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A PROPOSAL FOR ELIMINATING ADJUDICATIVE LOOPOLES UNDER STATUTORY LAW OF TRADE SECRETS IN THE SEVENTH CIRCUIT

ANNA A. ONLEY*


INTRODUCTION

In its 2014 decision in Spitz v. Proven Winners, the Seventh Circuit Court of Appeals held that, under the Illinois Trade Secrets Act ("ITSA"), a plaintiff’s claim of unjust enrichment was displaced by her claim of trade secret misappropriation ("TSM") in the absence of a finding that the business information at issue amounted to a trade secret.

Whether intended or not, this was a radical decision on the issue of TSM and displacement of common-law claims. The Spitz holding has likely made the Seventh Circuit, and particularly Illinois, less friendly to businesses seeking trade secret protection for their know-how. Trade secrets include confidential customer lists, chemical


1 Spitz v. Proven Winners N.A., LLC, 759 F.3d 724 (7th Cir. 2014).
2 765 ILCS 1065/1.
3 Spitz, 759 F.3d at 724.
formulas, and manufacturing processes as well as business methods and software, which are increasingly more difficult to protect under federal patent law.

Today, 70% of business value is derived from intangible assets, which include intellectual property. Trade secrets and patents are complementary forms of intellectual property protection, and inventors who are not ready to publicly disclose business methods in a patent application often opt for trade secret protection. Furthermore, a trade secret is not a binary construct—the question of whether a trade secret exists cannot be answered with a simple “yes” or “no.”

Rather, it is proper to think of proprietary business information as falling in one of three categories: proper trade secrets, “valuable and proprietary” information that does not quite fall under the definition of trade secrets, and information that is widely known to the public and therefore does not constitute a trade secret. The second category of business assets is the least likely to be adequately protected under the current statutory law of trade secrets in the Seventh Circuit, such as the ITSA.

The ITSA, which is the Illinois version of the 1979 Uniform Trade Secrets Act (“UTSA” or “Uniform Act”), became effective in

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5 Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347 (2014) (holding that method and software claims were unpatentable).
7 Abanco Int’l, Inc. v. Guestlogix Inc., 486 F. Supp. 2d 779, 782 (N.D. Ill. 2007) (“I cannot equate the complaint's description of the information as ‘valuable and proprietary’ with the definition of trade secrets under the ITSA at defendant’s request.”).
8 Spitz v. Proven Winners N.A., LLC, 969 F. Supp. 2d 994, 1007 (N.D. Ill. 2013), aff’d, 759 F.3d 724 (7th Cir. 2014) (“Information that is generally known within an industry, even if not in the public at large, as well as information that can be readily duplicated without considerable time, effort, or expense, is not a trade secret.”).
9 NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS, UNIFORM TRADE SECRETS ACT WITH 1985 AMENDMENTS,
1988. Its objective was to achieve greater uniformity among the states. The goal of the Illinois Act, as with the Uniform Act, was “to displace conflicting tort, restitutionary law, unfair competition, and other Illinois laws that provide civil remedies for misappropriation of a trade secret.”

Since the introduction of the Uniform Act and its adoption by all three states within the Seventh Circuit, the Seventh Circuit Court of Appeals has oscillated between supporting the free flow of information and unrestrained competition and helping businesses safeguard and capitalize on their know-how. Unfortunately, the Seventh Circuit has not provided much guidance to reconcile its holdings as to the rules on displacement of common-law claims by the trade secret misappropriation claims when business information at issue, though “valuable and proprietary,” does not rise to the level of a trade secret.

Legal certainty is important to creating a business-friendly climate and attracting innovation. This article proposes a framework for determining whether and to what extent trade secret misappropriation claims should displace common law claims. This approach includes four proposed rules.

First, if the claim arises in the law of contract or if the plaintiff could recover on a theory of quasi-contract, the claim should not be displaced unless expressly prohibited by statute. Claims that arise in the law of contract include tortious interference with contract, breach of fiduciary duty, and breach of a confidentiality agreement. Quasi-contract claims include unjust enrichment.

Second, in deciding whether the information at issue is a trade secret, courts should supplement the statutory definition with the state’s common-law analysis.


10 765 ILCS 1065/8.

11 See, e.g., Composite Marine Propellers, Inc. v. Van Der Woude, 962 F.2d 1263 (7th Cir. 1992) (holding that common-law claims were displaced); cf. Heeny Transp., Inc. v. Chu, 430 F.3d 402 (7th Cir. 2005) (allowing common-law claims).

Third, if the information at issue is a trade secret, there may still be an actionable wrong that does not fall under the definition of misappropriation. In such cases, the plaintiff should be able to recover on alternative theories.

Finally, the statutory term “displace” should be construed as “preempt,” meaning “handle or acquire beforehand to the exclusion of others,” or “take precedence over,” rather than “preclude,” or “make impossible by necessary consequence.” Thus, displacement of common-law claims should require: (1) a trade secret; and (2) a finding of no misappropriation of the trade secret. Otherwise, the plaintiff may be left without any remedy by simply pleading TSM.

It follows from the rules proposed here that dismissal or adjudication of common law claims on summary judgment is inappropriate when based solely on statutory language. After all, if there is no trade secret, then nothing can displace the common law claims, which in such instances should be independently adjudicated.

Part I sets up the legal context for the issue, explaining the common law elements of trade secret misappropriation and statutory common law claims. Part II presents the history and current status of the state Uniform Trade Secrets Acts adopted by Illinois, Wisconsin, and Indiana. Part III presents an analysis of post-UTSA Seventh Circuit decisions and the questions they left unanswered. Building on these considerations and against the historical background of trade secret legislation and litigation in the Seventh Circuit, Part IV proposes a procedure for adjudicating common law claims that are brought with the claims of trade secret misappropriation.

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13 PREEMPT, Garner’s Dictionary of Legal Usage.
14 PRECLUDE, Webster’s New Collegiate Dictionary.
15 For clarity, the terms “preclude” and “preempt” discussed here should not be confused with the concept of preemption of state law by federal law.
16 See NATIONAL CONFERENCE, supra note 9.
PART I: LEGAL CONTEXT

This section presents an overview, within a historical context, of the elements required in claims of trade secret misappropriation.

Trade secret is the most litigated form of intellectual property protection17 and has been recognized in U.S. jurisprudence since the mid-nineteenth century.18 It is defined as business information that is sufficiently valuable and secret to afford the holder an actual or potential economic advantage over others.19 Initially, the primary function of trade secret misappropriation law was to prevent third parties from unfairly benefiting from the know-how of the trade secret holder by providing remedies for breach of confidence and unjust enrichment.20 Today, trade secret law continues to punish the same categories of behavior: breach of duty and bad acts.21 To the extent that it seeks to prevent breach of duty, the law of trade secrets aims to promote investment in research22 and encourage innovation through the practice of trade secret protection and the resulting necessary disclosure to employees, contractors, and licensees.23 To the extent that the law of trade secrets seeks to punish bad acts, it serves as a vehicle for preventing unjust enrichment by recognizing an interest in commercial privacy,24 which is generally attenuated only by heightened government interest, as in closely regulated industries.25

18 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (AM. LAW INST. 1995).
19 Id.
20 Id.
22 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (AM. LAW INST. 1995).
23 Id.
24 Chiappetta, supra note 21.
To state a claim for misappropriation of a trade secret, the following elements are required: (1) a trade secret; (2) misappropriation of the trade secret; and (3) a showing that the owner of the trade secret was damaged by the misappropriation.26

A. What Constitutes a Trade Secret?

Courts within the Seventh Circuit determine what falls within the definition of a trade secret27 by applying the test from section 757 of the Restatement (First) of Torts.28 However, these courts recognize that it is not necessary that the information at issue meet all factors.29 The factors generally focus on different aspects of secrecy of the information at issue.30 First, courts evaluate the extent to which information is known outside the business31 because the law of trade secrets is understood to “preclude[] trade secret protection for information generally known or understood within an industry even if not to the public at large.”32 The second factor is the extent to which confidential information is known to employees and others within the organization,33 such as contractors. Courts also evaluate the extent to which the owner of the alleged trade secret attempted to protect the information34 and the ease with which others could acquire the

28 Id.
29 Id. (“The language of the Act itself makes no reference to these factors as independent requirements for trade secret status, and Illinois case law imposes no such requirement that each factor weigh in favor of the plaintiff.”); see also ILG Indus., Inc. v. Scott, 273 N.E.2d 393, 396 (1971).
34 Id.
information. Finally, courts look at the value of information to competitors and the amount of time, money, and effort expended in developing the information. Thus, a total of six factors inform the analysis.

Additionally, when the plaintiff pleads trade secret misappropriation, courts within the Seventh Circuit generally find it sufficient that the plaintiff identify “specific types of business information” and “specific efforts to protect the business information.” Crucially, the Seventh Circuit noted that the existence of a trade secret is ordinarily a question of fact because the existence of a trade secret is not obvious and requires an ad-hoc evaluation of all the surrounding circumstances. As a result, the question of whether the information amounts to a trade secret should not be disposed of on summary judgment or motions for judgment as a matter of law.

B. What Constitutes Misappropriation of Trade Secrets?

Courts within the Seventh Circuit are generally plaintiff-friendly when construing pleadings of misappropriation. For example, when the plaintiff pleads misappropriation, the fact that the plaintiff’s

35 Id.
36 Id.
37 Id.
38 Covenant Aviation Sec., LLC, 15 F. Supp. 3d at 818.
40 Id. (citing Lear Siegler, Inc. v. Ark–Ell Springs, Inc., 569 F.2d 286, 289 (5th Cir.1978)).
allegations of misappropriation are based on information and belief are not sufficient to dismiss the complaint.\textsuperscript{41}

Furthermore, plaintiffs are not required to show use of a trade secret in every case.\textsuperscript{42} In fact, trade secret misappropriation can be shown one of three ways: (1) by improper acquisition; (2) by unauthorized disclosure; or (3) by unauthorized use.\textsuperscript{43} Further, under the inevitable disclosure doctrine, courts may infer that unauthorized use took place simply “based on a defendant’s prior positions with plaintiff, the information to which they had access and the nature of their work for their new employer.”\textsuperscript{44} Disclosure of trade secrets is considered inevitable unless the new employer takes specific actions to prevent the new hire from using the former employer’s trade secrets.\textsuperscript{45}

In summary, courts within the Seventh Circuit have expressed the view that “[b]ecause direct evidence of misappropriation of trade secrets is typically not available, a plaintiff can rely on circumstantial evidence to prove misappropriation.”\textsuperscript{46} As a result, the question of whether misappropriation took place should not be disposed of on motions to dismiss for failure to state a claim or for judgment as a matter of law.

C. The Common Law: Breach-of-Duty and “Bad Act” Claims

This section delineates the elements of common-law claims that are commonly brought together with statutory trade secret claims and discusses the circumstances where trial and appellate courts allowed common-law claims. These claims include breach of fiduciary duty,

\textsuperscript{41}Covenant Aviation Sec., LLC, 15 F. Supp. 3d at 819.
\textsuperscript{42}Liebert Corp. v. Mazur, 827 N.E.2d 909, 925 (Ill. App. 1st Dist. 2005).
\textsuperscript{43}Covenant Aviation Security, LLC, 15 F. Supp.3d at 813.
\textsuperscript{44}Id. at 819.
diversion of corporate opportunities, unjust enrichment, unfair competition, and conversion. Courts and commentators alike have noted that the key to determining whether the common law claims should be displaced is “to analyze each claim and its relationship to the facts or conduct of the trade secret claim.”  

1. Breach of Fiduciary Duty

Claims of trade secret misappropriation often arise when proprietary information is misused by insiders who have a duty of loyalty to the employer, such as employees, officers, and directors of the company holding a trade secret. The term “duty” generally implies that an individual must conduct himself in a particular manner toward those to whom the duty is owed.  

To set out a claim for breach of fiduciary duty, a plaintiff must allege facts establishing: (1) the existence of a fiduciary duty on the defendant’s part; (2) the defendant’s breach of the duty; and (3) damages proximately resulting from the breach. With respect to the first prong, there are two kinds of fiduciary relationships: a fiduciary relationship as a matter of law and a fiduciary relationship as a matter of fact. An agent and a principal are in a fiduciary relationship as a matter of law. However, even in the absence of evidence that the defendant ever agreed to be the plaintiff’s agent, as may be the case in licensing negotiations, a fiduciary relationship may still exist if “one

48 Lawlor v. N. Am. Corp. of Illinois, 983 N.E.2d 414, 433 (Ill. 2012) (“Employees as well as officers and directors owe a duty of loyalty to their employer. . . . Accordingly, a fiduciary cannot act inconsistently with his agency or trust and cannot solicit his employer's customers for himself.”).
51 Khan v. BDO Seidman, LLP, 948 N.E.2d 132 (2011).
52 Tummelson v. White, 47 N.E.3d 579 (Ill. App. 4th Dist. 2015).
party reposes special trust and confidence in another[,] who accepts that trust and confidence and thereby gains superiority and influence over the subservient party.”

Importantly, the existence of a trade secret is not a prerequisite for claims of breach of duty. For instance, a comment to the Uniform Act states, and the Seventh Circuit agrees, that the Act does not apply “to duties imposed by law that are not dependent upon the existence of competitively significant secret information, like an agent’s duty of loyalty to his or her principal.”

2. Diversion of Corporate Opportunities

Courts within the Seventh Circuit have found that diversion, or usurpation, of corporate opportunities occurs when a fiduciary takes advantage of a business opportunity developed through the use of corporate assets. This activity may give rise to breach-of-duty claims under the second prong of the test for breaching fiduciary duty, discussed supra. Qualifying activities may include solicitation for the actor’s own benefit of business or customers before leaving the company, failure to inform the company, and unauthorized use of the company’s facilities or resources. Diverting business away from a

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53 Id.
54 Hecny Transp., Inc., 430 F.3d at 405 (emphasis added); see also Lucini Italia Co., 231 F. Supp. 2d 764, 770 (N.D. Ill. 2002) (citing Thermodyne Food Serv. Prod., Inc., v. McDonald's Corp., 940 F.Supp. 1300, 1309) (N.D. Ill.1996) (“In a situation where the alleged breach of duty does not rely on the misappropriation of a trade secret, the claim survives.”).
56 Id.
57 Star Forge, Inc. v. F.C. Mason Co., 2014 IL App 2d 130527-U, ¶ 18 (citing Cooper Linse Hallman Capital Management, Inc. v. Hallman, 856 N.E.2d 585 (2006) (“[F]iduciaries have been found to have breached their duty of loyalty where they solicited for their own benefit the business of even one customer before leaving the company, used the company's facilities or resources to assist them in competing with the company, or failed to inform the company that they were competing with the company or engaging in other fiduciary breaches.”)).
company is considered a breach of fiduciary duty even if the actor’s efforts are not compensated or if the alleged competitors are not in the same line of business as the plaintiff.

3. Unjust Enrichment

An unjust enrichment claim must allege that: (1) the defendant has “unjustly retained a benefit to the plaintiff’s detriment” and (2) the defendant’s “retention of the benefit violates the fundamental principles of justice, equity, and good conscience.” In one case, where a consultant allegedly misappropriated the plaintiff’s marketing plans and usurped a corporate opportunity created by an olive oil seller by breaching an exclusive supplier agreement, the District Court for the Northern District of Illinois found that the claim of unjust enrichment was not preempted to the extent it relied on the usurpation of corporate opportunity rather than misappropriation of marketing plans.

4. Unfair Competition

Unfair competition is a broad, fact-specific category of dishonest conduct that is injurious to the plaintiff’s business. In the context of trade secrets, Indiana and Illinois courts have allowed trade secret plaintiffs to proceed on theories of unfair competition. Specifically, Indiana courts recognized two instances when claims of

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59 Id. ¶ 20 (citing Anest v. Audino, 773 N.E.2d 202 (2002)).
60 Lucini Italia Co., 231 F. Supp. 2d at 772.
61 Id. at 769.
62 Id. at 772 (noting that “to the extent that Lucini relies on Grappolini’s alleged misappropriation of the confidential marketing information to show his benefit, the claim is preempted by the ITSA; however, to the extent that it is based on the usurpation of the Vegetal agreement, it survives.”).
64 Id.
unfair competition could survive: the use of confidential information that is damaging to the defendant’s former employer and passing off of the “goods or business of one person as that of another.” Similarly, District Court for the Northern District of Illinois has allowed unfair competition claims, acknowledging that confidential information is a broader category of information than trade secrets and noting that it would be unfair to allow defendants to compete with the plaintiffs in the same market by using misappropriated confidential information. It is not even necessary for a finding of unfair competition for the parties to directly compete in the same market.

5. Conversion

The elements of a conversion claim include the following: (1) the plaintiff’s right to the property in question; (2) the plaintiff’s “absolute and unconditional right to the immediate possession of the property”; (3) a demand for possession made to the defendant; and

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66 Panther Brands, LLC v. Indy Racing League, LLC, 1:14-CV-00472-TWP, 2015 WL 1396910, at *7 (S.D. Ind. Mar. 25, 2015) (“First, ‘a claim for unfair competition may be brought when [an] employee uses ‘trade secrets or other confidential information acquired in the course of his employment for his benefit or that of a competitor in a manner which is detrimental to his former employer.’ . . . Second, ‘a cause of action for unfair competition arises when there is ‘any conduct, the natural and probable tendency and effect of which is to deceive the public so as to pass off goods or business of one person as and for that of another.’” (internal citations omitted).

67 FAIP N.A., Inc. v. Sistema s.r.l., 05 C 4002, 2005 WL 3436398, at *6 (N.D. Ill. Dec. 14, 2005) (“Although encompassing trade secrets, we believe confidential information is a broader category of information. We are unwilling to limit the alleged misappropriation of confidential information to merely trade secrets . . . Further, we believe it is reasonable to assume that misappropriated confidential information, not of trade secret nature, could give Defendants an unfair advantage and therefore allow them to unfairly compete in the pressure washer market.”).


(4) wrongful assumption of control, dominion, or ownership over the property.70

At least one court in the Seventh Circuit, the District Court for the Central District of Illinois, has acknowledged that plaintiffs could bring claims of conversion with respect to the property that did not fall under the statutory definition of a trade secret.71

Also, Indiana and Illinois courts have found that claims of misappropriation of tangible media that embody trade secrets are not displaced if these objects have independent value.72

Finally, the Seventh Circuit itself has held that claims of “outright theft” were not displaced by the law of trade secrets even when the information in question included non-confidential customer identities, which were widely known in the trade and therefore did not amount to a trade secret.73

PART II: STATUTORY ENACTMENTS TO DISPLACE COMMON-LAW CLAIMS

Civil trade secret litigation is governed by state law.74 In 1979, the National Conference of Commissioners on Uniform State Laws

70 Id.
71 Id. (“Plaintiff's conversion claim must be limited to the farm equipment guides, the soil maps, First Financial's collateral schedules, and other First Financial documents in which it is not claiming a trade secret.”).
73 Hecny Transp., Inc., 430 F.3d at 404.
74 LOUIS ALTMAN & MARIA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES § 16:32 (4th ed. 2011), 2 CALLMANN ON UNFAIR COMP., TR. & MONO. § 16:32 (Westlaw) (citing Wesley-Jessen Inc. v. Reynolds, 182 U.S.P.Q. (BNA) 135, 1974 WL 20197 (N.D. Ill. 1974), aff'd, 521 F.2d 1402 (7th Cir. 1975) (state law is applied to issue of misappropriation of trade secrets in diversity cases)).
promulgated the Uniform Trade Secrets Act.\textsuperscript{75} The goal of the Uniform Act was to establish a uniform and consistent treatment of trade secrets among the states that adopted the act.\textsuperscript{76}

The Uniform Act displaced “conflicting tort, restitutionary, and other [state law] providing civil remedies for misappropriation of a trade secret.”\textsuperscript{77} Importantly, the Uniform Act did not displace “(1) contractual remedies, whether or not based upon misappropriation of a trade secret or (2) other civil remedies that are not based upon misappropriation of a trade secret; or (3) criminal remedies, whether or not based upon misappropriation of a trade secret.”\textsuperscript{78}

While a handful of states chose to forgo uniformity and retained the state common law of trade secrets,\textsuperscript{79} an overwhelming majority of states, including the three states within the Seventh Circuit, adopted the Uniform Act with few substantive revisions—Indiana did so in 1982,\textsuperscript{80} Wisconsin in 1985,\textsuperscript{81} and Illinois in 1988.\textsuperscript{82} All three state statutes retain the Uniform Act language maintaining that the states’ laws do not displace contractual remedies and criminal remedies.\textsuperscript{83}

As to displacement of civil tort-based claims and equitable remedies, state legislation is very similar to the UTSA but for two provisions. First, while Illinois and Wisconsin are consistent with the Uniform Act in displacing civil remedies that are not based on trade secret misappropriation,\textsuperscript{84} Indiana law displaces “all conflicting law of this state pertaining to the misappropriation of trade secrets, except

\begin{footnotes}
\item[75] RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995).
\item[77] UTSA § 7(a) (emphasis added).
\item[78] § 7(b) (emphasis added).
\item[79] See Boyer, supra note 76 (New York and Massachusetts).
\item[80] IND. CODE ANN. § 24-2-3-1.
\item[81] WIS. STAT. ANN. § 134.90.
\item[82] 765 ILCS § 1065/1.
\item[83] § 1065/8; § 134.90 6(b); § 24-2-3-1.
\item[84] § 1065/8; § 134.90 6(b)
\end{footnotes}
contract law and criminal law." Second, the Illinois and Wisconsin statutes differ on the extent to which they expressly address displacement of civil remedies. The Wisconsin statute displaces “conflicting tort law, restitutory law and any other law of this state providing a civil remedy for misappropriation of a trade secret.” The Illinois statute, in addition to the above, expressly displaces restitutionary claims of unfair competition and unjust enrichment.

The adjudicative procedure proposed in this article accounts for the differences in state law with respect to displacement of these claims. For example, Illinois and Wisconsin likely intended to preempt rather than preclude restitutionary claims, because even though Wisconsin appears to displace restitutionary claims, it does so only with respect to damages. Further, all three states adopted UTSA definitions of a trade secret with some modifications. For instance, under Indiana and Wisconsin law:

> “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (1) 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 (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Illinois adopted a substantially similar statutory definition but broadened the definition of a trade secret to include “technical or non-technical data . . . [including a] drawing, [. . .] financial data, or list of

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85 § 24-2-3-1 (emphasis added).
86 § 134.90 6(a).
87 § 1065/8.
88 WIS. STAT. ANN. § 134.90 (“Damages may include both the actual loss caused by the violation and unjust enrichment caused by the violation that is not taken into account in computing actual loss.”).
89 § 24-2-3-2 (West); see also § 134.90 (1)(c) (a substantively identical definition).
actual or potential customers or suppliers.”90  In addition, Illinois qualified the requirement of secrecy by stating that the information subject to protection must actually be “sufficiently secret.”91

Similarly, all three states adopted virtually identical definitions of trade secret misappropriation:

“Misappropriation” means: (1) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (2) 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; (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 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.92

Finally, all three statutes require two findings in order to recover damages: that the information at issue was a trade secret and that the trade secret was misappropriated.93 The remedies available for trade secret misappropriation vary slightly among the states and include injunctive relief,94 damages,95 and payment of the plaintiff’s attorney’s

90 § 1065/2.
91 Id.
92 § 24-2-3-2 (West); § 134.90 (2); § 1065/2.
94 § 1065/3; § 134.90(3) (West); § 24-2-3-3 (West).
fees for “willful and malicious misappropriation” or bad-faith motions to terminate an injunction.96

PART III: POST-UNIFORM ACT SEVENTH CIRCUIT DECISIONS ON COMMON-LAW CLAIM DISPLACEMENT

A. Spitz v. Proven Winners97

In Spitz, the plaintiff, a marketing copywriter in the horticultural industry, developed a marketing concept for the defendant, a marketing agency.98 Part of the marketing concept included the plaintiff’s idea for marketing certain plants as pet-safe.99 The plaintiff later expanded the concept to include toxicity testing.100 She verbally presented the idea to the defendant, repeatedly asked the defendant to keep the plans confidential, and eventually executed a non-disclosure agreement.101 The defendant subsequently developed and marketed a list of pet-safe plants, which it claimed were gathered from public sources, such as the Humane Society,102 and used the indicator “pet-safe” on product labels without compensating the plaintiff.103

The plaintiff brought multiple claims, including trade secret misappropriation under the ITSA, quantum meruit, and unjust enrichment. The district court found on summary judgment that the plaintiff’s idea for pet-safe plants was not a trade secret104 because the information was generally known within the industry and because the

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95 § 1065/4; § 134.90(4) (West) (restitutionary and punitive damages); § 24-2-3-4 (West).
96 § 1065/5; § 24-2-3-5 (West).
97 Spitz, 759 F.3d .
98 Id. at 724-730.
99 Id.
100 Id.
101 Id.
102 Spitz, 969 F. Supp. at 1001.
103 Id. at 1003.
104 Spitz, 759 F.3d at 733; Spitz, 969 F. Supp. 2d at 1007.
plaintiff did not show evidence that she provided to the defendant a list of pet-friendly plants that was more than what the defendant could have gathered from public sources. The court also noted that the non-disclosure agreement did not specifically refer to the idea of pet-safe horticultural practices. Likewise, the district court dismissed the plaintiff’s claims of quantum meruit and unjust enrichment. The Seventh Circuit affirmed and noted that restitutionary claims of unjust enrichment and quantum meruit were displaced by the ITSA.

The Seventh Circuit relied on an Illinois appellate court’s decision, where the court affirmed, on statutory grounds, the dismissal of restitutionary common law claims on summary judgment after it found that the information at issue was not a trade secret. However, the Seventh Circuit failed to take into account an important distinction: the Illinois appellate court, in addition to considering the statutory definition of a trade secret, considered the six common law factors when it determined on the record that the plaintiff’s product concept did not amount to a trade secret. On the other hand, in Spitz, the district court concluded that the plaintiff’s marketing plan was not a trade secret.

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105 Spitz, 969 F. Supp. 2d at 1007.
106 Id. at 1003.
107 Id. at 1008 (“Even if it can be inferred from this fact that plaintiff’s idea had value, evidence does not support that PW relied on work of plaintiff—other than that previously paid for and plaintiff’s publicly available article—in designating pet-friendly or non-harmful plants. Plaintiff has not shown that she provided valuable services that were not compensated.”).
108 Spitz, 759 F.3d at 733.
109 Id. (citing Pope v. Alberto–Culver Co., 694 N.E.2d 615, 619 (1998) (‘‘Illinois courts have read the preemptive language in the ITSA to cover claims that are essentially claims of trade secret misappropriation, even when the alleged “trade secret” does not fall within the Act's definition.”)).
110 Pope, 694 N.E.2d at 618 (“The extent to which the information is known outside of [plaintiff’s] business; (2) the extent to which it is known by employees and others involved in [plaintiff’s] business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; [and] (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.”).
trade secret merely because it was based on information generally known within the industry.111

Even assuming that the ITSA intended for restitutionary common law claims to stand or fall with the claim of trade secret misappropriation, greater legal certainty could have been achieved by remanding the Spitz case for re-adjudication of the ITSA claim under the six-factor test and subsequent reconsideration of the common law claims.

B. Other Notable Decisions

Scholarly literature posits that the issue of whether other claims should be displaced when the plaintiff argues trade secret misappropriation has two sub-questions, both of which should be addressed: first, whether it is irrelevant that the information at issue is not a trade secret; and, second, whether common law claims should be precluded rather than preempted.112

An affirmative answer to both questions (such as in the Spitz holding), even if these questions are not expressly articulated in judicial opinions, represents an approach least friendly to owners of commercial know-how because plaintiffs may be left without a remedy if they plead but do not adequately prove trade secret misappropriation.113 As illustrated by the cases discussed below, the Seventh Circuit has not adopted a consistent analytical framework for deciding these cases.

In 1992, the Seventh Circuit held that a litigant in Composite Marine Propellers, Inc. v. Van Der Woude, whose know-how did not amount to a trade secret, could not prevail on common law claims of

111 Spitz, 969 F. Supp. 2d at 1007.
unfair competition and breach of fiduciary duty. The court noted that, “unless defendants misappropriated a statutory trade secret, they did no legal wrong.” Composite Marine Propellers, a product designer and manufacturer, sued former employees of its supplier, which had contractually promised to refrain from competition and use of the manufacturer’s trade secrets. Van Der Woude and other employees subsequently left the supplier to establish their own company, obtained a patent on a marine propeller, and sued Composite Marine Propellers for patent infringement. Composite Marine Propellers contended that Van Der Woude used its trade secrets in obtaining a patent. The jury in the district court’s proceedings agreed, awarding compensatory and punitive damages. The Seventh Circuit, finding that no trade secret misappropriation occurred, set aside the jury verdict, holding that “Illinois . . . abolished all common law theories of misuse of [trade secrets].” The court stated that “[t]he punitive damages [were] based expressly on the claim of unfair competition” but “most competition is ‘unfair’ in lay terms.” Thus, the court disposed of the claim of unfair competition on the grounds that this claim arose under the law of trade secrets. With regard to the claim of breach of fiduciary duty, the court found that fiduciary duty did not extend to employees.

114 Composite Marine Propellers, Inc. v. Van Der Woude, 962 F.2d 1263 (7th Cir. 1992).
115 Id. at 1265.
116 Id. at 1264.
117 Id.
118 Id.
119 Id. at 1265 (referencing 765 ILCS 1065/8, which states that “this Act is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret.”).
120 Id. at 1268.
121 Id.
122 Id. at 1265 (“A person free to compete against his ex-master may compete against the master's customers too.”) The supplier’s former employees did not have a non-compete agreement with the supplier.
Interestingly, the court also noted that “[c]laims based on unfair competition and breach of fiduciary duty stand or fall with those based on contract.” While this statement is consistent with the court’s adjudication of the claim of breach of fiduciary duty based on the law of contract, which the Illinois trade secrets statute allows, the court was inconsistent in classifying the claim of unfair competition as one related to a breach of contract between the parties but not adjudicating the claim independently. Had the court adopted the construction of the statutory term “displace” as “preempt,” the claim of unfair competition could have survived even on a finding that there was no trade secret since the court classified the claim as one arising in contract or quasi-contract.

Later, in IDX v. Epic Systems decided in 2002, the court deviated from its initial position on displacement of common law claims. There, an IDX customer disclosed confidential information to Epic Systems in order for the latter to duplicate IDX functionality. The court held that if the allegedly misappropriated information did not amount to a trade secret, IDX, an electronic medical records company, could still recover under the theory of tortious interference with contract. The court concluded that the theory was founded in the law of contract even though there was no contract between the litigants. Additionally, the court found that the claim of tortious interference with contract was brought to enforce a confidentiality agreement, and this situation was not contemplated by the Wisconsin trade secrets statute as a trade secret law issue.

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123 Id.
124 765 ILCS 1065/8.
126 Id. at 584 (“IDX and the Foundation (through its predecessors in interest) agreed to the sort of contractual remedy preserved in § 134.90(6)(b1).”)
127 Id. at 586 (“Even when read apart from paragraph (b), paragraph (a) deals only with ‘conflicting tort law’ . . . Enforcement of a non-disclosure agreement does not conflict with trade-secret law, and thus preventing third parties from inducing breach of such an agreement does not conflict with trade-secret law.”)
Subsequently, in *Hecny Transportation, Inc v. Chu*,128 the court went even further when it held, on public policy grounds, that common law claims are not displaced even when the event that gives rise to plaintiff’s common law claims is misappropriation of a proper trade secret.129 The common law claims at issue in *Hecny* were diversion of corporate opportunities, breach of fiduciary duty, and theft.130

Finally, in 2012 the Seventh Circuit considered concurrent trade secret misappropriation and unjust enrichment claims in *Fail-Safe, LLC v. A. O. Smith Corp.*131 Similar to *Spitz*, the unjust enrichment claim was dismissed because the plaintiff failed to take the steps to preserve the secrecy of the information at issue.132

In summary, it is clear that the Seventh Circuit is more likely to allow concurrent common law claims if they are somehow linked to a theory of recovery in contract or quasi-contract. However, the Seventh Circuit has not yet made clear the boundaries for its analysis of whether the information at issue is in fact a trade secret. For example, greater clarity could have been achieved in the cases discussed supra if the court had explained whether meeting certain prongs of the common-law trade secret test and failing others is, first, necessary and, second, relevant to the disposition of the claims of unjust enrichment and unfair competition, which are displaced by the trade secret statute in Illinois133 (but not in Indiana134 or Wisconsin135).

### C. Questions Remaining After the Seventh Circuit Decisions

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128 *Hecny Transp., Inc.*, 430 F.3d 402 (7th Cir. 2005).
129 *Id.*
130 *Id.* at 405.
131 *Fail-Safe, LLC v. A.O. Smith Corp.*, 674 F.3d 889, 891 (7th Cir. 2012).
132 *Id.*
133 P.A. 85-366, § 1, eff. Jan. 1, 1988 (codified in 765 ILCS § 1065/1).
134 IND. CODE ANN. § 24-2-3-1.
135 WIS. STAT. ANN. § 134.90.
Spitz may appear to represent a full-circle return to the principle of anti-monopolization upheld by the court twenty-two years earlier in Composite Marine Propellers, Inc. v. Van Der Woude. However, in Composite Marine Propellers, did the court really adopt a position on the following: first, whether a finding of trade secret misappropriation is required to issue a ruling on displacement of other claims; and, second, the extent of the preclusive relationship between trade secret misappropriation claims and other common law claims?

One could argue that the court did not do so. For example, in reversing the jury verdict, the court found that the plaintiff’s assets did not amount to trade secrets, as opposed to commenting on whether a finding of trade secret misappropriation was required to dismiss other claims. Also, the court in Composite Marine Propellers moved past the issue of displacement by adjudicating the common law claims when it found that the plaintiff’s "[c]laims based on unfair competition and breach of fiduciary duty stand or fall with those based on contract." Arguably, in Composite Marine Propellers, the parties contracted around the statute which expressly excludes unjust enrichment from separate adjudication if trade secret misappropriation is also alleged, and the court could did not go all the way in deferring to the parties on this issue when it acknowledged that the claim was based on contract but made the finding of TSM dispositive.

In contrast to Composite Marine Propellers, which was decided in 1995, with its holdings in Spitz (2014) and Fail-Safe (2012), the court provided even less clarity. The court did not expressly articulate its analytical process, essentially leaving the public in the dark as to the extent of commercial privacy currently afforded the plaintiffs by the

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136 Composite Marine Propellers, Inc. v. Van Der Woude, 962 F.2d 1263 (7th Cir. 1992).
137 See supra note 119.
138 Composite Marine Propellers, Inc., 962 F.2d at 1265.
139 Id.
140 P.A. 85-366, § 1, eff. Jan. 1, 1988 (codified in 765 ILCS § 1065/1).
141 Composite Marine Propellers, Inc. 962 F.2d at 1265.
law of trade secrets. Thus, the court held *ab silentio* that a finding of whether or not TSM occurred was unnecessary and that merely pleading TSM displaced common law claims because the court did not remand for a determination on whether TSM occurred or for adjudication of the common law claims.

The two most recent holdings raise two additional questions. First, was it proper to find an absence of a trade secret merely because one of the factors not in plaintiff’s favor? Second, what is needed for defendant to prevail on summary judgment on the question of misappropriation? The cases discussed above illuminate several important areas where the law should be clarified. These questions are addressed by the adjudicative procedure proposed *infra*.

PART IV: PROPOSED PROCEDURE FOR ADJUDICATION OF COMMON-LAW CLAIMS

Merely displacing all common law claims would be an impermissible, overly broad reading of the trade secret statutes. On the other hand, courts cannot simply ignore the state statutes by allowing any and all common law claims. Therefore, a granular, step-by-step analytical framework is needed.

Central to the step-by-step analysis is the proposed definition of the statutory term “displace.” To achieve clarity and consistency, this term should interpreted as “preempt” rather than “preclude.” As a consequence of this interpretation, common law claims should be adjudicated after a finding of no trade secret or, with few exceptions discussed below, after a finding that misappropriation took place. Additionally, as a consequence of this interpretation, common law claims should not be dismissed on a motion to dismiss, summary judgment, or a motion for judgment as a matter of law solely on the grounds that these claims are displaced by state statutes.

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142 *See, e.g.*, 765 ILCS § 1065/8.
143 *PREEMPT, supra* note 13.
144 *PRECLUDE, supra* note 14.
Discussed here is the proposed procedure for determining how the claims accompanying the trade secret misappropriation claim should be handled. The procedure includes the following steps: (1) identify the claims that should not be displaced based on plain meaning of the state statues; (2) determine if there is a trade secret within the meaning of state statutes and state common law; (3) determine if there is misappropriation within the meaning of the UTSA; and (4) adjudicate the remaining claims.

A. Identify the Claims that Should Not Be Displaced

At the outset, the easiest category of claims to identify are claims that should be not be preempted nor precluded—contract and criminal. The UTSA, as well as all three states within the Seventh Circuit, expressly preempt these claims. Furthermore, the Seventh Circuit indicated that the category of claims that are never preempted may include claims that are not based on a contract between the litigants but arise in the law of contracts, such as tortious interference with contract, which was not precluded in IDX, breach of a confidentiality agreement, and breach of fiduciary duty. Additionally, as illustrated infra, courts have found that diversion of corporate opportunities originates in breach of fiduciary duty, which would also mean that this common-law cause of action could arise in the law of contract.

B. Is There a Trade Secret?

Once contract and criminal claims have been identified and disposed of, courts should determine whether the information at issue

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145 See NATIONAL CONFERENCE, supra note 9.
146 IDX Sys. Corp., 285 F.3d at 581 (7th Cir. 2002).
147 See supra note 126.
is a trade secret. Here, courts should consider state common law to supplement the statutory definition.

It is important to determine if there is a trade secret before adjudicating common law claims other than those expressly displaced because courts, both within and outside of the Seventh Circuit,\(^\text{149}\) have held that this is a threshold inquiry.\(^\text{150}\) If there is no trade secret, either because it does not have the requisite secrecy, because it does not derive independent value from its secrecy, or because the owner has not taken reasonable steps to preserve secrecy, common law claims should not be displaced.\(^\text{151}\)

For instance, in *Burbank Grease Services, LLC v. Sokolowski*, decided by the Supreme Court of Wisconsin, the plaintiff brought a claim of trade secret misappropriation under the Wisconsin Uniform Trade Secrets Act together with claims of breach of fiduciary duty and computer crimes.\(^\text{152}\) The defendant argued that legislative intent underlying the statute was to encompass all claims based upon confidential business information, even where a claim does not allege or depend on determining that the confidential information met the statutory definition of a trade secret.\(^\text{153}\) The Supreme Court of Wisconsin disagreed. The court started its analysis by looking at the statutory provision, which provides that the statute displaces “any other law of this state providing a civil remedy for misappropriation of a trade secret.”\(^\text{154}\) Because trade secret is a statutorily-defined term, the court noted that, as has been customary in the jurisdictions that


\(^{150}\) *Id.* at 451.

\(^{151}\) *Id.*

\(^{152}\) *Burbank Grease Services, LLC v. Sokolowski*, 717 N.W.2d 781 (Wis. 2006).

\(^{153}\) *Id.* at 789.

\(^{154}\) *Id.*

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adopted the Uniform Act, common law claims for misappropriation of information other than the statutorily-defined trade secret should be allowed. The court also considered the dictionary definition of “any,” concluding that the breadth of this term “evinces a broad range of civil remedies.” Finally, the court confirmed its plain-meaning statutory interpretation with an analysis of legislative intent. The court cited a report prepared in 1984 by the Wisconsin Legislative Council, commissioned to investigate the desirability of incorporating uniform trade secret protections into state law, which stated that “the [Uniform Trade Secrets] Act [was] not intended to be a comprehensive remedy” and did not apply to “duties voluntarily assumed through an express or an implied-in-fact contract” or “duties imposed by law which are not dependent upon the existences of competitively significant secret information, like an agent’s duty of loyalty to his or her principal.”

Illinois law is less straightforward because Illinois courts take into account both the statutory and common law elements of trade secret claims. As to the six-factor common-law test, as discussed supra, the Spitz and Fail-Safe decisions raise the question of whether a court may find an absence of a trade secret merely because one of the factors is not in the plaintiff’s favor. Regardless of whether statutory or common law definitions of a trade secret are used under Illinois law, the Seventh Circuit itself has held that “the existence of a trade secret ordinarily is a question of fact” that is difficult to define, which

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155 Id. (citing Minuteman, 147 Wis.2d at 851, 434 N.W.2d 773; Electro–Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 899 (Minn.1983); Convolve, Inc. v. Compaq Computer Corp., No. 00CV5141 (GBD), 2006 WL 839022, at *5–6 (S.D.N.Y. March 31, 2006)).
156 Id.
157 Id.
158 Id.
159 Id. at 791.
160 765 ILCS § 1065/8.
161 Learning Curve Toys, Inc., 342 F.3d at 723.
162 Id.
163 Id.
requires an ad hoc evaluation of all the surrounding circumstances. Therefore, the existence of a trade secret is best resolved by a fact finder after full presentation of evidence from each side. It may be inappropriate to dispose of the claim of trade secret misappropriation without answering the question of whether a trade secret exists at all.

C. Was a Trade Secret Misappropriated?

If the information at issue is a trade secret, there may still be an actionable wrong that does not fall under the definition of misappropriation; therefore, the plaintiff should be able to recover on alternative theories. As a federal district court located in Illinois noted, “ITSA only preempts actions predicated on misuse of secret information. Common law claims based on different theories are still permissible.”

Courts use different approaches to evaluate the elements of trade secret misappropriation and common law claims. Not all of these approaches may require a separate evaluation of each element. However, the Seventh Circuit has not considered the standard for evaluating claims of misappropriation on summary judgment and because the finding of misappropriation may not result in a finding of

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164 Id.
165 Id.
166 Burbank Grease Services, LLC, 717 N.W.2d at 789-90 (“We conclude the sum effect of the statutory terms is that civil claims for relief are not abrogated by Wis. Stat. § 134.90(6)(b) 2, with the exception of those civil tort claims that require the use of a statutorily-defined trade secret. It follows that all other types of civil tort claims that Burbank may assert in regard to the misuse of its confidential information remain available to it under the directive of § 134.90(6)(b)2.”).
168 See generally JOHN T. CROSS, supra note 445 (delineating three tests for displacement).
169 Id.
no conversion,\textsuperscript{170} the question of misappropriation should be addressed separately before common law claims are adjudicated.

One Illinois case, \textit{Tempco Elec. Heater Corp. v. Temperature Engr. Co.}, addressed what is needed for the plaintiff to prevail on summary judgment as to misappropriation of a trade secret. The standard, previously articulated in \textit{PepsiCo},\textsuperscript{171} had been that the circumstantial evidence of misappropriation had to be considered against the “likely to prevail” test,\textsuperscript{172} but the district court articulated a more relaxed standard, suggesting that plaintiffs “need only show that a reasonable jury could possibly allow them to prevail.”\textsuperscript{173} In support of its position, the district court noted that, first, the \textit{PepsiCo} court considered a preliminary injunction rather than a motion for summary judgment, and, second, there was a need to bring the standard closer in line with the summary judgment doctrine articulated by the Supreme Court that no summary judgment can issue “if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.”\textsuperscript{174}

Courts generally agree that despite the fact that misappropriation merely requires \textit{intent} while the Uniform Act imposes an additional requirement of \textit{impropriety}, a finding of trade secret misappropriation will generally preclude common law claims that include this element, such as conversion, unless the misappropriated object is \textit{tangible} and has intrinsic, \textit{independently derived} value. For example, in \textit{Remy, Inc.}, the District Court for the Southern District of Indiana dismissed the plaintiff’s claim of conversion that pertained to software, transferred to the defendant’s computer via zip files and not embodied in a tangible medium to which independent value could be ascribed.\textsuperscript{175} It is

\textsuperscript{172} \textit{Id.}.
\textsuperscript{173} \textit{Tempco Elec. Heater Corp.}, 02 C 3572, 2004 WL 1254134, at *9.
\textsuperscript{174} \textit{Id.} (citing \textit{Anderson v. Liberty Lobby, Inc.}, 477 U.S. 242, 248 (1986)).
\textsuperscript{175} \textit{Remy, Inc.}, 1:11-CV-00991-SEB, 2014 WL 2882855, at *11.
important to note, however, that claims of conversion with respect to the elements that are not trade secrets should be adjudicated separately.\textsuperscript{176}

\textbf{D. Adjudicate Remaining Common-Law Claims}

At this point, statutory trade secret claims have been fully adjudicated and, if there was trade secret misappropriation, any claims of conversion likewise have been fully adjudicated. If it was found that the information at issue is not a trade secret, the remaining common-law claims (breach of duty/diversion of corporate opportunities, unjust enrichment, and unfair competition) should be adjudicated. Here, the strongest argument for adjudicating these claims separately is that the elements of these claims are sufficiently distinct and, further, courts have found that proprietary information merits protection even if it does not rise to the level of a trade secret.

For instance, in \textit{Lucini Italia Co. v. Grappolini}, the Illinois District Court for the Northern District explained that claims of breach of duty that are based on independent facts survive claim displacement.\textsuperscript{177} The court discussed \textit{AutoMed Technologies, Inc. v. Eller}\textsuperscript{178} as an example. In \textit{AutoMed Technologies}, an employer sued a former employee for taking trade secrets when he left the plaintiff’s employment. The plaintiff alleged an ITSA claim along with many other common law claims, but the court only dismissed claims based on the same facts as the ITSA claim and “[sustained] the breach of

\begin{footnotesize}
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\item \textsuperscript{176} See, e.g., \textit{Hecny Transp.}, 430 F.3d at 404; \textit{First Fin. Bank, N.A.}, 71 F. Supp. 3d at 847.
\item \textsuperscript{177} \textit{Lucini Italia Co.}, 231 F. Supp. 2d at 770 (citing Thermodyne Food Serv. Prod., Inc., v. McDonald's Corp., 940 F.Supp. 1300, 1309 (N.D. Ill.1996) (“In a situation where the alleged breach of duty does not rely on the misappropriation of a trade secret, the claim survives.”)).
\item \textsuperscript{178} \textit{AutoMed Techs., Inc. v. Eller}, 160 F. Supp. 2d 915, 922 (N.D. Ill. 2001).
\end{itemize}
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fiduciary duty claim which alleged that the defendant breached his
duty as an officer by usurping a corporate opportunity.”

As to claims of unjust enrichment, the UTSA displaces
restitutionary (equitable) remedies arising in the law of trade secrets
and all three states within the Seventh Circuit provide for equitable
remedies under the state trade secret statutes. But even though
unjust enrichment plaintiffs essentially seek restitutionary relief and
it may be appropriate to limit punitive damages, claims of unjust
enrichment should be treated similarly to breach-of-duty claims for the
purpose of claim displacement analysis; the dispositive question
should be whether the claim would survive independently of the trade
secret claim rather than the type of relief sought. With unjust
enrichment, the duty in question does not arise out of the fact of
secrecy itself; instead, as one commentator noted, “[it] turns on the
fairness of letting the defendant keep the benefit.” This analysis
should be informed by whether the plaintiff took any steps to protect
her ideas—as the Seventh Circuit noted in Fail-Safe, LLC: “[W]here
one company fails to take any protective steps to shield its proprietary
information, it cannot then expect the law to protect it when the
relationship sours.”

179 Lucini Italia Co. v. Grappolini, 231 F. Supp. 2d at 767-68 (citing AutoMed
Techs., Inc., 160 F.Supp.2d at 922).
Code Ann. § 24-2-3-3 (West).
Ill. 1995).
182 JOHN T. CROSS, supra note 487 (“The duty in a quantum meruit or unjust
enrichment case turns on the unfairness of letting the defendant keep the benefit,
either because the defendant requested it (as in quantum meruit), or because the
plaintiff mistakenly supplied it to the defendant (as in unjust enrichment). Because
the duty does not arise out of the fact of secrecy itself, proposed [statutory
construction, which is consistent with one articulated in this article] would not
displace these claims.”).
183 Fail-Safe, LLC, 674 F.3d at 891 (“But where one company fails to take any
protective steps to shield its proprietary information, it cannot then expect the law to
protect it when the relationship sours.”).
Additionally, in Hecny, the Seventh Circuit held that common-law claims are not foreclosed if there is no trade secret misappropriation, and the United States District Court for the Northern District of Illinois relied on this rule when it stated, in Abanco Intern., Inc. v. Guestlogix Inc., that the defendant’s claim of unjust enrichment was not displaced. The district court noted that the plaintiff’s claim of unjust enrichment related to information that the plaintiff claimed was “valuable and proprietary” but the court determined was not a trade secret. Similarly, the plaintiff in Spitz clearly attempted to protect her ideas by executing a general non-disclosure agreement, notwithstanding the fact that the district court found the NDA was not specific enough. Therefore, the Seventh Circuit should not have dismissed the unjust enrichment claim, especially in view of the fact that a perfectly specific non-disclosure agreement is nearly impossible to draft as inventors continue to brainstorm and business ideas evolve.

Finally, with respect to claims of unfair competition, this article has demonstrated that Illinois and Indiana courts note, first, that unfair competition claims are fact-specific (and therefore should not be dismissed merely on the face of the trade secret statutes) and, second, unfair competition claims are not preempted when the information at issue does not rise to the level of a trade secret.

CONCLUSION

Trade secrets are the most frequently litigated form of intellectual property protection, and this trend is likely to continue in view of the

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184 Hecny Transp., Inc., 430 F.3d at 404-05 (“The dominant view is that claims are foreclosed only when they rest on the conduct that is said to misappropriate trade secrets.”).
185 Abanco Intern., Inc., 486 F. Supp. 2d at 781 “The ITSA does not preempt claims that are not dependent upon the existence of trade secrets.”).
186 Id. at 782 (“I cannot equate the complaint’s description of the information as ‘valuable and proprietary’ with the definition of trade secrets under the ITSA at defendant's request.”).
fact that federal courts are tightening patentability criteria for business methods. Because valuable and proprietary information evolves as inventors refine their ideas, it is not always possible to draft a perfect non-disclosure agreement that would identify all of the plaintiff’s trade secrets with sufficient specificity. As such, plaintiffs may not be able to prove that their misappropriated assets were indeed trade secrets. It would be counter-productive to leave these plaintiffs without the common-law remedies displaced by the Uniform Trade Secrets Act, and courts within the Seventh Circuit have already successfully developed the rules for adjudicating such common-law claims. In response, this article has consolidated these rules and the existing state trade secret statutes into a coherent, step-by-step analytical framework for adjudicating common-law claims without duplicating the available remedies.