

Trade Secrets

Property rights or relational obligations?

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Introduction

If ‘any claim is either *in rem* or *in personam* and there is an unbridgeable division between them’,¹ then trade secret claims are the anomaly. On the one hand, the information holder can insist upon being owed an obligation of good faith – that they confided the information in the other party and their trust is abused. On the other, they can assert a property right over the secret – that the misappropriation devalues the secret they own and deprives them of that right. Put briefly, it is a debate between ‘you should not use/disclose the secret because you owe me an obligation not to’ and ‘you should not use/disclose the secret because I own it’.

Choosing either argument matters; hence this essay will explore the rationale and objectives behind both the relational and property theories. Considering how the nature of trade secrets corresponds to these objectives, it is contended that the property-right approach offers a more accurate and complete justification, both theoretically and practically. More specifically, since trade secrets also serve to incentivise innovation like patents do, affording them protection under the umbrella of intellectual property (IP) rights grants the information holder more robust safeguards over the information, while better balancing the interests at stake in a trade secret litigation.

I. Relational Approach

Under the relational approach, the trade secret claim is grounded upon a (confidential) relationship between the claimant and the

¹ Barry Nicholas, *An Introduction to Roman Law* (rev edn, OUP 2008), 100

defendant. Often referred to as a breach of confidence,² this tort/contract-based approach reasons that the information holder has a right *in personam* against the other party arising out of such relationship; and they ought to be compensated in the event of an unlawful disclosure/use because the defendant has abused their confidential position. The ‘trademark’ of the relational approach can be attributed to Justice Holmes’ judgment in *E.I. Du Pont de Nemours Powder Co v Masland*:

*Whether the plaintiffs have any valuable secret or not, the defendant knows the facts [...] through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore the starting point [...] is not property or due process of law, but that the defendant stood in confidential relation with the plaintiffs.*³⁴

In other words, it is the confidential or fiduciary relationship that should be protected, rather than the information *per se*.⁵ The emphasis is not on the issue that a piece of information that should have been kept outside of the public domain is now disclosed/misused, but on the ‘asserted disloyalty’ and the

² Following the rise of positive legal realism in the 20th century, the relational approach contract principles ascended as the dominant jurisprudence for trade secrets, such that trade secrets misappropriation were also claimed as breach of contract, unfair competition, torts related to trespass or unauthorised access to the claimant's property. Mark A Lemley, ‘The Surprising Virtues of Treating Trade Secrets as IP Rights’ (2008) 61 Stan L Rev 311, 316. Smriti Tripathi, ‘Treating trade secrets as property: a jurisprudential inquiry in search of coherency’ (2016) 11 JIPLP 841, 842

³ *E.I. Du Pont de Nemours Powder Co v Masland* 244 US 100, 102 (1917) (hereinafter *Masland*)

⁴ Lemley (n 2) 320; Kim Lane Scheppele, *Legal Secrets: Equality and Efficiency in the Common Law* (The University of Chicago Press 1988) 240; Lynn C Tyler, ‘Trade Secrets in Indiana: Property vs. Relationship’ (1998) 31 Ind L Rev 339, 340

⁵ Tripathi (n 2), Scheppele (n 4) 240; Tyler (n 4) 340, citing *Masland* (n 3) (‘Du Pont was entitled to protection against disclosure of its information by Masland, without regard to whether the information was in fact a trade secret, because Masland had acquired the information in a confidential (employment) relationship’)

alleged breach of a ‘one-way duty of fidelity’ to the information holder.⁶ The essence of the wrong, therefore, is the obtainment of an ‘unfair competitive advantage *through inequitable conduct*.⁷

II. Legal Framework under TRIPS⁸

Despite the relatively modest provisions, Article 39(1) of the TRIPS Agreement also aims to protect trade secret holders from unfair competition. For information to qualify as a trade secret and to warrant protection ‘against disclosure, acquisition or use by others without consent and in a manner contrary to honest commercial practices’ in the IP pantheon, it must satisfy the three elements delineated under Article 39(2):

- a) *The information is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;*
- b) *It has commercial value because it is secret;*
and
- c) *It has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.*^{9,10}

⁶ Lemley (n 2) 316; Charles Tait Graves, ‘Trade Secrets as Property: Theory and Consequences’ (2007) 15 J Intell Prop L 39, 41–42

⁷ Scheppele (n 4) 242, citing *Atlantic Wool Combing Co v Norfolk Mills Inc* 357 F 2d 866, 869 (1st Cir 1966)

⁸ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization (signed 15 April 1994) 1869 UNTS 299

⁹ Article 39(2), TRIPS Agreement (n 8)

¹⁰ This definition of trade secrets under TRIPS has been transplanted into Article 2(1) of the EU Trade Secret Directive, which prompted the UK to enact the Trade Secrets (Enforcement, etc.) Regulations 2018.

Although the Article's objective to protect against unfair competition may give the impression of adopting a relational approach, especially considering that it has defined '[manners] contrary to honest commercial practices' to include 'practices such as breach of contract, breach of confidence and inducement to breach';¹¹ in actuality, the 3-prong definition depicts a property theory.

III. Property Approach and the Centrality of Secrecy

Property rights, or rights *in rem*, are about the relationship between people and things¹² and 'the way rights to use things may be parcelled out amongst a host of competing resource users'¹³ – it is the idea of 'me and the object against the world'. In that case, if the ultimate form of property rights is exclusive ownership, treating trade secrets as property and granting legal protection thereof means granting the information holder the right to restrict and exclude others from accessing the information. As such, insofar as it is possible to keep the information hidden, it is possible for the rightholder to *own* a piece of information.¹⁴

Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ('EU Trade Secret Directive') [2016] OJ L 157/1

¹¹ Footnote 10, TRIPS Agreement (n 8). It also includes 'the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition'.

¹² Nicholas (n 1); Tripathi (n 2) 843

¹³ Bruce Ackerman, *Private Property and the Constitution* (Yale University Press 1978) 26

¹⁴ James W Hill, 'Trade Secrets, Unjust Enrichment, and the Classification of Obligations' (1999) 4(1) VA J L & Tech 1 at [23], citing *Ruckelshaus v Monsanto Co* 467 US 986, 1002 (1984) ('as trade secrets are intangible [...] the existence of a property right depends on the extent to which the owner protects the trade secret from

Therefore, at the heart of the property-right approach is that the information is *secret*; ¹⁵ hence the first element of the TRIPS standard. ¹⁶ Contrary to the relational approach, ‘the starting point [...] is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated’. ¹⁷ While the property approach would agree with its counterpart to the extent that the type of information involved is not pivotal, ¹⁸ the *secrecy* is a prerequisite because it is what provides commercial and economic value to the information and the possessor’s business; ¹⁹ as manifested in the second limb of Article 39(2). By keeping the information outside of the public domain, the secret holder gains a competitive edge – a commercial value – over their competitors who typically deal with that kind of information. ²⁰ Without secrecy, not only might the owner suffer financial setbacks, but the information is also reduced to a mere piece of commonplace knowledge that the

disclosure’); Graves (n 6) 57 (‘if a court believes that a trade secret is a property interest, that interest stands or falls on its secrecy and disappears if shown to be non-secret’)

¹⁵ Lemley (n 2) 342 (‘[the requirement of secrecy] is a central part of what makes trade secret law work’); Hill (n 14), at [23], citing *Kewanee Oil Co v Bicon Corp* 416 US 470 (1974) (hereinafter *Kewanee*)

¹⁶ Article 39(2)(a), TRIPS Agreement (n 9)

¹⁷ Accordingly, and as will be further discussed, if the alleged secret is already in the public domain, the defendant could not be liable under a trade secret claim even if the information was obtained through a breach of confidential relationship. See Tyler (n 4) 341, citing *Vans Prods Co v General Welding & Fabricating Co* 213 A 2d 769, 780 (Pa 1965)

¹⁸ This is evident in the extremely wide range of information protected. Tripathi (n 2) 842; Kurt M Saunders, ‘The Law and Ethics of Trade Secrets: A Case Study’ (2006) 42 Cal W L Rev 209, 217-18

¹⁹ Nuno Sousa e Silva, ‘What exactly is a trade secret under the proposed directive?’ (2014) 9(11) JIPLP 923, 929

²⁰ Indeed, many businesses rely predominantly on secrecy to survive. Saunders (n 18); ‘Protecting confidential information and trade secrets’ (Pinsent Masons Out-Law Guide, 2 April 2020) <www.pinsentmasons.com/out-law/guides/confidential-information> accessed 14 April 2021 (‘confidential information and trade secrets can be amongst the most valuable assets a business owns. A competitive edge in the marketplace may rely on a business having certain information which its competitors do not’)

discoverer cannot commercially exploit. Accordingly, it is the monetary reward derived from the secrecy that justifies legal protection of secret information as property.²¹

In fact, when trade secrets were first recognised by Anglo-American courts in the 19th century, they were justified as property via classical property theories. Take, for example, the Lockean proviso: a person's labour is the foundation for property – they are a rightful owner of things taken from the common if they have joined their labour to those things.²² Correspondingly, in the trade secrets context, before the information holder has, say, compiled the supplier list or created a chemical formula, the information exists in nature as raw facts; only after investing valuable time and resources in developing the information²³ – sourcing the suppliers or researching and developing the formula – that the information becomes the developer's property.^{24,25} To further maintain the commercial viability of the information, they will continue propertising the

²¹ Tripathi (n 2) 843 ('the protection of the information must result in improving the position of the owner of the information in contrast to the absence of protection'); Saunders (n 18) 219 ('the value might be measured by what the information yielded, such as increased market share, profits, or enhanced, production efficiency, or by the amount invested in developing the information'); Steven N S Cheung, 'Property Rights in Trade Secrets' (1982) 20 *Economic Inquiry* 40, 51 ('from the standpoint of economics, a trade secret can be said to constitute property inasmuch as it generates income to its owner and is competed for by other individuals in society')

²² John Locke, *The Two Treatises of Government* (first published 1689, McMaster University Archive of the History of Economic Thought 1999) 116; Tripathi (n 2) 844; Hill (n 14) at [18]-[19]

²³ Scheppele (n 4) 39, citing Richard A Posner, *The Economics of Justice* (Harvard University Press 1981) ('corporations primarily want to conceal information that is the product of substantial investment'); Saunders (n 18) 212

²⁴ Hill (n 14) at [20], citing *Peabody v Norfolk* 98 Mass 452, 457 (1868) ('[i]f a man establishes a business and makes it valuable by his skill and attention, the good will of that business is recognised by the law as property')

²⁵ However, note that for the purposes of UK criminal law, information (in the form of an exam paper) is not property (*Oxford v Moss* (1978) 68 Cr App Rep 183).

information by taking subsequent protective and preventive measures²⁶ – more labour – to keep the information secret, thence Article 39(2)(c).

Not only does the actual and physical alienability of the information strikes a chord of proprietary interest,²⁷ the things people ordinarily do with trade secret resembles what people do with property.²⁸ Trade secret owners are often regarded as having the exclusive right to use the information however they want;²⁹ they can even publicly disclose it if they eventually decide to do so, whereas anyone else doing the same (without authorisation) would be condemned and would potentially attract liability.³⁰ This is reflected by the talk of dishonest acquisition/use/disclosure of trade secrets being *misappropriation*, hinting that trade secrets are *things* that can be taken away. Indeed, the competition is unfair because the ‘thief’ has not mixed in any ethical efforts in crafting the information; and to exploit it as if they were the creator amounts to stealing the other's property.³¹ Although after misappropriation, the owner

²⁶ Tripathi (n 2) 843, reasonable measures taken to maintain secrecy can be evidence of the information's commercial viability.

²⁷ Graves (n 6) 76; Frederick Henry Lawson and Bernard Rudden, *The Law of Property* (3rd edn, OUP 2002) 14 ('[a legal property right] is used to describe those interests which, broadly speaking (a) can be alienated')

²⁸ *Ruckelshaus* (n 14) 1002 ('[t]rade secrets have many of the characteristics of more tangible forms of property. A trade secret is assignable [...] can form the *res* of a trust [...] and it passes to a trustee in bankruptcy'); Richard A Epstein, 'the Constitutional Protection of Trade Secrets under the Takings Clause' (2004) 71 U Chi L Rev 57

²⁹ Lemley (n 2) 325 ('the "property", then, is not merely a right to exclude others from something in the sole possession of the plaintiff, but a right to restrict the access, use, and disclosure of information'); Hill (n 14) at [24], citing *Envirotech Corp v Callaban* 872 P 2d 487, 494 (Utah 1994) ('a trade secret is a property right, "with power in the owner thereof to make use of it to the exclusion of the world or to deal with it as he pleases"')

³⁰ Tripathi (n 2) 844; Saunders (n 18) 243

³¹ This would also explain why certain methods of appropriating the information, such as independent discovery, reverse engineering, or even 'learning a competitor's prices by walking through their store during business hours, or attempting to predict a competitor's business strategy' are excused because they are honest efforts contributed to the

will still own the information in the sense that it will not be suddenly erased from their memory, they are nevertheless deprived of the economic values and competitive advantages attached to the secrecy.

Therefore, under the property-right view, it is not the manner in which the secret was acquired that is the most reprehensible. Regardless of whether the thief was finessing their confidential relationship with an employer or hacking a company's CCTV camera, or using some 'school boy's trick' that is legal but somehow improper,³² the wrong of trade secret misappropriation is that the defendant has acquired something of substantial value to the holder, tipping the competitive playing field to their favour as a result.

IV. Trade Secrets as Intellectual Property Rights

Given the free-flowing and intangible nature of information, opponents would question the sustainability of the property-right approach because it may turn out that multiple parties have each developed and propertised the same information, making it impossible to identify the owner and offer them the appropriate protection.³³ In light of this, it would be useful to examine the nuance of trade secrets as a type of *intellectual* property.³⁴

The requirement that the information must not be readily discoverable by the public indicates that the secret will inevitably 'exhibit a degree of novelty'.³⁵ If the information is

competition. Lemley (n 2) 322; Article 3 EU Trade Secret Directive (n 10)

³² In *E.I. Du Pont de Nemours & Co v Christopher* 431 F 2d 1012 (5th Cir 1970), the defendant was hired by a third party to take aerial photographs of the claimant's chemical engineering plant. Whilst there were no laws preventing aerial photography, their conduct was held to be impermissible. Lemley (n 2) 318

³³ Tripathi (n 2) 845; Cheung (n 21)

³⁴ Lemley (n 2)

³⁵ Hill (n 14) at [24], citing *Hudson Hotels Corporation v Choice Hotels International* 995 F 2d 1173, 1178 (2d Cir 1993) ('an idea ... must

easily discoverable, it should not even be deemed a trade secret from the outset. Likewise, once someone else is also capable of developing the information, this acts as a signal to the owner that it is time to ‘up their game’ in the competitive market. The information’s uniqueness and profitability are weakened, so it no longer merits the same protection as it did when the owner was able to exclude the information from its competitors and the public domain.

To this end, trade secrets do not only bear the exclusivity hallmark of intellectual property protection, they also carry an incentive to innovate which, coincidentally, is the same rationale for protecting other intellectual property.³⁶ Some may argue that they are too different from intellectual property like patents and copyright – trade secret protection lacks a term of protection and a registration process³⁷ – but such differences are what make trade secrets a convenient alternative. In fact, the virtues of treating trade secrets as an alternative IP are acknowledged in *Kewanee Oil Co v Bicorn Corp.* Namely, trade secret law can ‘[reach into] corners patent law cannot’³⁸ as immediate and automatic protection allows protection over non-patentable subject matter or potentially patentable products under development.³⁹

Given the appeal of the monopolistic power attached to property rights, the only way to buttress these incentives and to assure inventors that they will have the first-mover advantage is to treat trade secrets as (intellectual) property. Indeed, ‘unless one gives to people property rights in the work that they have done, there will be insufficient incentives for investment in the

demonstrate novelty and originality to be protectible as a property right under “any cause of action for its unauthorized use”); Cheung (n 21) 43

³⁶ Lemley (n 2) 326, 329; Saunders (n 18) 217

³⁷ Some may also attempt to apply the idea/expression dichotomy in IP law – copyright, patents and trademark are about protecting the ‘expression of ideas’ via public accessibility and disclosure (hence a registration process); however, trade secrecy protects the intangible ‘ideas’ itself.

³⁸ Lemley (n 2) 313, 331; Sousa e Silva (n 19)

³⁹ *Kewanee* (n 15) 485 (‘competition is fostered and the public is not deprived of the use of valuable, if not quite patentable, information’)

production of that thing’,⁴⁰ and ‘[w]hen secrets are necessary to ensure the production of information [...] the law should, if it values efficiency, grant property rights’.⁴¹

V. Weaknesses of the Relational Approach

Third-Party Cases

Furthermore, there are circumstances where no pre-existing relational obligations are involved. For example, where a secret holder (A) is trying to sell their ideas at the negotiations stage, the potential investor or purchaser (B) would want to know about the secret in order to make an informed decision to deal. However, once the knowledge is disclosed, B no longer needs to pay A as the property has effectively been transferred. As a result, A will be reluctant to disclose the secret, and the transaction cannot be concluded unless they are ‘secure in the knowledge that the other side is not free to take the idea without compensating’.⁴² This is dubbed the Arrow’s Information Paradox.⁴³

In this paradox, the relational theory is arguably sufficient to form the basis of a claim if it is B who breaches the confidential relationship.⁴⁴ However, it would be much more

⁴⁰ Scheppele (n 4) 39, citing Posner (n 23); Graves (n 6) 80 (‘allowing a property right in the product of inventive work encourages such invention by deterring free riding others’)

⁴¹ Scheppele (n 4) 41

⁴² Lemley (n 2) 336

⁴³ Mario Piazza and Marco Pedicini, ‘What Arrow’s Information Paradox Says (to Philosophers)’ in Don Berkich, Matteo Vincenzo d’Alfonso (eds) *On the Cognitive, Ethical and Scientific Dimensions of Artificial Intelligence: Themes from LACAP 2016* (Springer 2019) 84

⁴⁴ Even then the duty breached will most likely be one implied out of equity; however, the precise scope and basis for a breach of confidence action is very ambiguous. For example, in *A-G v Guardian Newspapers (No 2)* (the *Spycatcher* case) [1990] 1 AC 109 and *Douglas v Hello! Ltd (No*

challenging for A to protect the trade secret if B subsequently tells the secret to a third party (C) and C uses/discloses it dishonestly. Similarly, if A discloses the secret to a select few senior employees, and one of them sells it to C, A will not know whom to sue other than C. If all A has is a relational right against B, there will be virtually no direct route to claim against C – partly due to the lack of contractual privity,⁴⁵ and partly because their right *in personam* is incapable of binding other parties who interfere with their secret.⁴⁶ Even if A risks asserting that C owes them an equitable duty of confidence, the loosened connection will make it harder to establish such a relationship of trust and confidence,⁴⁷ not to mention the intrinsically uncertain outcomes of equitable principles. This is even worse if the bad actor is a total stranger where no strings are attached, such as hackers or corporate spies.⁴⁸

Therefore, without a property-right-based trade secret law providing the certainty that their secrets will be automatically protected from *the world at large*, businesses and developers will either be prone to overinvestment in maintaining physical secrecy or disincentivized to disclose their ideas to potential investors.⁴⁹

3) [2007] UKHL 21, an obligation may exist independently of any contract on the basis of an independent equitable principle of confidence. This essay would argue that it is rather absurd to assert breach of confidence without a pre-existing relationship of confidentiality.

⁴⁵ Lemley (n 2)

⁴⁶ *Hill v Tupper* (1863) 2 H & C 122, a classic case demonstrating the distinction a personal right and a legal right. Because the contractual promise only gave rise to a personal right, the claimant had no claim against the third party. His only option is to assert his right against the contracting party, for example to ask for an injunction forcing promisor to take action against the third party or to pay damages on behalf of the third party.

⁴⁷ Scheppele (n 4) 240 ('only the person who is in a relation of trust and confidence with the secret-holder is liable if the secret escapes as a result')

⁴⁸ Lemley (n 2) 331-32

⁴⁹ *Ibid* 332-37. Lemley provides an insightful discussion as to how treating trade secrets as an IP helps to promote the dissemination of information. On the one hand, legal protection in trade secret serves as

Risk of Protecting Non-confidential Information

It appears that not only does the property-right approach offers a more accurate reflection of how people treat trade secrets, it also provides more robust and comprehensive protection than the relational approach. The latter is not wrong, but it is at best a secondary justification that is ultimately underpinned by a property theory.⁵⁰

The fundamental weakness of the relational approach is that it does not explain *why* the law should protect the specific secret in the first place. For example, the English breach of confidence model requires that the information must: (a) 'have the necessary quality of confidence about it';⁵¹ (b) be imparted in circumstances or on an occasion of confidence; and (c) be used in an unauthorized way to the claimant's detriment.⁵² It is clear that protection is attained '[o]nce the information crosses the threshold of confidentiality and is transmitted on ... an occasion of confidence';⁵³ however, only (a) is related to the information itself, yet it does not provide any insight as to how this 'quality of confidence' justifies protecting the business information, nor when the threshold of confidentiality will be surpassed.

This model over-emphasizes the fact that the infringer has misbehaved by abusing the confidential relationship and the trust of the information holder, but ignores the value of the

a substitute for investments in physical secrecy that companies might otherwise make. On the other hand, trade secret law serves to mitigate Arrow's Information Paradox.

⁵⁰ Even in *Prince Albert v Strange* (1849) 41 ER 1171, the leading case of breach of confidence, Lord Cottenham LC acknowledged (at 1178) that the action arose as an aspect of the claimant's proprietary rights in the drawings. Paul Torremans, Holyoak and Torremans Intellectual Property Law (9th edn, OUP 2019) 554. Similarly, the US Supreme Court noted in *Ruckelshaus* (n 14) 1004 that in deciding *Masland* (n 3), 'Justice Holmes did not deny the existence of a property interest; he simply deemed determination of the existence of that interest irrelevant to the resolution of the case'.

⁵¹ *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* [1963] 3 All ER 413

⁵² *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 47

⁵³ *Torremans* (n 50) 592

information and the kind of proprietary rights and interests attached. Thus, to deal with the breach of relational obligation and bad-faith conduct before identifying whether the alleged confidential information is a commercially valuable secret at all is to put the cart before the horse. As Lemley pointed out, a trade secret theory based purely on relational obligations is an empty logic as it ‘presupposes a wrong without offering any substantive definition of what that wrong is’.⁵⁴

On top of that, the point of limiting the scope of information protected to those that are remunerative *and* not readily accessible is to ‘ensure that no one claims intellectual property protection for information commonly known in a trade or industry’.⁵⁵ Therefore, placing the relationship at the core of the claim instead of the boundaries of the information defeats the purpose of trade secret protection because it means that the claimant can prevail even if the information is not confidential.⁵⁶

Employer v Employee Cases

The risk of protecting non-secret information is particularly acute in circumstances involving departing employees, which make up the majority of trade secret litigation.⁵⁷ In a typical dispute, as per Graves, employers would attempt to apply the relational view and simply lament over the employee’s unfaithfulness.⁵⁸ If the courts do side with this assertion and deal with whether the information is acquired in ‘circumstances of confidence’ first, the employer could subjectively dictate what information is confidential/secret⁵⁹ and ‘get by with a broad and

⁵⁴ Lemley (n 2) 321

⁵⁵ Ibid 317, 321, 342; Graves (n 6) 50. Moreover, if the breach of a confidential relationship is the wrong, then trade secret law is nothing more than contract law. However, this is not true as trade secret provides incentives to innovate which is not necessarily an objective of contract law.

⁵⁶ Lemley (n 2) 313; Tyler (n 4); Graves (n 6) 47-57;

⁵⁷ Ibid (n 2) 318; Saunders (n 18) 212

⁵⁸ Graves (n 6) 49

⁵⁹ For example, encompassing all written and oral information and materials provided by the employer as confidential information in the non-disclosure agreement.

vague list of general categories, rather than an identification of the actual trade secret'.⁶⁰ The onus will then be shifted onto the defendant employee to persuade the court how the specific information (and potentially the associated complex technology) does not have a quality of confidence, and that they are facing a catch-all tort accusation and not a trade secret claim.⁶¹ Accordingly, the subjective tint of the relational approach 'summons to mind a hierarchical power imbalance'⁶² and enables employers to pursue quasi-trade secret claims under a tort/contract guise.

By contrast, property rights will have objective 'metes and bounds'⁶³ – information developed and kept outside of the public domain is the holder's property and deserves trade secret protection. In the same vein, information generally ascertainable in the public domain or forms part of the employee's general 'aptitude, skill, experience' is not a trade secret and the claim can be dismissed regardless of what the employment contract says.⁶⁴⁶⁵ In cases where the employee defendant contributes a good deal to the creation of the knowledge,⁶⁶ their knowledge and skills can be measured against those possessed by others working in the industry or those readily ascertainable by competitors through inspection.⁶⁷ For this reason, an outcome-determinative, property-based theory of trade secret protection is 'most necessary to defeat attempts to turn non-secret, non-proprietary information into a basis for liability under a contract-based conception'.⁶⁸

⁶⁰ Graves (n 6) 47

⁶¹ Ibid 46, 60

⁶² Ibid 45

⁶³ Ibid 47

⁶⁴ Ibid 47-48; Saunders (n 18) 218

⁶⁵ Torremans (n 50) 592 ('In defining what is confidential, the law is defining the boundaries of truth that is protected from revelation, and, in drawing this line, it is setting out the balance between the right of the individual or firm to keep a secret and the right of the public at large.')

⁶⁶ See the case study in Saunders (n 18) 213-14 for an illustration of the typical claim against a departing employee

⁶⁷ Saunders (n 18) 218

⁶⁸ Graves (n 6) 56, 76, citing Steven Wilf, 'Trade Secrets, Property, and Social Relations' (2002) 34 Conn L Rev 787 ('viewing a trade secret

Prioritising the secrecy question will avoid compromising the scope of information employees are allowed to take from job to job and their ability to utilise their enhanced experience and skills learned on the job. Consequently, this is a more balanced approach to mitigate the tension between employees, who have an interest in the autonomy to choose new jobs or leave unpleasant jobs without being restricted from entire fields,⁶⁹ and employers, who have a proprietary interest that demands protection against exploitation by competitors. This way, a property conception that protects employee interests also serves a wider policy benefit of promoting employee mobility.⁷⁰ Just as treating trade secrets as intellectual property incentivises businesses to disclose and innovate, it will allow greater dissemination of non-secret information learned on the job, which stimulates more competition and ‘the [economic] growth of nimble, creative start-up enterprise’.⁷¹

claim as a property right focuses attention on the boundaries of the claim itself, and shifts attention away from a relational theory under which an employee might be liable for using anything valuable learned from the job’)

⁶⁹ Graves (n 6) 44

⁷⁰ Ibid 60, 83; Saunders (n 18) 244

⁷¹ Graves (n 6) 43

Conclusion

Long story short, the relational theory and the property theory are not mutually exclusive. However, the tension between them perpetuates a dilemma whereby having the confidential relationship as the starting point means that information will be protected as a trade secret even if it is not a secret; whereas placing the secrecy as the starting point will mean that the information will not be protected even if it was unlawfully acquired/used/disclosed.⁷² Whilst the latter is a downside of the property approach, if claimants want to claim over a breach of trust or any misuse/disclosure of non-confidential information, they should ground the claim in another area of law, instead of alleging a trade secret misappropriation.

A deeper analysis into the nature of trade secrets and the way businesses treat them as being excludable, albeit not permanently, shows that trade secret law should be underpinned by a property conception. Indeed, those who argue that trade secret as a property right provides ‘patent-style protection to non-patentable subject matter’⁷³ may not realise the efforts invested in developing the secret and the commercial advantages it can add to the owner’s trade. Further, a property right in trade secrets allows the owner to ‘prepare’ for different scenarios more than a personal right does, as demonstrated in the examples involving third parties and departing employees. As such, the property approach offers more solid protection to both claimants and defendants and better balances their competing interests. Therefore, given the values of trade secrecy and incentives attached to trade secret protection, and the resemblance it shares with other IP protection, the elusive and ambiguous nature of information should not preclude it from being protected as an intellectual property right.

⁷² Tyler (n 4)

⁷³ Torremans (n 50), citing *Morison v Moat* (1851) 9 Hare 241

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