similar' to *PepsiCo's*, and we are inclined to agree.").

⁵⁵ See *id.*, 101 Cal. App.4th at 1463, 125 Cal. Rptr.2d at 293 ("Lest there be any doubt about our holding, our rejection of the inevitable disclosure doctrine is complete."). An earlier California intermediate court of appeal decision had adopted the inevitable disclosure theory in dictum. See *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr.2d 680, 684 (Cal. App. 2d Dist. 1999) (dictum) (unpublished) ("Although no California court has yet adopted it, the inevitable disclosure rule is rooted in common sense and calls for a fact specific inquiry. We adopt the rule here.").

refrain from competing.⁵⁶ Whyte has been followed under the Maryland enactment.⁵⁷

The 2010 Third Circuit panel decision in Bimbo Bakeries USA, Inc. v. Botticella⁵⁸ gave new life to the PepsiCo theory. Chris Botticella (Botticella), a senior executive at Bimbo Bakeries (Bakeries), who had signed a confidentiality agreement, resigned after accepting a similar position at Hostess Brands, Inc. (Hostess), a principal competitor of Bakeries.⁵⁹ Bakeries sued Botticella in order to protect its trade secrets. On 2/9/10, a federal district judge ruled that the Pennsylvania common-law version of the inevitable disclosure theory was satisfied by evidence of “at least a substantial threat of disclosure of a trade secret.”⁶⁰ The district judge issued a preliminary injunction under the Pennsylvania enactment restraining Botticella from commencing employment with Hostess and from disclosing any of Bakeries’ trade secrets, proprietary, or confidential information to any third person until a determination on the merits in

⁵⁶ See *Whyte*, *supra* note 53, 101 Cal. App.4th at 1461-1464 at 463, 125 Cal Rptr.2d at 292-294 at 293 (“As a result of the inevitable disclosure doctrine, the employer obtains the benefit of a contractual provision that it did not pay for, while the employee is bound by a court-imposed contract provision with no opportunity to negotiate terms or consideration.”).

⁵⁷ See *LeJeune v. Coin Acceptors, Inc.*, 381 Md. 288, 320-323 at 322, 849 A.2d 451, 470-472 at 471 (2004)(“We find this reasoning [of the *Whyte* case] persuasive....”)(material in brackets supplied).

⁵⁸ *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102 (3d Cir. 2010)[hereinafter *Bimbo Bakeries*].

⁵⁹ See *id.*, at 104-108.

⁶⁰ See *Bimbo Bakeries USA, Inc. v. Botticella*, 2010 WL 571774, at *12 (E.D. Pa. 2010).

the trial scheduled to begin on 4/12/10.⁶¹ Botticella made an interlocutory appeal to the Third Circuit Court of Appeals; whereupon the district judge stayed the trial pending resolution of the appeal.⁶² On 7/27/10 a panel of the Third Circuit affirmed, approving the district judge’s “substantial threat of disclosure of a trade secret” test for inevitable disclosure and rejecting Botticella’s contention that inevitable disclosure required proof that it would be “virtually impossible” for an employee to fulfill his obligations to a new employer without disclosing a former employer’s trade secrets.⁶³

C. Types of Injunctive Relief

There are two general types of injunctive relief. Permanent injunctions are issued after a trial on the merits;⁶⁴ whereas provisional injunctions are issued prior to a trial on the merits in order to preserve the situation that existed before

⁶¹ *See id.*, at *17. Botticella also was ordered to return any of Bakeries’ confidential or proprietary information in his possession in whatever form it existed. *See id.*

⁶² *Bimbo Bakeries*, *supra* note 58, at 108.

⁶³ *See id.*, 613 F.3d at 114-117. The appellate panel commented: “[T]he district court in this case applied the correct legal standard.” *See id.*, at 117.

Bimbo Bakeries does not stand for the proposition that the Pennsylvania common-law version of the inevitable disclosure theory justifies a preliminary injunction against working for a principal competitor for an extended period of time. In evaluating the harm to Botticella from the preliminary injunction, the appellate panel noted that Botticella was entitled to eleven weeks of accrued vacation pay from Bakeries and that Botticella had extended the duration of the preliminary injunction by pursuing an interlocutory appeal. *See id.*, at 118-119 & n.15.

⁶⁴ *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531, 546 n.12 (1987)(“The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of success on the merits rather than actual success.”).

a controversy arose.⁶⁵ In a trade secret case, a provisional injunction preserves the situation that existed prior to a defendant's alleged misappropriation.⁶⁶

Under the Federal Rules of Civil Procedure⁶⁷ and their state counterparts, there are two types of provisional injunctions - temporary restraining orders and preliminary injunctions.⁶⁸ Unless renewed for a like period, temporary restraining orders, which are issued on motion for cause without notice to the opposing party,⁶⁹ must expire no later than 14 days after entry.⁷⁰ In contrast, preliminary injunctions are issued after notice to the other party⁷¹ of a hearing at which testimony can be presented with respect to disputed material facts.⁷²

⁶⁵ See, e.g., *GoTo.Com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1210 (9th Cir. 2000) (“The status quo ante litem refers not simply to any situation before the filing of a lawsuit, but instead to ‘the last uncontested status which preceded the pending controversy’ ...”).

⁶⁶ See *id.* (“In this case [an action for trademark infringement], the status quo ante litem existed before Disney began using its allegedly infringing logo.”)(material in brackets supplied).

⁶⁷ Fed. R.Civ.P. 1-86. Notwithstanding the variations in state procedural rules, an understanding of practice under the Federal Rules of Civil Procedure is useful in most jurisdictions. See 1 Melvin F. Jager, *Trade Secrets Law 7-7* (West 2010)[hereinafter 1 Jager] (“Despite the variance in state laws, an understanding of the practice under Rule 65 of the Federal Rules of Civil Procedure [dealing with temporary restraining orders and preliminary injunctions]...will be useful in most jurisdictions.”)(material in brackets supplied).

⁶⁸ See Fed. R. Civ. P. 65(a)-(c)(providing for temporary restraining orders and preliminary injunctions).

⁶⁹ A motion for a temporary restraining order must be accompanied by an affidavit or a verified complaint clearly showing that immediate and irreparable damage will result to the movant before the opponent can be heard and the movant's attorney's written certification of any efforts to give notice and the reasons why notice should not be required. See *id.*, Rule 65(b)(1).

⁷⁰ See *id.*, Rule 65(b)(2).

⁷¹ See *id.*, Rule 65(a)(1).

⁷² See, e.g., *Visual Sciences, Inc. v. Integrated Communications, Inc.*, 660 F.2d 56, 58 (2d Cir. 1981) (“Where, as here, essential facts are in dispute, there must be a hearing..., and appropriate findings of fact must be made....The opposing party must be afforded the opportunity to cross-examine the moving party's witnesses and to present evidence.”); *Sims v. Greene*, 161 F.2d 87, 88 (3d Cir. 1947) (“We conclude that the preliminary injunction must be set aside....The allegations of the pleadings and affidavits filed in the cause are conflicting. Such conflicts must be resolved by oral testimony....The truth of the matter is that Greene was given no fair opportunity to present testimony prior to the issuance of the preliminary injunction.”). But see *Int'l Molders' & Allied Workers' Local Union No. 164 v. Nelson*, 799 F.2d 547, 555 (9th Cir. 1986) (“Here some facts are in dispute, but the real problem

If a temporary restraining order is issued without notice, a motion for a preliminary injunction must be set for a hearing at the earliest possible time.⁷³

Unless a party would be denied a right to a jury trial, either before or after the beginning of a hearing on a motion for a preliminary injunction, a federal district court has discretion to consolidate a trial upon the merits with the hearing on the motion for a preliminary injunction.⁷⁴ A preliminary injunction may or may not have an express expiration date,⁷⁵ but invariably is reconsidered after resolution of the merits of a case.⁷⁶

A court has discretion whether to issue any injunction. A multi-factor test typically guides the exercise of discretion with respect to both preliminary and

involves the application of correct substantive law to those facts. The INS apparently never requested an opportunity to present oral testimony. In at least one circuit, failure to request an evidentiary hearing constitutes a waiver....The district court did not abuse its discretion in granting the preliminary injunction without an evidentiary hearing.”).

⁷³ See Fed. R. Civ. P. 65(b)(3).

⁷⁴ See *id.*, Rule 65(a)(2). A trial court should give clear and unambiguous notice of its intention to consolidate a hearing upon a motion for a preliminary injunction with a trial upon the merits. See *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981)(“Before ...an order [to consolidate a hearing upon a motion for a preliminary injunction] may issue...the courts have commonly required that ‘the parties receive clear and unambiguous notice....’”).

⁷⁵ Compare *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 974-975 (9th Cir. 1991)(affirming a preliminary injunction with a duration of eight months), with *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471, 474-475 (9th Cir. 1974)(a preliminary injunction without an express limitation upon duration lasted for twenty-seven months)(semble). If a case remained pending, a preliminary injunction with an express expiration date, of course, could be renewed.

⁷⁶ See *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981)(“A party...is not required to prove his case in full at a preliminary-injunction hearing...and the findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding at trial on the merits.”). But see *Am General Corp. v. Daimlerchrysler Corp.*, 246 F. Supp.2d 1030, 1035 (N.D. Ind. 2003)(“The extensiveness and timing of the preliminary injunction hearing in this case makes this case far different from *University of Texas v. Camenisch*....[T]he court finds that its interpretation of the 1983 agreements deserves preclusive effect.”).

Some preliminary injunctions expressly provide for termination when a decision is made with respect to a permanent injunction. See, e.g., *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1266 (3d Cir. 1985)(“The fifth paragraph of the preliminary injunction provides that it will terminate upon disposition of the application for a final injunction....”).

permanent injunctions. Although the emphasis given to each factor may vary in different jurisdictions, in Winter v. National Resources Defense Council,⁷⁷ the United States Supreme Court summed up the commonly used factors in the context of a preliminary injunction:

A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.⁷⁸

The first factor is irrelevant with respect to a permanent injunction, which is issued after a plaintiff has prevailed at trial.⁷⁹ After misappropriation has been proved at trial, a court also may be willing to presume that continued misappropriation will cause irreparable harm.⁸⁰ But whether the threatened injury to the plaintiff outweighs the harm that a permanent injunction would do

⁷⁷ Winter v. Nat'l Res. Def. Council, 555 U.S. 7, 129 Sup. Ct. 365 (2008).

⁷⁸ *See id.*, 555 U.S. at --, 129 Sup. Ct. at 374. The balance of equities involves consideration of the competing claims of injury and the effect on each party of the granting or withholding of relief. *See id.*, 555 U.S. at --, 129 Sup. Ct. at 376 ("In each case, courts 'must balance the competing claims of injury and must consider the effect on each party of the granting or the withholding of the requested relief.'").

See generally Pooley, *supra* note 10, at 7-9 & 7-10 (stating that these are the most often mentioned factors though the weight given to each can vary in different jurisdictions). To the extent that a state's factors have a different emphasis from a federal district court's factors, in a diversity case a federal court applies its own factors to the temporary restraining orders and preliminary injunctions dealt with by Federal Rule of Civil Procedure 65. *See, e.g.*, Ferrero v. Associated Materials, Inc., 923 F.2d 1441, 1448 (11th Cir. 1991)("[W]e apply federal procedure to determine whether the preliminary injunction was properly issued."). On the other hand, a state's factors apply to permanent injunctions. *See, e.g.*, Hanger Prosthetics & Orthotics, Inc., v. Morgan, 2000 WL 1843820 at *1 (S.D. Ala. 2000)(unpublished)("In a diversity case, whether to grant a permanent injunction is governed by state law.").

⁷⁹ *See* Amoco Prod. Co. v. Village of Gambell, 480 U.S. 531, 546 n.12 (1987)("The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that that the plaintiff must show a likelihood of success on the merits rather than actual success.").

⁸⁰ *See* Pooley, *supra* note 10, at 7.32.7 ("[O]nce the misappropriation has been proved there is a tendency to presume that future harm will be irreparable.").

to the defendant and whether a permanent injunction is in the public interest remain highly relevant to the issue of a permanent injunction.⁸¹

Dictum in Boeing Co. v. Sierracin Corp.,⁸² has been construed as declaring irreparable harm to be irrelevant to the issue of a Uniform Act permanent injunction.⁸³ But this is a misreading of both the Uniform Act and the Boeing case. The Uniform Act leaves the necessity of proving irreparable harm to other state law,⁸⁴ and the Washington Supreme Court alluded to the evidence of irreparable harm in the Boeing trial court record.⁸⁵

⁸¹ See *id.* at 7.32.7 (“The rules... with respect to provisional injunctive relief generally apply also at trial.”).

⁸² Boeing Co. v. Sierracin Corp., 108 Wash.2d 38, 738 P.2d 665 (1987)(en banc)[hereinafter *Boeing*]. See *id.*, 108 Wash. 2d at 62, 738 P.2d at 681 (material in brackets supplied)(“Sierracin argues that a finding of irreparable harm must be entered to support the trial judge’s injunction. We disagree. Neither the Uniform Trade Secrets Act nor the civil rules about injunctions require such a finding.”).

⁸³ See, e.g., 1 Jager, *supra* note 67, at 7-41(“Neither the common law nor the Uniform Trade Secrets Act required a finding of “irreparable harm” for a permanent injunction.”).

⁸⁴ See Capital Tool & Mfg. Co. v. Maschinenfabrik Herkules, 837 F. 2d 171, 172-173 (4th Cir. 1988)(stating that the Uniform Act does not displace a Virginia statute requiring “equity” for a temporary injunction); Bishop & Co. v. Cuomo, 799 P.2d 444, 445-447 (Colo. App. Div. C 1990)(stating that the Colorado version of Uniform Act §2(a) is insufficiently detailed to conflict with or to displace the Colorado court rule requiring irreparable harm for a preliminary injunction to be granted). But see Union Nat’l Life Ins. Co. v. Tillman, 143 F. Supp. 2d 638, 641-642 (N.D. Miss. 2000) (dictum)(stating that violation of the Uniform Act is sufficient irreparable injury to warrant a preliminary injunction). The *Tillman* court in fact found that the plaintiff had proved irreparable injury. See *id.*, at 644-645 (stating that the plaintiff had proved irreparable harm).

⁸⁵ See Boeing, *supra* note 82, 108 Wash.2d at 64-65, 738 P.2d at 681 (“The potential harm to Boeing as trade secrets holder extends beyond a mere calculation of money damages. Failure to enjoin present and future copying would be inequitable, allowing Sierracin to profit from use of its ill-gotten gains. Such failure would also subject Boeing to repeated pirating of its trade secrets.”). See also Ossur Holdings, Inc. v. Bellacure, Inc., 2005 WL 3434440 at *8 (W.D. Wash. 2005)(unpublished)(“Although the Washington Supreme Court [in *Boeing*] has upheld an injunction in a trade secrets case where the trial court failed to expressly cite findings related to irreparable harm, the court went on to discuss the existence of such harm – seeming to indicate that the degree of harm retains a role in the analysis.”)(material in brackets supplied). In other words, read closely, *Boeing* holds that, if the record establishes that irreparable harm exists, a permanent injunction can be issued by a trial court without a formal finding of irreparable harm. *Boeing* contains no indication that a finding of irreparable harm is unnecessary with respect to a preliminary injunction. See Calence, L.L.C. v. Dimension Data Holdings, PLC, 222 Fed. Appx. 563, 566 (9th Cir. 2007)(unpublished)(“[Notwithstanding *Boeing*], the district court did not err in failing to *presume*

It is strategically important for a person with trade secret rights to prevail the first time that an injunction is sought.⁸⁶ Unless the material facts are clear, it is prudent to eschew a temporary restraining order and to request a preliminary injunction in the complaint. Prior to moving for a preliminary injunction, a plaintiff should conduct expedited discovery.⁸⁷ If the discovery is not sufficiently helpful, the plaintiff should not seek a preliminary injunction.

This article focuses on the extent to which a permanent injunction issued following resolution of the merits of a trade secret case under the Uniform Act should have an express expiration date. A permanent injunction without an expiration date sometimes is referred to as a “perpetual injunction”.⁸⁸ But this is misleading. Changed circumstances can justify the dissolution of any injunction. Federal Rule of Civil Procedure 60(b)(5)⁸⁹ and its state counterparts authorize a court that has issued an injunction without an expiration date to dissolve the

irreparable harm because of alleged trade secret loss [in declining to issue a preliminary injunction].”(material in brackets supplied).

⁸⁶ See Pooley, *supra* note 10, at 10-11 (“Even though an unsuccessful application in theory should not affect a later request for a preliminary or permanent injunction, the psychological effect can be difficult to overcome.”).

⁸⁷ See *id.* (“Often it is more prudent to request preliminary relief in the complaint, and apply first only for expedited discovery.”). An emergency application for expedited discovery by a person with trade secret rights requests relief from statutes and court rules that impose waiting periods upon discovery and that give a defendant an opportunity to start discovery before a plaintiff. See *id.*, at 11-5.

A preliminary injunction need not be requested in a complaint, but doing so is some evidence of irreparable harm. See *Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, 2010 WL 3370286 at *2 (N.D. Ohio 2010)(unpublished)(“An injunction does not need to be requested in the initial complaint....However, a delay in the request for an injunction weighs against a finding of irreparable harm.”).

⁸⁸ See, e.g., Casagrande, *supra* note 25, at 114 n.1 (“Where this article refers to injunctions that are permanent in duration, it will use the term “perpetual” to describe such injunctions.”).

⁸⁹ See Fed. R. Civ. P. 60(b)(5).

injunction because it is no longer equitable to enforce it. It is more accurate to refer to an injunction of indefinite duration as an injunction without an express limit upon its duration.

III. UNIFORM ACT TREATMENT OF PERMANENT INJUNCTION DURATION

A. Common-Law Approaches Prior to the Adoption of the Uniform Act

Prior to the 1979 promulgation of the Uniform Act, three distinct common-law lines of authority existed with respect to the availability and the duration of permanent injunctions restraining misappropriation of trade secrets that had lost trade secret status by becoming generally known: the Shellmar, Conmar, and Winston Research approaches.⁹⁰

Shellmar Prods. Co. v. Allen-Qualley Co.⁹¹ involved a bill of review⁹² by the defendant in a trade secret case seeking dissolution of a permanent injunction without an express limit upon its duration. The injunction restrained making, using, or selling a specific type of food wrapping, and using, revealing, or making

⁹⁰ See 1 Jager, *supra* note 67, §§6:9-10 & 7:14 (discussion of the *Shellmar*, *Conmar*, and *Winston Research* rules).

⁹¹ *Shellmar Prods. Co. v. Allen-Qualley Co.*, 87 F.2d 104 (7th Cir. 1936), *cert. den.*, 301 U.S. 695 (1937)[hereinafter *Shellmar*].

⁹² See generally Fed. R. Civ. P. 60(b)(5)(authorizing a court to dissolve an injunction that it is no longer equitable to enforce), the modern counterpart of the bill of review in *Shellmar*. See *Infra* note 149 and accompanying text for discussion of Rule 60(b)(5).

known the processes and machinery used in manufacturing the food wrapping.⁹³ The justification for ending the injunction was the full disclosure of the plaintiff's trade secrets by two United States patents and one British patent issued after the trial court's final decree.⁹⁴ In affirming the trial court's dismissal of the bill of review, the Seventh Circuit Court of Appeals conceded that the plaintiff's trade secrets were fully disclosed by the issued patents but alternatively held that maintaining the injunction in force was necessary to redress the defendant's breach of the confidence in which the trade secrets had been disclosed in licensing negotiations.⁹⁵ Shellmar stands for the twin propositions that a permanent injunction without an express limit upon its duration is appropriate in trade secret cases involving a breach of confidence and that a misappropriator that has committed a breach of confidence is not entitled to relief from a

⁹³ See *Shellmar*, *supra* note 91, at 105.

⁹⁴ See *id.*

⁹⁵ See *id.* at 109-110 ("It is quite true that Allen-Qualley's trade secrets have been disclosed to the world....We are dealing here not with Allen-Qualley's right against the world, but with that company's right against the appellant....We hold, therefore, that the reason for the injunction still exists and that Allen-Qualley's right thereto has not been extinguished.") (alternative holding). The court alternatively held that the misappropriator was not damaged by the continuation of the injunction as it would have been liable for patent infringement if the injunction was dissolved. See *id.* at 109 ("It is suggested by appellees, and we think justly so, that the instant action was prematurely brought because appellant suffered no legitimate damage and can not suffer through a continuance of the injunction. If the injunction were dissolved,...it is clear that appellant's Revelation wrap would infringe....").

permanent injunction when the misappropriated trade secrets become generally known.⁹⁶

In Conmar Prods. Corp. v. Universal Slide Fastener Co.,⁹⁷ the defendants' innocently hired several of the plaintiff's employees who had agreed not to disclose the plaintiff's trade secrets, but benefited from the employees' breach of their pledges of secrecy. Because all the plaintiff's trade secrets had been disclosed by patents issued to the plaintiff, the trial judge dismissed the plaintiff's complaint.⁹⁸ The Second Circuit, per Chief Judge Learned Hand, affirmed the dismissal. Conmar stands for the proposition that a misappropriated trade secret's becoming generally known precludes subsequent actionable trade secret misappropriation.⁹⁹

Winston Research Corp. v. Minnesota Mining & Mfg. Co.¹⁰⁰ adopted a middle view. In Winston Research, former employees of Mincom, who were bound by contracts not to disclose confidential information, had established a corporation and developed a competing product using Mincom's trade secrets.

⁹⁶ See Jamieson, *supra* note 7, at 532 ("Courts came to read Shellmar for the proposition that perpetual injunctions should be granted as a general rule in trade secret cases and that the termination of a trade secret was irrelevant.").

⁹⁷ Conmar Prods. Corp. v. Universal Slide Fastener Co., 172 F.2d 150 (2d Cir. 1949).

⁹⁸ See *id.*, at 156 ("[T]he right to an injunction against exploiting any secrets whatever had therefore expired before the judgment was entered in November, 1947.").

⁹⁹ See Casagrande, *supra* note 25, at 127 ("The Second Circuit noted quite simply when the patents, which contained the secrets, issued, the secrets 'fell into the public demesne...'"). *Conmar* also expressly rejected the *Shellmar* approach. See *id.* at 128-129.

¹⁰⁰ Winston Research Corp. v. Minnesota Mining & Mfg. Co., 350 F.2d 134 (9th Cir. 1965).

No damages were awarded but a permanent injunction restrained the defendants from disclosing or using the misappropriated trade secrets for two years from the date of the judgment. The rationale for the two-year injunction was that Mincom's sales and public announcements would disclose the trade secrets fully about the time of the judgment, which would reduce the trade secret protection that Mincom should receive. But, in order to preclude the defendants from obtaining a wrongful "headstart" with respect to Mincom, the defendants were restrained from disclosure and use of the misappropriated trade secrets for the approximate time that it would take a legitimate competitor to develop a competing product after public disclosure of the trade secrets. The Ninth Circuit Panel stated:

[D]enial of any injunction at all would leave the faithless employee unpunished where, as here, no damages were awarded ; and he and his new employer would retain the benefit of a headstart over legitimate competitors who did not have access to the trade secrets until they were publically disclosed. By enjoining use of the trade secrets for the approximate period it would require a legitimate Mincom competitor to develop a successful machine after public disclosure of the secret information, the district court denied the employees any advantage from their faithlessness, placed Mincom in the position it would have occupied if the breach of confidence had not occurred prior to the public disclosure, and imposed the minimum restraint consistent with the realization of these objectives upon the utilization of the employees' skills.¹⁰¹

¹⁰¹ See *id.*, at 142.

This statement is imprecise in referring to “a headstart over legitimate competitors.” The actionable headstart was over Mincom, the faithless employees’ former employer, and Mincom alone was protected by the trial court’s two-year permanent injunction. The appellate court’s reference to the time that it would take a good faith competitor to replicate Mincom’s trade secrets from public information identified the time at which Mincom’s protectable trade secret rights would constrict because the trade secrets had become generally known. As the court explained, this period of continued protection would put Mincom in the position that it would have been in if there had been no breach of confidence prior to the public disclosure.¹⁰² The court also commented:

Mincom argues that Winston gained a wide variety of advantages from the improper use of Mincom’s trade secrets....The two-year injunction deprived Winston of any benefit it might have gained from these advantages and shielded Mincom from any potential harm from Winston’s competition which these advantages may have rendered unfair.¹⁰³

The Court of Appeals gave three justifications for the two-year duration of the injunction: the fourteen months that it had taken the defendants to develop their misappropriated product; the difficulty a person unfamiliar with Mincom’s product would have in reverse engineering it; and the delay in the completion of

¹⁰² See *id.* and accompanying text.

¹⁰³ See *id.*, at 144.

Mincom's product caused by the defendants' raiding of Mincom's key personnel.¹⁰⁴ Although the Court of Appeals did not explicitly decide that the defendants' disruption of Mincom's operations by raiding key personnel justified extending the duration of the injunction,¹⁰⁵ it clearly did. The personnel raiding both accelerated the development of the defendants' misappropriated product and delayed Mincom's production of its own product, a twofold commercial advantage to the defendants from their misappropriation.

The Winston Research "headstart" or "lead-time" injunction approach has been widely followed,¹⁰⁶ but there is disagreement as to how the time period is to be calculated. Some commentators support Winston Research's utilization of the head start that a misappropriator acquires over good faith competitors of a plaintiff.¹⁰⁷ Others prefer the time that it would have taken a defendant to

¹⁰⁴ See *id.*, at 142-143 ("The time (fourteen months) which Winston In fact took with the aid of the very disclosure and use complained of by Mincom would seem to be a fair measure of the proper period. The district court granted an injunction for a somewhat longer period, presumably because the Mincom machine was built in such a way as to require some time for persons unfamiliar with it to determine the details of its construction, and to compensate for delay which Mincom encountered in the final stages of its development program because Winston had hired away Mincom's key personnel.").

¹⁰⁵ See *id.*, at 143 ("Whether extension of the injunctive period for the latter reason [disruption caused by the hiring of key personnel] was proper we need not decide, for Winston has not raised that question.")(material in brackets supplied).

¹⁰⁶ See Jamieson, *supra* note 7, at 534 (describing Winston Research as applying a "lead-time" approach and noting its following throughout the country).

¹⁰⁷ See, e.g., Pooley, *supra* note 10, at 7-34 & 7-35 ("A 'head start' is the advantage that a defendant acquires through misappropriation that puts it ahead of plaintiff's other competitors that would have (or have, since the misappropriation occurred) learned of the secret through proper means."). See *supra* notes 100-105 and accompanying text (discussing Winston Research).

develop the information without misappropriation.¹⁰⁸ Still others generally endorse the period of time required for “independent development” or the period of “lead-time.”¹⁰⁹

B. Uniform Act Section 2(a)(Second Sentence)

Shellmar, Conmar, and Winston Research all involve the effect of a trade secret’s becoming generally known upon injunctive relief against misappropriation. In this context, the second sentence of Uniform Act Section 2(a) rejects both Shellmar and Conmar with respect to injunctions issued prior to a trade secret’s becoming generally known . Like Winston Research, the second sentence of Section 2(a) allows a prior injunction to continue solely to eliminate a commercial advantage over a person with trade secret rights that a misappropriator otherwise would derive from misappropriation.¹¹⁰

¹⁰⁸ See, e.g., Jamieson, *supra* note 7, at 548 (“The court should ask whether and when the particular misappropriator, and not some third party or the trade secret holder, could and would have legitimately replicated the trade secret at issue.”); Casagrande, *supra* note 25, at 136-137 (stating that lead time would exist until the defendant either independently developed the trade secret or the trade secret otherwise was lawfully disclosed).

¹⁰⁹ See 1 Jager, *supra* note 67, at 7-67 (describing *Winston Research* as involving a two-year “lead-time” injunction without discussing the *Winston Research* test for lead-time); 4 Milgrim, *supra* note 8, at 15-158.65 through 15-221 (describing “the period of time required for independent development “as “the most commonly employed standard” and citing numerous cases giving substance to that standard).

¹¹⁰ See Unif. Trade Secrets Act, *supra* note 2, §2(a)(2d sentence) at 619. See *supra* notes 100-105 and accompanying text (discussing *Winston Research*). The Restatement of Unfair Competition supports this approach. See Restatement of Unfair Competition, *supra* note 9, §44, cmt c., at 500-501 (“If the trade secret already has entered the public domain, an injunction may be appropriate to remedy any head start or other unfair advantage acquired by the as a result of the appropriation. However, if the defendant retains no unfair advantage from the appropriation, an injunction against the use of information that is no longer secret can be justified only on a rationale of punishment and deterrence. Because of the public interest in competition, such punitive injunctions are ordinarily inappropriate in trade secret actions.”).

A Uniform Act Comment follows Winston Research in describing an unjustified commercial advantage as a “commercial advantage’ or ‘lead time’ over good faith competitors.”¹¹¹ Once good faith competitors can learn the substance of a trade secret, secrecy has been lost and it ordinarily is anticompetitive to enforce prior trade secret rights by injunction.¹¹²

In addition to expressly rejecting *Shellmar*’s refusal to terminate an injunction after a trade secret had become generally known, the Uniform Act rejects the *Shellmar* concept of trade secret misappropriation. Whereas *Shellmar* equated misappropriation with a breach of confidence, the Uniform Act requires that a trade secret exist for misappropriation to be possible. Compare *Shellmar Prods. Co. v. Allen-Qualley Co.*, 87 F.2d 104, 109-110 (7th Cir. 1936), *cert.den.* 301 U.S. 695 (1937)(“It is quite true that Allen-Qualley’s trade secrets have been disclosed to the world....We are dealing here not with Allen-Qualley’s right against the world, but with that Company’s right against appellant.”), with Unif. Trade Secrets Act, *supra* note 2, , §1(2) at 537 (a “trade secret” must exist for misappropriation to exist). See Sharon K. Sandeen, “A Contract by Any Other Name is Still a Contract: Examining the Effectiveness of Trade Secret Clauses to Protect Databases,” 45 IDEA 119, 129 (2005)(“[B]ecause ‘misappropriation’ is defined separately from a ‘trade secret’, the UTSA’s structure establishes that the wrongdoing of the defendant, alone, is not enough. The existence of a trade secret must also be shown.”). See generally Charles T. Graves, “Trade Secrets as Property: Theory and Consequences,” 15 J. Intell. Prop. L. 39 (2007)(discussing the implications of a “property” as opposed to a “relational” concept of misappropriation).¹¹¹ Compare Unif. Trade Secrets Act, *supra* note 2, §2 cmt. ¶2 at 620, with *Winston Research Corp. v. Minnesota Mining & Mfg Corp.*, 350 F.2d 134, 142 (9th Cir. 1965)(“[D]enial of any injunction at all would leave the faithless employee unpunished where, as here, no damages were awarded ; and he and his new employer would retain the benefit of a headstart over legitimate competitors who did not have access to the trade secrets until they were publically disclosed.”).

¹¹² See *Brunswick Corp. v. Outboard Marine Corp.*, 79 Ill.2d 475, 479-480, 404 N.E.2d 205, 207 (1980)(“By enjoining the use of wrongfully acquired trade secrets for the approximate length of time it would require a legitimate competitor to develop a competitive product following a lawful disclosure of the information, the wrongdoer is deprived of any advantage from his wrongdoing, the developer of the trade secret is placed in the same position it would have occupied if the breach of confidence had not occurred, and the minimum restraint consistent with the other objectives would be placed upon competitors and the utilization of the competitors’ and the employees’ skills.”); *American Can Co. v. Mansukhani*, 742 F.2d 314, 334 n.24 (7th Cir. 1984)(“Although the possibility of reverse engineering or independent development does not excuse one who obtains trade secrets wrongfully, it places limits on the plaintiff’s protectable interest and on the appropriate scope of relief.”). In *American Can Co.*, the trial court ultimately issued a permanent injunction restraining the defendants’ from producing or selling products substantially derived from the plaintiff’s trade secrets with no express limitation upon its duration. A Seventh Circuit panel affirmed the injunction with the caveat that “the district court may be asked to modify the injunction should facts appear that suggest that its present indeterminate length no longer reflects the status of American Can’s trade secrets.” *American Can Co. v. Mansukhani*, 814 F.2d 421, 426 (7th Cir. 1987).

This analysis also applies to an initial request for a permanent Uniform Act injunction after a trade secret has become generally known.¹¹³ In Atlantic

Research Marketing Sys., Inc. v. Troy,¹¹⁴ for example, the trial court stated:

In this case, A.R.M.S. has marketed the relevant product for a significant period of time. The product makes the trade secret evident. Other manufacturers have been able to produce and market nearly identical products. At this point, Troy has no competitive advantage. Considering the facts of the case, no injunction is warranted.¹¹⁵

C. A Test for Commercial Advantage from Misappropriation With Respect to a Trade Secret That Has Ceased to Exist

A basic issue is whether a misappropriator's commercial advantage derived from misappropriation should be measured objectively or subjectively. An objective approach measures a misappropriator's commercial advantage by the time that it would take a good faith competitor to replicate a trade secret by lawful means; whereas a subjective approach measures a misappropriator's commercial advantage by the time that it would take the misappropriator to

¹¹³ *Winston Research* affirmed a trial court injunction that was granted at approximately the time at which the trade secrets would lose their secrecy. See *supra* notes 100-101 and accompanying text. *But see* *Ajaxo, Inc. v. E*Trade Group, Inc.*, 2003 WL 25778061 at *10 (Cal. Super Ct. 2003)(unpublished)(The California enactment "does not provide a trial court with the power to issue an injunction after the trade secret no longer exists."). This statement is patently wrong. The Uniform Act authorizes a court to enjoin a continuing commercial advantage derived from misappropriation even though a trade secret has ceased to exist. See Unif. Trade Secrets Act, *supra* note 2, §(2)(a) at 619 ("[T]he injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation."). The trial court decision in *Ajaxo* was reversed on other grounds. *Ajaxo, Inc. v. E*Trade Group, Inc.*, 125 Cal. App.4th 21, 64 n.44, 37 Cal. Rptr.3d 221, 254 n.44 (6th Dist. 2006)(stating that a court may grant an injunction only when monetary compensation is inadequate).

¹¹⁴ *Atlantic Research Marketing Sys., Inc. v. Troy*, 2010 WL 1904849 (D. Mass. 2010)(unpublished).

¹¹⁵ *Id.* at *9.

replicate a trade secret by lawful means.¹¹⁶ In discussing the duration of an injunction with respect to a trade secret that has become generally known, the Restatement (Third) of Unfair Competition emphasizes the subjective approach but also notes that “in some cases” an objective approach is appropriate.¹¹⁷

In an article arguing for a uniform subjective approach, D. Kirk Jamieson acknowledged that courts generally appear to favor the objective approach.¹¹⁸ But Jamieson contended that a subjective approach always is preferable because “[t]he commercial advantage gained by the defendant may differ from the average competitor.”¹¹⁹ Jamieson also asserted that “[a]bsent contrary evidence, it is reasonable to infer from an intentional or reckless decision to misappropriate that the defendant could not have legitimately and profitably developed the trade secret...[T]he bad faith misappropriator [presumptively] should face an indefinite injunction....”¹²⁰

¹¹⁶ See Jamieson, *supra* note 7, at 539-540 (“The objective approach....The courts most often ask how long some ‘average’ competitor would take to develop the trade secret technology and fail to determine whether that is the time that the misappropriator would have taken to develop the technology legitimately without the misappropriated information.”).

¹¹⁷ See Restatement (Third) of Unfair Competition, *supra* note 9, §44, cmt *f*, at 503-504 (“[I]njunctive relief should ordinarily continue only until the defendant could have acquired the information by proper means [a subjective standard]....An injunction...should not ordinarily extend beyond the time when the defendant could have properly acquired and implemented the information through reverse engineering or independent discovery [a subjective standard]....In some cases this duration may be measured by the time it would take a person of ordinary skill in the industry to discover the trade secret by independent means or to obtain the trade secret through the reverse engineering of publicly marketed products [an objective standard](material in brackets supplied).

¹¹⁸ See Jamieson, *supra* note 7, at 539 (“[C]ourts generally appear to have applied an objective standard, although the approach is often unclear.”).

¹¹⁹ See *id.*, at 518.

¹²⁰ See *id.*, at 518-519 (material in brackets supplied).

In arguing for a uniform subjective approach, Jamieson failed to acknowledge the impact of a trade secret's becoming generally known upon rights in the trade secret. If a former trade secret has become generally known, an injunction should be limited to the time that it would take a legitimate competitor to use the formerly secret information, plus the duration of any other commercial advantage that a misappropriator has gained over a person with trade secret rights.¹²¹ If a former trade secret has become generally known, it is irrelevant that a misappropriator could not have replicated the trade secret without misappropriation.¹²²

This analysis conforms with the better reasoned case law. In Winston Research Corp. v. Minnesota Mining & Mfg. Co.,¹²³ for example, the duration of the two-year injunction primarily was based upon an objective standard; namely, the approximate period that a legitimate competitor would require to develop a

¹²¹ See Winston Research Corp. v. Minnesota Mining & Mfg. Co., 350 F.2d 134, 142 (9th Cir. 1965) (“We think the district court’s approach was sound. A permanent injunction would subvert the public’s interest in allowing technical employees to make full use of their knowledge and skill and in fostering research and development. On the other hand, denial of any injunction at all would leave the faithless employee unpunished where, as here, no damages were awarded....By enjoining use of the trade secrets for the approximate period it would require a legitimate Mincom competitor to develop a successful machine after public disclosure of the secret information, the district court denied the employees any advantage from their faithlessness, placed Mincom in the position it would have occupied if the breach of confidence had not occurred prior to the public disclosure, and imposed the minimum restraint consistent with the realization of these objectives upon the utilization of the employees’ skills.”).

¹²² *Contra* Jamieson, *supra* note 7, at 553 (“Where the trade secret is fully disclosed, the injunction should calculate the time necessary for the misappropriator, and not some abstract average legitimate competitor, to reach the market after learning the trade secret.”). If a misappropriator lacked the resources to develop a trade secret without misappropriation, Jamieson apparently would permit the misappropriator to be subject to an injunction without an expiration date even though all other competitors were using the formerly secret information. See *id.*

¹²³ Winston Research Corp. v. Minnesota Mining & Mfg. Co., 350 F.2d 134 (9th Cir. 1965).

successful tape recorder after public disclosure of the secret information.¹²⁴ The fourteen months that the former employees had taken to refine the misappropriated trade secrets into a marketable tape recorder was considered to justify the greater part of the period of restraint, with the balance being attributable to the difficulty good faith competitors would have reverse engineering the former employer's tape recorder, and the impact of the former employees' raiding their former employer's key personnel.¹²⁵

D. Commencement of the Period During Which an Injunction is Appropriate

The Uniform Act is silent concerning the commencement of the period during which an injunction is appropriate. Winston Research affirmed a two-year permanent injunction beginning on the date of judgment because the public disclosure of the trade secrets would occur about that time.¹²⁶ However, a preliminary injunction had not been issued.¹²⁷ If a preliminary injunction had been issued that was comparable in scope to the permanent injunction to which

¹²⁴ See *id.*, at 142 (“By enjoining use of the trade secrets for the approximate period it would require a legitimate Mincom competitor to develop a successful machine after public disclosure of the secret information, the district court denied the employees any advantage from their faithlessness, placed Mincom in the position it would have occupied if the breach of confidence had not occurred prior to the public disclosure, and imposed the minimum restraint consistent with the realization of these objectives upon the utilization of the employees’ skills.”)

¹²⁵ See *id.*, at 142-143.

¹²⁶ See *id.*, at 143 (“We think it was proper to make the injunction run from the date of judgment since public disclosure occurred about that time.”).

¹²⁷ See *id.*, at 140 (“The district court enjoined Winston Research Corporation, Johnson, and Tobias from disclosing or using Mincom’s trade secrets in any manner for a period of two years from the date of judgment....”).

the plaintiff was entitled, the injunctive period should have commenced with issue of the preliminary injunction.¹²⁸

The other principal judicial view is that the appropriate injunctive period begins upon the date of first misappropriation.¹²⁹ Under this view, a trial court can issue a permanent injunction only for the portion of the appropriate injunctive period that has not elapsed prior to the trial court's judgment.¹³⁰

Beginning an injunctive period upon the date of first misappropriation rather than upon the date of issue of either a permanent injunction or a comparable preliminary injunction can be a judicial technique for reducing the duration of a permanent injunction.¹³¹ It is more straightforward to consider that

¹²⁸ See *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471, 475 (9th Cir. 1974) (“Head argues that since the preliminary injunction lasted for 27 months, the two- and one-year injunctions are barred because Head has already been enjoined beyond the appropriate period of time necessary to deprive it of the benefits of using the K-2 trade secrets....We remand this issue to the trial court to consider the effect of the twenty-seven-month preliminary injunction on the one- and two-year permanent injunctions....If the preliminary injunction had the same effect or accomplished the same result as the permanent injunctions would have, then the permanent injunctions may have been improper.”).

¹²⁹ See, e.g., *Superior Gearbox Co. v. Edwards*, 869 S.W.2d 239, 251 (Mo. App. 1994) (“[T]he trial court may...order an injunction for an appropriate length of time to begin on the date when Defendants actually misappropriated Superior’s trade secrets.”).

¹³⁰ See, e.g., *Syntex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423, 1437 (Fed. Cir. 1984) (“We believe that, on the whole record, the *maximum* duration this record will permit is eight years from May 1978 (when Novicky left Syntex’s employ) or four years from the date of the District Court’s preliminary injunction (May 1982)....[S]omewhat less than two years remain of the maximum span of the injunction the District Court can enter....”)(alternative holding), *vacated on other grounds*, 470 U.S. 1047 (1985).

¹³¹ See *A.L. Laboratories v. Philips Roxane, Inc.*, 803 F.2d 378, 384-385 (8th Cir 1986), *cert. den.*, 481 U.S. 1007 (1987)(commencement of the injunctive period upon the date of misappropriation is appropriate if, absent the misappropriation, the defendant would have commenced lawful replication then).

Jamieson considered commencing the injunctive period upon the date of misappropriation to be a flawed “simplistic approach.” Jamieson, *supra* note 7, at 543 (“There are...several flaws with this simplistic approach”). Based upon his strong preference for measuring a commercial advantage derived from misappropriation subjectively, see *supra* notes 118-120 and accompanying text, Jamieson argued that a defendant’s commercial

a trial court has discretion to reduce the maximum duration of a permanent injunction otherwise permissible under an objective approach. In Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.,¹³² the trial court, for example, determined that it could have taken eight years legitimately to replicate the trade secrets involved but ultimately permanently enjoined the defendant from using the trade secrets for only two years.¹³³ In Northern Petrochemical Co. v. Tomlinson,¹³⁴ in part because of an explosion at their factory, the defendants had not used a misappropriated trade secret for longer than the period that the plaintiff conceded would have been necessary to develop the information independently. The trial judge's denial of a preliminary injunction as unjustified was affirmed.¹³⁵

advantage derived from misappropriation always should be a period beginning when the defendant reached the market with the aid of misappropriation and ending when the defendant would have reached the market without misappropriation. See Jamieson, *supra* note 7, at 555 ("To calculate the injunction, then, one must determine two periods: (a) when the defendant would have commenced and concluded legitimate replication, and (b) when the defendant reached the market after misappropriating the trade secret."). If a misappropriator never reached the market, an injunction should simply run until the misappropriator could have reached the market legitimately. See *id.*, at 557-558 ("One simply calculates the time when the misappropriator would have commenced and concluded legitimate replication and enjoins the misappropriator until it would have legitimately replicated the trade secret.").

¹³² Rockwell Graphic Sys., Inc. v. DEV Indus., Inc., 1993 WL 286484 (N.D. Ill. 1993)(unpublished).

¹³³ See *id.*, at *3, *6-*7.

¹³⁴ Northern Petrochem. Co. v. Tomlinson, 484 F.2d 1057 (7th Cir. 1973).

¹³⁵ See *id.*, at 1061 ("Northern is as well compensated for the allegedly tortious activity of Frank and Tomlinson by having Surfact voluntarily abstain from competition as by having Surfact ordered to abstain therefrom, and this is true no matter what reason the tortfeasors may have had for failing to go into production.").

Northern Petrochemical is cited with approval in an Official Comment to the Uniform Act. See Unif. Trade Secrets Act, *supra* note 2, §2, cmt at 620 ("If a misappropriator either has not taken advantage of lead time or good faith competitors already have caught up with a misappropriator at the time that a case is decided, future disclosure and use of a former trade secret by a misappropriator will not damage a trade secret owner and no injunctive restraint of future disclosure and use is appropriate."). Jamieson condemned the denial of injunctive relief in *Northern Petrochemical*. See Jamieson, *supra* note 7, at 558-560 ("Whether or not Surfact should have been enjoined for a period equal to the full legitimate replication period, there is no doubt that it should have been enjoined.").

E. The Implications of Uniform Act Section 2(a)(Second Sentence) for Trade Secrets That Continue to Exist

The second sentence of Uniform Act Section (2)(a) literally applies only to a former trade secret that has been fully disclosed.¹³⁶ With respect to information that remains secret, the Uniform Act does not directly address the duration of injunctive relief.¹³⁷

Nevertheless, the Uniform Act's codification of the Winston Research approach if a trade secret has been fully disclosed suggests that the line of cases applying a variant of that approach where a trade secret has not been fully disclosed is consistent with the Uniform Act. This implication is reinforced by a Uniform Act Comment's reference to K-2 Ski Co. v. Head Ski Co.,¹³⁸ which involved trade secrets that had not been disclosed.¹³⁹

The Ninth Circuit Panel in K-2 Ski Co. purported to follow Winston Research in stating:

An Illinois intermediate appellate court subsequently ruled that that *Northern Petrochemical* had misconstrued Illinois law but was reversed on other grounds by the Illinois Supreme Court. *Brunswick Corp. v. Outboard Marine Corp.*, 69 Ill. App.3d 107-108, 107, 387 N.E.2d 27, 29 (2d Dist. 1979), *rev'd on other grounds*, 79 Ill.2d 475, 478, 404 N.E.2d 205, 206 (1980) ("We do not find the holding in *Northern* to be helpful in this case.").

¹³⁶ See Unif. Trade Secrets Act, *supra* note 2, §2(a)(2d sentence) at 619 ("Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist....").

¹³⁷ See *id.*

¹³⁸ *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d 471 (9th Cir. 1974). See Unif. Trade Secrets Act, *supra* note 2, §2 cmt. ¶1 at 619-620.

¹³⁹ See *K-2 Ski Co. v. Head Ski Co.*, 506 F.2d at 473-474 (stating that trial court's finding that secrecy had been maintained was not clearly erroneous).

We are satisfied that the appropriate duration for the injunction should be the period of time it would have taken Head [the misappropriator], either by reverse engineering or by independent development to develop its ski legitimately without use of the K-2 trade secrets.¹⁴⁰

In a context in which the trade secrets had not become generally known, K-2 Ski Co. appropriately applied a subjective rather than an objective approach to the duration of injunctive relief and focused upon the time that it would have taken the misappropriator to develop the information lawfully.¹⁴¹ If trade secret rights have not been constricted by a trade secret's becoming generally known, a plaintiff should be able to enjoin a misappropriator until the misappropriator lawfully could have discovered the information.¹⁴²

The burden should be upon a misappropriator to prove the likelihood and approximate time of lawful discovery. If that burden is not met,¹⁴³ the result can

¹⁴⁰ See *id.*, at 474 (material in brackets supplied).

¹⁴¹ See *supra* note 116 and accompanying text (distinguishing between an objective and a subjective test for the duration of injunctive relief).

¹⁴² See *Syntex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423, 1435-1437 (Fed. Cir. 1984), *vacated on other grounds*, 470 U.S. 1047 (1985)(defendant could reverse engineer the trade secret in eight years from the date of termination of his employment by the person with trade secret rights so that the maximum permissible injunction would be eight years); *Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 419, 431 (E.D. Pa. 1980)(defendant could reverse engineer the trade secret in 16 months; 16 month injunction entered); *Cf. Planhouse, Inc. v. Breland & Farmer Designers, Inc.*, 412 So.2d 1164, 1167-1168 (Miss. 1982)(en banc)(defendants only liable for their profits from sale of plaintiff's house plans until the defendants could have reproduced the plans by independent means); *Superior Gearbox Co. v. Edwards*, 869 S.W.2d 239, 251 (Mo. App. 1994)("On remand, the trial court's determination of the time required to reproduce Superior's milling machine and process 'should be made upon the basis of the manpower employed by the defendants in their actual operation, not on the basis of what might have been accomplished with staffs of other size.'").

¹⁴³ See *Boeing*, *supra* note 82, 108 Wash.2d at 50-51, 738 P.2d at 675(stating that the trial court did not abuse its discretion in excluding the testimony about reverse engineering of the defendant's inexperienced engineer).

be a permanent injunction without an express limit upon its duration.¹⁴⁴ The second sentence of Uniform Act Section 2(a) explicitly authorizes a defendant to apply to an issuing court to terminate an unlimited injunction when a trade secret has ceased to exist and any commercial advantage over the person with trade secret rights also has run its course¹⁴⁵ A Uniform Act permanent injunction expressly should refer to a defendant’s statutory privilege to move to terminate an injunction that has no express limit upon its duration.¹⁴⁶

F. The Procedure for Obtaining Dissolution of a Permanent Injunction Without an Express Limit Upon Its Duration

Defendants have successfully moved to terminate Uniform Act permanent injunctions without express expiration dates .¹⁴⁷ However, the extended

¹⁴⁴ See *id.*, 108 Wash.2d at 63-64, 738 P.2d at 681-682 (affirming a permanent injunction without an express limit upon its duration). See also *American Can Co. v. Mansukhani*, 814 F.2d 421, 424, 426 (7th Cir. 1987)(affirming a permanent injunction without an express limit upon its duration with respect to a trade secret that continued to exist); 1 Jager, *supra* note 67, at 7-73 (“If the trade secret has not ceased to exist, Section 2(a) allows the granting of a permanent injunction, which extends indefinitely as long as the trade secret remains viable.”).

¹⁴⁵ See Unif. Trade Secrets Act, *supra* note 2, §2(a)(2d sentence) at 619 (“Upon application to the court, an injunction shall be terminated when a trade secret has ceased to exist...[and no] commercial advantage ...would be derived from the misappropriation.”)(material in brackets supplied). See *Boeing, supra* note 82, 108 Wash.2d at 64, 738 P.2d at 682 (“We note in passing that Sierracin’s final claim that the injunction is perpetual is untrue. RCW 19.108.020(1) specifically allows Sierracin to apply to the superior court to have the injunction lifted when Boeing’s trade secret ceases to exist.”).

¹⁴⁶ See, e.g., *Space Aero Prods. Co. v. Darling Co.*, 238 Md. 93, 125, 208 A.2d 74, 91, *cert. den.*, 382 U.S. 843 (1965)(“The injunction should be modified so that it may be terminated if and when the methods and processes used by Darling in the manufacture of its oxygen breathing hoses become generally known to the public , without contribution in any way to such public knowledge through disclosures by the applicants.”).

¹⁴⁷ See, e.g., *Pettets v. Williamson & Assoc.*, 151 Wash. App. 154, 163-164, 210 P.3d 1048, 1053 (Div. 1, 2009), *petition for rev. den.*, 168 Wash.2d 1007, 226 P.3d 781 (2010)(“After another full bench trial before the same judge who had issued the 2001 injunction, the trial court found that no less than four companies had independently developed remotely operated rod-core-based seafloor drills since 2001 and that, as a result, ‘the BMS 1 technology...will lack independent value in the near future and accordingly will no longer qualify as a trade secret under the statutory definition.’ Based on this finding, the court ordered the injunction dissolved as of April 18, 2009.”). The intermediate appellate court affirmed. See *id.*, 151 Wash. App. at 173, 210 P.3d at 1058.

Microstrategy federal court litigation under the Virginia enactment is a clear warning that defendants must offer meaningful evidence of both a trade secret's becoming generally known and the absence of any continuing competitive advantage. Unadorned references to the mere passage of time will not suffice. On August 6, 2004, the Microstrategy trial court issued a permanent injunction restraining the defendant's use, disclosure, and possession of the information in two documents. A provision of the injunction allowed the defendant to petition the trial court for its dissolution six months later.¹⁴⁸ Following expiration of the six-month period, the defendant moved to dissolve the injunction under Federal Rule of Civil Procedure 60(b)(5), which authorizes a rendering court to grant relief from a judgment whose prospective application would be inequitable.¹⁴⁹ Emphasizing that the defendant had not met its burden of proving that the contents of the documents protected by the injunction no longer had economic value and were no longer the subject of reasonable efforts to maintain secrecy, the trial court denied the motion. All the defendant had offered at the hearing

¹⁴⁸ See *Microstrategy, Inc. v. Business Objects, S.A.*, 331 F. Supp.2d 396, 431 (E.D. Va. 2004) (“The defendant may petition the court to dissolve the injunction on the basis that the information in question no longer constitutes a trade secret no earlier than six months from the date of this order.”).

¹⁴⁹ See Fed. R. Civ. P. 60(b)(5) (“The court may relieve a party ...from a final judgment...[if] it is no longer equitable that the judgment should have prospective application.”).

was speculation about the significance of the passage of nine months since entry of the injunction.¹⁵⁰

The court ruled that the injunction should remain in place for a minimum of an additional nine months.¹⁵¹ Approximately three and one-half years later the defendant again moved to dissolve the injunction. The parties agreed that the information in one of the two documents covered by the injunction had become obsolete but the plaintiff vigorously maintained that the information in the other document was still valuable. Upon the basis of the defendant's expert testimony, the court ruled that the contested document contained nine-year old information with respect to products that the plaintiff had not sold for at least seven years and ordered the injunction dissolved.¹⁵²

The Microstrategy decisions correctly allocate to a defendant the burden of proving that a Rule 60(b)(5) motion should be granted.¹⁵³ However, the trial court initially misconstrued the Uniform Act in ruling that a defendant was

¹⁵⁰ *Microstrategy, Inc. v. Business Objects, S.A.*, 369 F. Supp.2d 725, 734-737 (E.D. Va. 2005).

¹⁵¹ *See id.*, 369 F. Supp.2d at 737 ("Considering the totality of the circumstances and exercising its equity powers, the court determines that the injunction should be kept in place for a minimum of nine (9) months from the date of this order.").

¹⁵² *See Microstrategy, Inc. v. Business Objects, S.A.*, 661 F. Supp.2d 548, 552-555 (E.D. Va. 2009)[hereinafter *Microstrategy*]. However, the court stayed its order until resolution of the plaintiff's appeal. *See id.*, at 562 ("Therefore, the court **GRANTS** Microstrategy's motion to stay the dissolution of the injunction pending appeal, and **ORDERS** that the court's February 10, 2009 decision be stayed, effective February 12, 2009, until Microstrategy has exhausted its appeals of the court's February 10, 2009 order.").

¹⁵³ *See Rufo v. Inmates of Suffolk County Jail*, 502 U.S. 367, 384 (1992)("A party seeking modification of a consent decree [under Rule 60(b)(5)] may meet its initial burden by showing either a significant change either in factual conditions or in law")(material in brackets supplied).

required to prove both that a plaintiff had not engaged in reasonable efforts to maintain secrecy and that the trade secrets had lost their economic value.¹⁵⁴

A plaintiff's failure to protect a trade secret does not preclude injunctive relief for prior misappropriation that nevertheless confers a competitive advantage upon a defendant.¹⁵⁵ Indeed, in the order dissolving the injunction, the Microstrategy trial court disregarded whether the plaintiff had maintained secrecy¹⁵⁶ and focused upon whether any commercial advantage that the defendant had obtained through misappropriation had dissipated.¹⁵⁷ On the other hand, the court was correct in requiring the defendant to prove that the trade secrets protected by the injunction had lost their value. This can be shown by widespread independent development in the industry,¹⁵⁸ or by obsolescence as the Microstrategy trial court found.¹⁵⁹ The second material fact is whether a

¹⁵⁴ *Microstrategy*, *supra* note 152, 661 F. Supp.2d, at 553 ("As the court noted in the May 10, 2005 order, to carry its burden in establishing that the Competitive Remedy is no longer a trade secret, Business Objects must provide sufficient evidence from which the court can find that the documents (1) no longer have economic value; and (2) are no longer the subject of efforts that are reasonable under the circumstances to maintain their secrecy.").

¹⁵⁵ See Unif. Trade Secrets Act, *supra* note 2, §2(a)(2d sentence) at 619.

¹⁵⁶ See *Microstrategy*, *supra* note 152, 661 F. Supp.2d, at 555 ("After reexamining the Competitive Recipe and the evidence presented, the court finds that the Competitive Recipe does not hold any value, economic or otherwise, and that is it not reasonable, under the circumstances, for this document to maintain its secrecy.").

¹⁵⁷ See *id.*, at 556 ("A sufficient period of time has lapsed, and coupled with the changes in technology, the court finds that the possession of this document can no longer give Business Objects a competitive advantage over *Microstrategy*, and the purpose of the injunction has been met.").

¹⁵⁸ See, e.g., *Petters v. Williamson & Assoc.*, 151 Wash. App. 154, 162-163, 210 P.3d 1048, 1053 (Div. 1, 2009), *petition for rev. den.* 168 Wash.2d 1007, 226 P.3d 781 (2010)("[T] trial court found that no less than four companies had independently developed remotely operated rod-core-based seafloor drills since 2001 and that, as a result, 'the BMS I technology... will lack independent value....'").

¹⁵⁹ See *supra* note 152 and accompanying text.

misappropriator retains a commercial advantage derived from misappropriation over the person with trade secret rights.¹⁶⁰

IV. CONCLUSION

With respect to trade secrets that have lost their secrecy, the Uniform Act adopts the Winston Research approach and entitles a misappropriator to obtain dissolution of a prior injunction after a good faith competitor could have replicated the trade secret and any other commercial advantage over a person with trade secret rights derived from misappropriation has ended. *A fortiori*, an injunction against a prior misappropriator that is sought after a trade secret has become generally known should terminate at the same time.

With respect to trade secrets that remain secret, an injunction can last until a defendant can prove that it legitimately can replicate the trade secret. If a defendant cannot prove this, for example due to lack of resources, an injunction without an express limit upon its duration is appropriate. Nevertheless, upon subsequent proof that the trade secret has become generally known and that any commercial advantage over the person with trade secret rights has ended, the defendant is entitled to dissolution of the indefinite injunction.

¹⁶⁰ See *supra* notes 156-157 and accompanying text.