

CAN'T GET IT OUT OF MY HEAD: TRADE SECRETS LIABILITY FOR REMEMBERED INFORMATION

TIMOTHY MURPHY*

The earliest trade secrets cases recognized that intentional memorization of trade secret information for the purpose of misappropriating that information should be redressable in a trade secrets action. However, courts did not distinguish between information that was intentionally memorized versus information that was inadvertently remembered. In the early days, trade secrets law was characterized by unfair competition approaches whereby liability would be found only if there was some improper act by the misappropriator. This approach was solidified in the Restatement (First) of Torts, which conditioned misappropriation liability upon a knowledge requirement. The knowledge requirement continued in the later statutory period, but courts applied it inconsistently and sometimes not at all. This Article develops a taxonomy of remembered information and uses the taxonomy in conjunction with cognitive science to suggest that misappropriation liability should not attach in many cases of remembered information because the employee's state of mind would preclude a finding that the knowledge requirement was met.

Introduction	1930
I. Background	1935
A. The Formative Period	1936
B. The Restatement Period	1941
C. The Statutory Period	1946
II. The Knowledge Requirement in the Statutory Period	1950
III. A Taxonomy of Remembered Information	1962
A. Intentional Memorization	1963
B. Recalled with Acknowledgement of the Source	1964
C. Recalled without Acknowledgement of the Source	1965
D. Mistakenly Believed to Be Original	1965
E. Graphic Depiction	1966
IV. Trade Secrets Liability for Remembered Information	1966

* Assistant Professor at University of Idaho College of Law. The author would like to thank the following individuals for comments and advice on earlier drafts of this Article: BJ Ard, Wendy Couture, Courtney Cox, Nick Datzov, Tabrez Ebrahim, Janet Frielich, Charles Tait Graves, John Hinton, Camilla Hrdy, Linda Jellum, Dmitry Karshedt, Christa Laser, Dustin Marlan, Jessica McKinlay, John Miscione, Christopher Morten, Nicholson Price, Jason Rantanen, Sharon Sandeen, Amy Semet, Matthew Sipe, Nick Smith, Charlotte Tschider, Jacob Victor, Samuel Williams, and Joy Xiang. Additionally, special thanks go to Daniel Stirland for his excellent research assistance on this project.

A.	Attaching Liability to Each Class of Information	1967
1.	Liability for Intentionally Memorized Information...	1968
2.	Liability for Actively Remembered Information.....	1969
3.	Liability for Passively Remembered Information.....	1970
4.	Liability for Implicitly and Mistakenly Remembered Information.....	1971
5.	The Knowledge Requirement in the UTSA and DTSA Should Foreclose Liability for Some Types of Remembered Information	1972
B.	In the Absence of Intentional Copying or Other Culpable Conduct, Courts Should Not Find Use of Remembered Information to Be Misappropriation of a Trade Secret.....	1972
C.	Memorization Will Still Be Relevant to Whether Particular Information Is a Trade Secret	1975
D.	Employers Are Already Familiar with the Unique Issues Raised by Remembered Information.....	1976
1.	Agreements with Employees	1976
2.	Agreements between Companies	1979
3.	Business-to-Business NDAs Provide a Good Example of How Liability Should Attach to Employees for Remembered Information.....	1982
E.	Practical Effects of Considering the Mental State of the Defendant as Part of the Misappropriation Analysis	1983
	Conclusion	1984

INTRODUCTION

In the modern workplace, employees are inundated with information. Depending on the employees' responsibilities, the makeup of the workplace, employer protective measures, employee policy compliance, and a host of other issues, the information to which employees are exposed can range from the mundane to the highly valuable. Current employer practice is to extract employment agreements with employees that would make a large portion of this information protectible and actionable under trade secrets and contract law if an employee leaves with the information, whether in tangible form or in the employee's memory.¹ For reasons discussed elsewhere, a trade secrets

1. Recent studies have shown that approximately fifty-seven percent of the American workforce definitely or probably operates under a nondisclosure agreement. Natarajan Balasubramanian, Evan Starr & Shotaro Yamaguchi, *Employment Restrictions on Resource Transferability and Value Appropriation from Employees* 13, 34 (Jan. 31, 2023) (unpublished manuscript), <https://ssrn.com/abstract=3814403>.

misappropriation claim is more desirable than a breach of contract claim from an employer's perspective so long as the information at issue can be established as constituting trade secrets of the employer.² Accordingly, employers are most likely to use these employment agreements as the basis for a trade secrets misappropriation claim, rather than a breach of contract claim, which raises particular issues with respect to information taken solely by memory.

Beginning with the earliest cases, courts wrestled with the challenges posed by former employees' remembered information, as opposed to information taken in tangible form.³ Unfortunately, in the pre-statutory period, courts elected to address remembered information in the context of whether the information at issue constituted a trade secret or not, rather than focusing on whether the defendant's disclosure or use of the information was wrongful, independent of the information's status as a trade secret.⁴ This approach had unfortunate carryover effects into the current statutory era because it conflates the issue of the defendant's conduct with the issue of whether a trade secret exists, particularly with respect to remembered information. Moreover, the definition of trade secret in the relevant statutes seems to preclude this approach and some courts have suggested that is the case, raising additional uncertainty around the issue of remembered information.⁵

Besides the determination of whether particular information constitutes a trade secret, a key element of a trade secrets misappropriation claim is that the trade secret was acquired by "improper means" or with knowledge of a duty of confidentiality.⁶ In the Defend

2. See generally Deepa Varadarajan, *The Trade Secret-Contract Interface*, 103 IOWA L. REV. 1543 (2018). See also Timothy Murphy, *How Can a Departing Employee Misappropriate Their Own Creative Outputs?*, 66 VILL. L. REV. 529, 567-69 (2021).

3. See *Peerless Pattern Co. v. Pictorial Rev. Co.*, 132 N.Y.S. 37, 39 (App. Div. 1911) ("[E]quity has no power to compel a man who changes employers to wipe clean the slate of his memory.").

4. See Timothy E. Murphy, *Memorizing Trade Secrets*, 57 U. RICH. L. REV. 533, 542 (2023).

5. *Id.* at 539-40.

6. 18 U.S.C. § 1839(5). Note that trade secrets are different from other forms of intellectual property in this respect. Compare 35 U.S.C. § 271(a) ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent."), and 15 U.S.C. § 1114(1)(a) ("Any person who shall, without the consent of the registrant—use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided."), and 17 U.S.C. § 501(a) ("Anyone who violates any of the exclusive rights

Trade Secrets Act (DTSA), “improper means” is defined to include “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.”⁷ The Uniform Trade Secrets Act (UTSA) provides a similar definition.⁸ It is worth noting that neither the DTSA nor the UTSA explicitly addresses remembered information⁹ in their definitions of misappropriation. Nevertheless, courts have long recognized that intentionally memorizing information can lead to misappropriation liability.¹⁰ Unfortunately, in these early cases, the courts focused their

of the copyright owner . . . is an infringer of the copyright . . .”), with 18 U.S.C. § 1839(5)(A) (defining “misappropriation” as the “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”). In other words, patents, trademarks, and copyrights can be infringed even if the liable party had no idea the particular intellectual property existed. Conversely, trade secret liability arises through some deliberate and knowing act.

7. 18 U.S.C. § 1839(6)(A).

8. See UNIF. TRADE SECRETS ACT § 1(1) (UNIF. L. COMM’N 1985). Note that the UTSA is not the law in any jurisdiction and instead relies upon individual state legislatures to adopt some version of it, which most states have. See *Trade Secrets Act Enactment Map*, UNIF. L. COMM’N, <https://www.uniformlaws.org/committees/community-home?CommunityKey=3a2538fb-e030-4e2d-a9e2-90373dc05792> [<https://perma.cc/58ZJ-PSWS?type=image>] (providing a copy of the final 1985 version of the UTSA).

9. For purposes of this Article, the term “remembered information” refers to any information a departing employee recollects after the term of their employment, irrespective of whether the information was intentionally memorized prior to departure. However, courts often use the term “memorized” to refer to this information, which could be seen to suggest that it only addresses information that was intentionally memorized when in fact the courts are not using the term in this limited way. See, e.g., *Allen v. Johar, Inc.*, 823 S.W.2d 824, 827 (Ark. 1992) (“We believe that whether the customer information used was written down or memorized is immaterial, and the proper issue is whether the information is protectable as a trade secret.”); *Al Minor & Assoc., Inc. v. Martin*, 881 N.E.2d 850, 855 (Ohio 2007) (“Based on the foregoing, we conclude that the determination of whether a client list constitutes a trade secret pursuant to [Ohio UTSA] does not depend on whether it has been memorized by a former employee.”); *Ed Nowogroski Ins. v. Rucker*, 971 P.2d 936, 947 (Wash. 1999) (“The unfairness of the trial court’s rule excluding damages for memorized trade secrets is highlighted in the present case where both Rieck and Kiser engaged in essentially the same conduct and paid dramatically different damages based on the fact that Mr. Rieck claimed to have remembered his top 50 customers.”).

10. See, e.g., *Boylston Coal Co. v. Rautenbush*, 237 Ill. App. 550, 560 (1925) (“[I]t was immaterial whether as an employee he copied or memorized the secret information which he undertook to use to the detriment of his employer.”); *New England Overall Co. v. Woltmann*, 176 N.E.2d 193, 196 (Mass. 1961) (finding liability with respect to information intentionally memorized during employment). But see *Peerless Pattern Co. v. Pictorial Rev. Co.*, 132 N.Y.S. 37, 39 (App. Div. 1911) (“[E]quity has no power to compel a man who changes employers to wipe clean the slate of his memory.”).

analysis on whether the information was a trade secret, rather than whether it was improperly disclosed or used.¹¹ Consequently, the import of remembered information became associated with the “is there a trade secret” part of a misappropriation claim, rather than the “was improper means used to acquire the trade secret” portion of the claim.¹² However, the statutes do include a knowledge requirement that could form the basis for evaluating whether remembered information should form the basis for trade secrets liability.¹³ Unfortunately, courts do not apply the knowledge requirement consistently and, in some cases, they completely ignore the requirement.¹⁴ Thus, to date, the knowledge requirement has not been a reliable predictor for liability with respect to remembered information.

The issue of remembered information is particularly relevant today for a host of reasons. The employees of today are much more likely to have more employers throughout their careers compared to the employees of the early twentieth century,¹⁵ when common law doctrines of trade secrets law related to remembered information were developing. The COVID-19 pandemic exacerbated employee mobility, with many employees rapidly changing employers in search of higher compensation or more desirable opportunities.¹⁶ At the same time, employers are

11. *Peerless Pattern Co.*, 132 N.Y.S. at 39. See also Randall Scott Hetrick, *Employee “Head Knowledge” and the Alabama Trade Secrets Act*, 47 ALA. L. REV. 513, 534–36 (1996) (discussing whether the distinction between remembered information and taken documents continues to exist in Alabama after passage of the UTSA version); Douglas S. Liebhafsky, Note, *Industrial Secrets and the Skilled Employee*, 38 N.Y.U. L. REV. 324, 344 (1963) (discussing the possibility of the “memory doctrine” applicable to customer lists being extended to “industrial know-how”); Andrew J. Kopko, Note, *Protection of Trade Secrets in the Employer-Employee Relationship*, 39 NOTRE DAME LAW. 200, 202 (1964) (discussing two cases involving the same trade secrets but reaching different outcomes due to “differences in the moral conduct of the employees involved”).

12. See Murphy, *supra* note 4, at 543.

13. “[T]he term ‘misappropriation’ means—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.” 18 U.S.C § 1839(5) (emphasis added).

14. See *infra* Part II.

15. See, e.g., Jeanne Meister, *The Future of Work: Job Hopping Is the ‘New Normal’ for Millennials*, FORBES (Aug. 14, 2012, 8:58 AM), <https://www.forbes.com/sites/jeannemeister/2012/08/14/the-future-of-work-job-hopping-is-the-new-normal-for-millennials/?sh=51e7fc6213b8> [<https://perma.cc/SAS6-4TMK>] (discussing report by the Bureau of Labor Statistics on job trends showing expected duration at a particular employer of only a few years).

16. See, e.g., Bruce Horovitz, *When the Future of Work Means Always Looking for Your Next Job*, TIME (Apr. 11, 2022, 1:02 PM), <https://time.com/6165690/future-of-work-means-neverending-job-search> [<https://perma.cc/LBH8-GMVV>] (discussing the reasons modern employees change jobs); Jeanne Meister, *The Great Resignation Becomes the Great ReShuffle: What*

increasingly identifying trade secrets as a fundamental and/or substantial element of their business value.¹⁷ Taken together, there are many more employees carrying valuable information from employer to employer in their memories, and the employers are placing increasing value on that information. In this environment, it is no wonder that suits against former employees are the largest component of modern trade secret misappropriation claims.¹⁸ Accordingly, a solution, or at least a workable framework for dealing with employee remembered information is urgently needed so that both employers and employees can know what their rights and responsibilities are with respect to this information.

This Article proposes that the knowledge requirement in the DTSA and UTSA, when properly applied, provides an approach to addressing the difficult issues posed by information that a departing employee takes with them solely in their memory. As proposed here, courts should address remembered information as part of the misappropriation analysis, after the existence of a trade secret has been established. And thus the issue of remembered information is closely tied to the defendant's conduct, rather than whether a trade secret exists. Both the DTSA and the UTSA support such an approach because of the explicit knowledge requirement in each statute's definition of "misappropriation."

Part I looks at the historical development of trade secrets law, beginning with its unfair competition roots and ending in the current statutory period. Part II discusses the knowledge requirement in the DTSA and UTSA, including a review of multiple cases around the country, and proposes how the knowledge requirement should be understood. Part III builds a taxonomy for classifying different types of

Employers Can Do to Retain Workers, FORBES (Apr. 19, 2022, 7:38 AM), <https://www.forbes.com/sites/jeannemeister/2022/04/19/the-great-re-shuffle-of-talent-what-can-employers-do-to-retain-workers/?sh=1aec989f4cf3> [<https://perma.cc/6TTA-M799>] (discussing research on widespread employment changes during the COVID-19 pandemic).

17. See, e.g., Donal O'Connell, *A Portfolio of Trade Secrets – Their Value Distribution Curve*, INTELL. PROP. EXPERT GRP., <https://www.ipeg.com/a-portfolio-of-trade-secrets-their-value-distribution-curve/> [<https://perma.cc/7RCN-A927>] (discussing the value of trade secrets for modern companies); James Hoffman, Bradley Ewing & Mark A. Thompson, *How Much Are Your Trade Secrets Worth? Here's How to Figure It Out*, ENTREPRENEUR & INNOVATION EXCH. (Sept. 8, 2014), <https://eiexchange.com/content/30-how-much-are-your-trade-secrets-worth-heres-how> [<https://perma.cc/RB2C-S3E3>] (same). See also R. Mark Halligan, *Automated Trade Secret Asset Management: SFP Classification, EONA Proofs, Blockchaining, and DTSA Civil Seizure Orders*, 20 UIC REV. INTELL. PROP. L. 145, 148 (2021) (reporting statistical data related to employer attitudes toward trade secrets).

18. See David S. Almeling, Darin W. Snyder, Michael Sapoznikow, Whitney E. McCollum & Jill Weader, *A Statistical Analysis of Trade Secret Litigation in Federal Courts*, 45 GONZ. L. REV. 291, 303 (2009–10).

remembered information to provide a framework for thinking about what types of remembered information should be considered actionable in a trade secrets misappropriation claim. Part IV evaluates what categories of remembered information in the taxonomy might lead to liability for trade secrets misappropriation and addresses some of the practical issues raised by this approach.

The approach proposed here is more consistent with the statutory language and would allow courts to decide cases more consistently with a requirement of wrongful conduct by defendants, rather than focusing on whether a trade secret exists. This would ensure that trade secret misappropriation liability would only be imposed when the defendant engages in wrongful conduct, particularly in the case of remembered information.

I. BACKGROUND

For purposes of this discussion, the hundred-or-so-year history of trade secrets law is viewed as having multiple, fairly distinct periods: the formative period, the restatement period, and the statutory period.¹⁹ The formative period is characterized by the initial recognition of rights in secret commercial information and courts looking to fairness or commercial ethics considerations when assessing whether trade secrets liability should attach.²⁰ The formative period is filled with uncertainty as to the true nature of the trade secrets cause of action as courts wrestled with the problems created by treating trade secrets as either pure property rights or pure tort or contract actions.²¹

After many decades of common law development, the Restatement (First) of Torts was published and included sections specific to commercial secrets, including trade secrets.²² During the restatement period, courts around the country began to coalesce around certain fundamental aspects of trade secrets law, but there continued to be significant non-uniformity around the country.²³

19. This approach is useful specifically for addressing the issue of remembered information. However, for a more detailed review of the history of trade secrets law grounded in historical documents, and particularly the development and enactment of the UTSA, see Sharon K. Sandeen, *The Evolution of Trade Secret Law and Why Courts Commit Error When They Do Not Follow the Uniform Trade Secrets Act*, 33 *HAMLIN L. REV.* 493, 498–520 (2010).

20. *Id.* at 498–500.

21. *See infra* Section I.A.

22. *RESTATEMENT (FIRST) OF TORTS* § 757 (AM. L. INST. 1939). *See also* Sandeen, *supra* note 19, at 501.

23. Sandeen, *supra* note 19, at 500–03.

The final period, referred to as the statutory period here, begins with the promulgation of the UTSA and is characterized by an increasing embrace of all manner of corporate confidential information being eligible for trade secrets protection. This period is also characterized by courts' and scholars' increasing acceptance of the notion that the trade secrets right is a property right and thus unbounded, or at least weakly bounded, by commercial fairness concerns. Each of these periods, and their relevance to the issue of remembered information, is discussed in the following Sections.

A. The Formative Period

United States trade secrets law originated in the mid-nineteenth century.²⁴ In *Vickery*,²⁵ the defendant had contracted to sell his entire chocolate business, including his secret methods of making chocolate, to the plaintiff.²⁶ However, when the time came to finalize the sale, the defendant refused to sell the secret methods under an exclusive contract and instead attempted to reserve the right to disclose the secret methods to anyone he chose.²⁷ Because the plaintiff refused to proceed on those terms and believed that the non-exclusive sale was a breach of the prior agreement for the sale of the whole business, litigation ensued. At trial, the defendant argued that providing the secret methods exclusively to the plaintiff would be a restraint of trade.²⁸ Accordingly, the bulk of the decision in *Vickery* is directed at the restraint of trade issue, with the court ultimately deciding that an exclusive sale of the secret methods was not a restraint of trade.²⁹ In its analysis, the court did take into account the impact on the public's interest if an exclusive trade secret right was recognized and implicitly recognized that protection of commercial secrets involves some balancing of private rights with the public interest.³⁰ Thus, the court did recognize that trade secrets protection is not an absolute property right, divorced from considerations of its implications for the broader public.³¹

24. See William B. Barton, *A Study in the Law of Trade Secrets*, 13 U. CIN. L. REV. 507, 507-15 (1939) (discussing trade secrets law historical development up to that point).

25. *Vickery v. Welch*, 36 Mass. 523 (1837).

26. *Id.* at 523.

27. *Id.* at 524.

28. *Id.* at 525.

29. *Id.* at 527.

30. *Id.*

31. *See id.*

Because the case arose from the sale of a business, the *Vickery* Court did not have to wrestle with one of the more vexing issues of trade secrets law: the balancing of employee interests in free mobility against employer interests in deriving the benefits of their innovation investments.³² However, an early case dealing with employee issues in which addressing that balance was necessary is *Peabody v. Norfolk*.³³ In *Peabody*, an employer disclosed secret processes for the manufacture of gunny cloth to an employee, contractually obligating the employee not to disclose those secrets, and then the employee departed to work for and/or establish a competing firm using the trade secrets.³⁴ The court held that the employer had protectable secrets and the employee was liable for misappropriating those secrets.³⁵ Although the information was retained in the employee's memory, that fact was not significant in the court's resolution of the case.³⁶ Moreover, the court did not inquire as to how the information came to be in the employee's memory.³⁷ Nevertheless, the court places particular emphasis on the departing employee's breach of their confidentiality obligation to their former employer.³⁸ The court's analysis comes from a place of viewing trade secrets as an unfair competition issue, rather than a pure property right issue.

Although not analyzing all of the issues in significant detail, the court in *Peabody* did have to confront many of the issues that arise in considering whether trade secret rights are property rights or some other type of tort or contract right. In particular, the defendant raised several arguments that implicate the existential nature of the trade secrets right, including: there was no privity of contract between the departing employee and the new employer; various contract defects rendered the employment agreement unenforceable or invalid; the purported secret method was not actually secret (because it was plainly visible to all employees and visitors to the factory); and the rights in the purported trade secrets were not devisable and thus were extinguished when Peabody died.³⁹ If the trade secret right was a pure property right, none

32. This continues to be one of the most challenging issues in trade secrets law to this day. See, e.g., Camilla A. Hrdy & Mark A. Lemley, *Abandoning Trade Secrets*, 73 STAN. L. REV. 1, 55–60 (2021) (discussing how a trade secret abandonment doctrine would impact employee-employer trade secret cases).

33. 98 Mass. 452 (1868).

34. *Id.* at 453–54.

35. *Id.* at 461. Note that the misappropriation of trade secrets action did not exist in that name at this time and so the court speaks largely in terms of violations of duties, rather than in misappropriation of a property right.

36. *Id.*

37. *Id.*

38. *Id.* at 458–59.

39. *Id.* at 455–57.

of these arguments would have had any relevance to the resolution of the case (other than the secrecy argument) because the plaintiff would only need to establish that the property (the trade secret) existed and that the defendant used or disclosed it. Instead, the court recognized that trade secret rights are not a pure property right, but that they do have some characteristics of property. In particular, the court states:

If he invents or discovers, and keeps secret, a process of manufacture, whether a proper subject for a patent or not, he has not indeed an exclusive right to it as against the public, or against those who in good faith acquire knowledge of it; but he has a property in it, which a court of chancery will protect against one who in violation of contract and breach of confidence undertakes to apply it to his own use, or to disclose it to third persons.⁴⁰

Peabody was not the final word on this matter. Courts continued to wrestle with the property versus tort versus contract nature of the trade secrets right during the formative period.⁴¹ As uncertainty mounted, the Supreme Court took up a trade secrets case that would result in perhaps the defining statement of this period. In *Masland*,⁴² the Supreme Court was called upon to decide a very narrow issue with respect to disclosure of trade secrets during litigation.⁴³ However, the Court elected to wade into the existential nature inquiry nonetheless. The quote from *Masland* that has stood the test of time is:

The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not

40. *Id.* at 458.

41. *See generally* Note, *Ownership in a Plan*, 20 HARV. L. REV. 143 (1906); *See* A. W. Whitlock, *The Law as to Trade Secrets*, 74 CENT. L.J. 83 (1912); Note, *Basis of Jurisdiction for the Protection of Trade Secrets*, 19 COLUM. L. REV. 233, 234-37 (1919).

42. *E. I. Du Pont De Nemours Powder Co. v. Masland*, 244 U.S. 100 (1917).

43. *Id.* at 102. Note that, because trial records are open to the public, presentation of the trade secret at trial would have rendered the information no longer secret.

property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them.⁴⁴

Masland has been cited many times for the proposition that the trade secret right is not a pure property right. Instead, trade secrets are tied to some form of improper conduct by the defendant.⁴⁵

One of the consequences of characterizing the trade secrets right as something other than a pure property right is that a departing employee does not automatically become liable for trade secret misappropriation simply by moving to a new employer and using or disclosing their previous employer's confidential information. For liability to attach, there must be something more than just the act of using or disclosing the previous employer's secrets. In early cases, courts would rely on finding the breach of a confidential relationship or some other improper means of acquiring the information.⁴⁶ This did not completely resolve the issue with respect to departing employees however, because it did not fully address the issue of what to do about remembered information. An employee stealing tangible documents containing their employer's trade secrets may present an easy case of improper conduct, but an employee that simply leaves with the information in their head to go on to other employment in their field is a much harder situation to base liability upon.

An early case that did specifically address an employee's obligations with respect to information in their memory is *Peerless Pattern Co. v. Pictorial Review Co.*⁴⁷ In this case, a former employee started working

44. *Id.*

45. *See, e.g., Kelly Mfg. Co. v. Brower*, 1 Tenn. App. 428, 433 (1925); *Schavoir v. Am. Rebonded Leather Co.*, 133 A. 582, 583 (Conn. 1926); *Allen-Qualley Co. v. Shellmar Prods. Co.*, 31 F.2d 293, 297 (N.D. Ill. 1929), *aff'd*, 36 F.2d 623 (7th Cir. 1929); *Fairchild Engine & Airplane Corp. v. Cox*, 50 N.Y.S.2d 643, 656 (Sup. Ct. 1944); *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 211-12 (Tex. Civ. App. 1973); *Victor G. Reiling Assocs. v. Fisher-Price, Inc.*, 450 F. Supp. 2d 175, 183 n.6 (D. Conn. 2006); *Deerpoint Grp., Inc. v. Agrigenix, LLC*, 400 F. Supp. 3d 988, 994-96 (E.D. Cal. 2019).

46. *See, e.g., Peabody v. Norfolk*, 98 Mass. 452, 458 (1868); *Pressed Steel Car Co. v. Standard Steel Car Co.*, 60 A. 4, 10 (Pa. 1904) ("This was clearly a violation, not only of the property rights of the plaintiff in the prints, but also of the trust and confidence with which they were received by the railroad companies."); *Macbeth-Evans Glass Co. v. Schnellbach*, 86 A. 688, 693 (Pa. 1913) ("We agree with the learned court below that, as shown by the testimony, the Jefferson Glass Company acquired its knowledge of the secret formula used in making Alba glass from Schnellbach in breach of the trust and confidence reposed in him by appellee, and in violation of a contract implied from that confidential relation not to disclose trade secrets."); *Schavoir*, 133 A. at 583 (quoting *Masland*, 244 U.S. at 102) (rejecting defendant's assertion that liability could only attach based on plaintiff's establishment of a property right in the information).

47. 132 N.Y.S. 37 (App. Div. 1911).

for a competitor.⁴⁸ Using his memory, the former employee began soliciting the former employer's customers.⁴⁹ The court found that simply using information remembered from the former employer was not sufficient to stop the former employee.⁵⁰ Unfortunately, this rather definitive statement of a departing employee's freedom to use information in their memory has not stood the test of time.⁵¹

As trade secrets law continued to develop and wrestle with its existential justification, courts increasingly dealt with the issue of departing employees taking remembered information.⁵² During this time, some courts developed what this Article refers to as the *Memory Rule*, which exempts certain types of remembered information from trade secrets misappropriation liability.⁵³ A related and sometimes overlapping doctrine developed during this period is the "General Knowledge, Skill, and Experience Exclusion" (GKSEE), which exempts certain employee information from the definition of a trade secret, thereby avoiding misappropriation liability with respect to that information.⁵⁴ As discussed

48. *Id.* at 39.

49. *Id.*

50. *Id.* ("All that clearly appears is that he undertook to use in his new employment the knowledge he had acquired in the old. This, if it involves no breach of confidence, is not unlawful; for equity has no power to compel a man who changes employers to wipe clean the slate of his memory."). It is important to note that this decision was with respect to an appeal from issuance of a preliminary injunction and there was an open question as to whether the customer information was in fact secret. It is possible that, if evidence had been presented establishing that the information was disclosed to the employee in confidence, the court might have gone the other direction. However, anything further on this point would be only speculation.

51. See *CAE Integrated, L.L.C. v. Moov Techs., Inc.*, 44 F.4th 257, 262–63 (5th Cir. 2022) (per curiam); *Miner, Ltd. v. Anguiano*, 383 F. Supp. 3d 682, 704–05 (W.D. Tex. 2019). But see *Morgan v. Clements Fluids S. Texas, Ltd.*, 589 S.W.3d 177, 190 (Tex. App. 2018). See generally Murphy, *supra* note 4 (arguing that misconceptions exist in the way courts handle remembered information and the relevant case law).

52. See, e.g., *Excelsior Laundry Co. v. Diehl*, 252 P. 991, 992–94 (N.M. 1927) (reviewing cases across multiple jurisdictions regarding remembered information); *First Nat'l Bancorp Inc. v. Alley*, No. 14-00387, 2014 WL 11609849, at *8 (D.N.M. July 7, 2014) ("[D]efendants' use of the recollected names of FSFA's clients does not constitute misappropriation of a trade secret."); *Ed Nowogroski Ins. v. Rucker*, 971 P.2d 936, 945 (Wash. 1999) ("The fact that the former employee memorized the information, rather than taking it in a written form, made no difference.").

53. See *Excelsior Laundry Co.*, 252 P. at 992–93. Although not all courts refer to a "Memory Rule" when considering employee remembered information, this Article uses this terminology here for simplicity to refer to the notion that employees' remembered information may impact whether a trade secrets claim is available. For a discussion of the history and current status of the Memory Rule, see Murphy, *supra* note 4, at 547–64.

54. See generally Camilla A. Hrды, *The General Knowledge, Skill, and Experience Paradox*, 60 B.C. L. REV. 2409 (2019) (discussing in detail the GKSEE).

elsewhere, the precise scope of these two doctrines, and their relationship to each other, is not entirely clear.⁵⁵ And the continuing validity of the Memory Rule is controversial.⁵⁶ Thus, neither of these doctrines completely addresses the issue of employee remembered information. Moreover, because these two doctrines are currently understood to apply to the determination of whether a trade secret exists, rather than whether the defendant's conduct amounts to misappropriation, they are particularly ill equipped to address remembered information in the statutory period discussed below.

The formative period, which consisted entirely of common law development, is characterized by significant uncertainty about the nature of the trade secrets right, the balancing of employee mobility interests, and what to do about the issue of remembered information. For purposes of this discussion, this Article considers the formative period to end around the time of the publication of the Restatement (First) of Torts. Accordingly, the next Section will discuss the development of trade secrets law between the time the Restatement (First) was published and the promulgation of the UTSA.

B. The Restatement Period

The Restatement (First) of Torts was published in 1939 and specifically addressed protection of commercial secrets.⁵⁷ The Restatement (First) separated the types of commercial secrets that could be protected into two classes of information: trade secrets and confidential information.⁵⁸ With respect to what information could qualify for trade secret protection, the Restatement (First) set out a broad definition and then included a list of factors to consider, rather than an exclusive list.⁵⁹ Additionally, the Restatement (First) specifically addressed the question of whether trade secret rights are property rights

55. Kurt M. Saunders & Nina Golden, *Skill or Secret? — The Line Between Trade Secrets and Employee General Skills and Knowledge*, 15 N.Y.U. J.L. & BUS. 61, 76–77 (2018).

56. See Murphy, *supra* note 4, at 558–64.

57. RESTATEMENT (FIRST) OF TORTS § 757 (AM. L. INST. 1939).

58. *Id.* §§ 757, 759.

59. *Id.* § 757 cmt. b (“A trade secret may consist of any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.”). Note that this approach requires that the purported trade secret be used in the owner’s business. As discussed below, this requirement did not carry over into the statutory period. See *infra* Section I.C.

or rights based on unfair competition—explicitly embracing the latter view.⁶⁰

With respect to trade secrets, the Restatement (First) addresses primary misappropriation liability in two clauses,⁶¹ with the remaining two clauses addressed to acquisitions from third parties or by mistake.⁶² The two primary bases of liability required some type of culpability by the misappropriator: the use of “improper means” or a “breach of confidence.”⁶³ It is the latter basis which is most relevant to this discussion. Comment J clarifies what types of breaches of confidence are covered by the rule and states that “the confidence does not arise if B has no notice of the confidential character of the disclosure.”⁶⁴ The comment then concludes with this statement: “The question is simply whether in the circumstances B knows or should know that the information is A’s trade secret and that its disclosure is made in confidence.”⁶⁵ Thus, the Restatement (First) seems to contemplate two distinct pieces of knowledge from an alleged misappropriator: first, that the information constitutes a trade secret; and second, that the disclosure was made in confidence.⁶⁶ Because of the specificity of this particular comment, one might expect that there would be case citations supporting this

60. *Id.* § 757 cmt. a (“The suggestion that one has a right to exclude others from the use of his trade secret because he has a right of property in the idea has been frequently advanced and rejected.”).

61. *Id.* §§ 757(a)–(b).

62. *Id.* §§ 757(c)–(d).

63. *Id.* §§ 757(a)–(b).

64. *Id.* § 757 cmt. j.

65. *Id.* Because knowledge requirements are central to tort law, the Restatement (First) defines “should know” as follows:

The words “should know” are used throughout the Restatement of this Subject to denote the fact that a person of reasonable prudence and intelligence or of the superior intelligence of the actor would ascertain the fact in question in the performance of his duty to another or would govern his conduct upon the assumption that such fact exists.

Id. § 12(2). The Restatement (First) goes on to explain that “‘Should know’ indicates that the actor is under a duty to another to use reasonable diligence to ascertain the existence or non-existence of the fact in question and that he would ascertain the existence thereof in the proper performance of that duty.” *Id.* § 12 cmt. a.

66. With respect to the first aspect of the knowledge requirement, it is difficult to determine from the comment what the scope of the requirement is. For example, the requirement could have meant that the defendant knew that the information met the legal definition of a trade secret, or in other words, that the defendant had knowledge of the legal status of the information. However, a better reading of the requirement that is consistent with the case law that existed at that time is that the defendant needed to have knowledge that the particular information at issue was covered by the confidentiality obligation. Thus, the defendant did not need knowledge of the legal status of the information, just that the particular information was subject to the confidentiality obligation that the defendant knew about under the other aspect of the requirement.

requirement. Unfortunately, none of the cases cited in the relevant appendix for this particular comment discuss a “knew or should have known” requirement for a breach of confidence to be actionable.⁶⁷ That being said, the facts in each of the cases cited are such that the alleged misappropriator had knowingly and intentionally entered into a confidential relationship for the purpose of having the trade secret owner disclose the trade secrets.⁶⁸ Accordingly, these cases are consistent with the knowledge requirement specified in Comment J, but they do not themselves establish that there was such a requirement in the case law at that time. Nevertheless, there was existing case law at the time that supported the notion that knowledge of the confidentiality obligation was necessary for liability to attach.⁶⁹

This knowledge requirement, although not explicitly stated in the cases, is an important aspect of how trade secrets were thought of at the time. In the absence of the knowledge requirement, every breach of a confidential relationship would be actionable, irrespective of whether the alleged misappropriator had any knowledge that what they were doing was wrongful. This would be inconsistent with the case law at the time, which only found liability when some type of culpable or wrongful conduct is employed to misappropriate a trade secret.⁷⁰ Doing the opposite would have made misappropriation (under the second, “breach of confidence” clause⁷¹) essentially a strict liability offense and established the trade secret right as closer to a pure property right. Both of these results would have been inconsistent with the approach taken to

67. The cases cited in the appendix are: *Allen-Qualley Co. v. Shellmar Prods. Co.*, 31 F.2d 293 (N.D. Ill. 1929), *aff'd*, 36 F.2d 623 (7th Cir. 1929); *Booth v. Stutz Motor Car Co. of Am.*, 56 F.2d 962 (7th Cir. 1932); *Schavoir v. Am. Rebonded Leather Co.*, 133 A. 582 (Conn. 1926); *Margolis v. Nat'l Bellas Hess Co.*, 249 N.Y.S. 175 (Sup. Ct. 1931), *aff'd*, 257 N.Y.S. 912 (App. Div. 1932); *Tabor v. Hoffman*, 23 N.E. 12 (N.Y. 1889).

68. *Allen-Qualley Co.*, 31 F.2d at 294; *Booth*, 56 F.2d at 965; *Schavoir*, 133 A. at 583; *Margolis*, 249 N.Y.S. at 177; *Tabor*, 23 N.E. at 12.

69. See, e.g., *Pressed Steel Car Co. v. Standard Steel Car Co.*, 60 A. 4, 10 (Pa. 1904) (“While there was no expressed restriction placed on the ownership of the prints, or any expressed limitation as to the use to which they were to be put, it is clear, as observed by the trial court, that the purpose for which they were delivered by the plaintiff was understood by all parties.”); *Hoeltke v. C. M. Kemp Mfg. Co.*, 80 F.2d 912, 923 (4th Cir. 1935) (“While there was no express agreement that defendant was to hold the information so disclosed as a confidential matter and to make no use of it unless it should purchase the invention, we think that in equity and good conscience such an agreement was implied; and having obtained the disclosure under such circumstances, defendant ought not be heard to say that there was no obligation to respect the confidence thus reposed in it.”).

70. See *supra* Section I.A.

71. See RESTATEMENT (FIRST) OF TORTS § 757(b) (AM. L. INST. 1939).

trade secrets in the Restatement (First) and the existing case law it was restating.

Two cases are illustrative of courts' application of the knowledge requirement in the restatement period: *Smith v. Dravo, Corp.*⁷² and *Jostens Inc. v. National Computer Systems, Inc.*⁷³ In *Dravo*, the purported trade secrets related to the design, construction, and business arrangements for freight containers.⁷⁴ As part of a proposed business transaction, the plaintiff sent to the defendant a host of information, including the trade secrets at issue.⁷⁵ Importantly, the plaintiff did not extract any explicit promise of confidentiality for the information provided.⁷⁶ Nevertheless, after surveying multiple cases from other jurisdictions, the court determined that a confidential relationship was implied and that the defendant knew of the confidential relationship.⁷⁷ Of particular note here is that the *Dravo* Court only looked to one aspect of the knowledge requirement in the Restatement (First) (knowledge of a confidential relationship) and did not address the other aspect (knowledge that the particular information is a trade secret or subject to the confidentiality obligation).⁷⁸ Importantly, the *Dravo* Court did not reject the two-part knowledge requirement; it just neglected to address the second part. Nevertheless, because of the limited amount of information at issue, the court may have simply understood the particularity aspect of the knowledge requirement to have been met without discussing it explicitly.

The *Jostens* case provides an example from the end of the restatement period.⁷⁹ In *Jostens*, the plaintiff sued several former

72. 203 F.2d 369 (7th Cir. 1953).

73. 318 N.W.2d 691 (Minn. 1982).

74. *Dravo*, 203 F.2d at 371.

75. *Id.* at 372.

76. *Id.* at 376.

77. *Id.* (“Here plaintiffs disclosed their design for one purpose, to enable defendant to appraise it with a view in mind of purchasing the business. There can be no question that defendant knew and understood this limited purpose. Trust was reposed in it by plaintiffs that the information thus transmitted would be accepted subject to that limitation.”).

78. The *Dravo* Court specifically cited to a pre-restatement case, *Macbeth-Evans Glass Co. v. Schnellbach*, 86 A. 688, 691 (Pa. 1913), which did not specifically address a knowledge requirement. See *Dravo*, 203 F.2d at 373.

79. Note that the *Jostens* case was decided after Minnesota had enacted a version of the UTSA, but the court relied on prior case law based on the Restatement (First) because the facts giving rise to the case occurred prior to the enactment of the Minnesota statute. *Jostens, Inc. v. Nat'l Comput. Sys., Inc.*, 318 N.W.2d 691, 698 (Minn. 1982) (“This characterization has been given statutory recognition under our state’s Uniform Trade Secrets Act, enacted in 1980, after the events of this lawsuit.” (footnote omitted)).

employees for misappropriating trade secrets related to computer-assisted design and manufacturing of molds for class rings.⁸⁰ In reviewing the trial court's determination on whether there was a misappropriation, the *Jostens* Court bridges the knowledge requirement stated in the Restatement (First) over to the new knowledge requirement in the UTSA.⁸¹ The court also explicitly states that "the employee is entitled to fair notice of the confidential nature of the relationship and what material is to be kept confidential."⁸² Ultimately, the court found that the plaintiff's failure to provide adequate notice of what information was considered confidential to the defendant meant that the defendant could not have had the requisite knowledge required to establish misappropriation.⁸³ It is worth noting here that the *Jostens* Court is looking for two distinct aspects of knowledge (knowledge of the confidential relationship and knowledge of what information is confidential) and finding no liability based on the lack of only one aspect (knowledge of what information is confidential). The *Jostens* Court suggests that this two-part knowledge requirement originating under the Restatement (First) continues under the UTSA.⁸⁴

Three other interesting aspects of the *Jostens* case are worth mentioning. First, the court specifically rejects the property right view

80. *Id.* at 694.

81. *Id.* at 702 ("Confidential information is that which an employee knew or should have known was confidential. Or as as Minn.Stat. § 325C.01, subd. 3(ii)(B)(II) (1980), now puts it, a person, such as an employee here, is not to disclose or use a trade secret that he knows or has reason to know was acquired by him under circumstances giving rise to a duty to maintain its secrecy or limit its use." (internal citation omitted)). It is worth noting however, that the court's statement of the common law knowledge requirement only addresses one prong of the Restatement (First) knowledge requirement (whether the employee knew the information was confidential or a trade secret), but the court does go on to address both aspects of the Restatement (First) approach. *See id.* at 701. Moreover, the court's citation to the newly enacted Minnesota UTSA omits the timing element of the knowledge requirement. *Compare id.* at 698 n.4 (citing MINN. STAT. § 325C.01(5) (1980)), with MINN. STAT. § 325C.01(3)(ii)(B) (defining misappropriation as including disclosure of trade secrets by a person who "at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was" (emphasis added)).

82. *Jostens*, 318 N.W.2d at 702. Here, the court is explicitly stating both aspects of the common law knowledge requirement.

83. *Id.* ("Jostens' failure to take reasonable precautions to protect the confidentiality of what it now claims to be secret was such that the defendant employees could not be expected to have known what was confidential and what was not, what was unfair to disclose and what was not."). For a discussion of the issue of notice in trade secrets cases, see Deepa Varadarajan, *Trade Secret Precautions, Possession, and Notice*, 68 HASTINGS L.J. 357, 381-94 (2017).

84. *Jostens*, 318 N.W.2d at 702.

of trade secrets.⁸⁵ Second, the court rejects the incentives justification for trade secrets law and instead embraces the prevention of unfair competition rationale.⁸⁶ Finally, the court mentions in passing that “[e]ven if this knowledge is only in the employee’s memory, it may be protectable,”⁸⁷ citing to *Cybertek Computer Products, Inc. v. Whitfield*.⁸⁸ The first two points are interesting because they most likely reflect an antiquated view of trade secrets law, or, at a minimum, a perspective that was on the wane.⁸⁹ The final point is interesting because courts as far back as 1977 suggested that the remembered versus tangible distinction does not matter,⁹⁰ but as discussed elsewhere, the distinction matters in many cases to this day.⁹¹

Unfortunately, the First Restatement’s flexible approach to both defining trade secrets and identifying misappropriation did not survive the test of time. However, the knowledge requirement necessary for establishing misappropriation liability did continue. The next Section will discuss the statutory period beginning with promulgation of the UTSA and its adoption by multiple states.

C. The Statutory Period

The restatement period lasted for several decades, but, possibly due to the flexibility in the Restatement (First) approach, significant non-uniformity existed around the country with respect to protection of trade secrets at the end of the restatement period. At least some of this non-uniformity may have been due to the *Erie*⁹² decision’s national

85. *Id.* at 701 (“This analysis centers on the misappropriation, the gist of which is breach of a confidential relationship, rather than on whether a property interest is involved, *i.e.*, whether a trade secret exists. The protection afforded trade secrets is . . . to protect against breaches of faith and the use of improper methods to obtain information.” (footnote omitted)).

86. *Id.* (“The protection afforded trade secrets is not intended to reward or promote the development of secret processes (although it does, of course, benefit the enterprising developer), but rather is to protect against breaches of faith and the use of improper methods to obtain information. Trade secret law seeks to maintain standards of loyalty and trust in the business community.” (internal citation omitted)).

87. *Id.* at 702.

88. No. 23911, 1977 WL 22730 (Cal. Super. Ct. Dec. 1, 1977).

89. See Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311, 319–28 (2008).

90. *Cybertek*, 1977 WL 22730, at *6 (“As pointed out in 38 George Washington Law Review, page 909 at pages 938 and 939, the weight of authority indicates that appropriation by memory will be proscribed under the same circumstances as an appropriation via more tangible means.”).

91. See Murphy, *supra* note 4, at 568–74.

92. *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938).

impact on trade secrets law.⁹³ This situation led to intense industry lobbying, which may have been largely responsible for the push to a statutory regime for trade secrets law that would provide uniformity in the various states around the country.⁹⁴ Whatever the cause, the result was the promulgation of the Uniform Trade Secrets Act in 1979 (amended in 1985),⁹⁵ followed several decades later by the Defend Trade Secrets Act in 2016.⁹⁶ Compared to the flexible approach taken in the Restatement (First), which provided significant room for diverse common law development around the country, the UTSA and DTSA approach relied on comparatively narrow definitions of key aspects of trade secrets law.⁹⁷

To the extent the UTSA did embrace a property theory of trade secret rights,⁹⁸ it did retain critical elements of trade secret law's unfair competition roots. A key element of any trade secrets misappropriation claim under the UTSA is that the trade secrets must be acquired through "improper means" or with knowledge of a duty of confidentiality.⁹⁹ Most states have adopted statutes modeled after the UTSA.¹⁰⁰

93. See Sandeen, *supra* note 19, at 503–07.

94. *Id.* at 502–20.

95. *Id.* at 535–38 (discussing the process leading up to the promulgation of the UTSA and its amendment in 1985).

96. Defend Trade Secrets Act of 2016, 18 U.S.C. §§ 1836–39. Note that the DTSA was an expansion of the Economic Espionage Act of 1996 to include civil remedies in the previously criminal-only federal law of trade secrets. *Cf.* Economic Espionage Act of 1996, 18 U.S.C. § 1836 (2012) (amended in 2016).

97. Compare RESTATEMENT (FIRST) OF TORTS § 757 (AM. L. INST. 1939) (using a four-part liability provision which relies on the comments to provide additional direction), and *id.* cmt. b (using six exemplary factors to determine what information constitutes a trade secret), with UNIF. TRADE SECRETS ACT § 1(2) (UNIF. L. COMM'N 1985), and Defend Trade Secrets Act of 2016, 18 U.S.C. § 1839 (explicitly defining a trade secret and defining misappropriation in more detail). See also Robin Feldman & Charles Tait Graves, *Naked Price and Pharmaceutical Trade Secret Overreach*, 22 YALE J.L. & TECH. 61, 68 n.15 (2020) (discussing the differences between the restatement approach and the later statutory approach to trade secrets).

98. This is not an uncontroversial statement. For an argument that the UTSA embraces a property view of trade secrets, see Lynn C. Tyler, *Trade Secrets in Indiana: Property vs. Relationship*, 31 IND. L. REV. 339, 342 (1998) (detailing the ways in which the UTSA adopts the property view of trade secrets). For an argument that a property approach to trade secrets is actually beneficial in the employer-employee context, see Feldman & Graves *supra* note 97, at 103.

99. UNIF. TRADE SECRETS ACT § 1(2) (UNIF. L. COMM'N 1985). See also Sharon K. Sandeen, *Kewanee Revisited: Returning to First Principles of Intellectual Property Law to Determine the Issue of Federal Preemption*, 12 MARQ. INTELL. PROP. L. REV. 299, 333 (2008) (noting that the UTSA retained a requirement of some wrongful conduct).

100. See *Trade Secrets Act Enactment Map*, *supra* note 8 (stating that fifty-one out of fifty-three U.S. jurisdictions have enacted a version of the UTSA).

With respect to defining what information qualifies for trade secret protection, the UTSA sets forth a three-element definition of “trade secret.”¹⁰¹ In contrast to the flexible, multi-factor approach in the Restatement (First), the UTSA definition states almost any piece of information can qualify as a trade secret as long as it (1) is not generally known or readily ascertainable; (2) is the subject of reasonable efforts to protect its secrecy; and (3) derives economic value due to its secrecy.¹⁰² Additionally, the UTSA definition removes the First Restatement’s requirement that information be actively used in the owner’s business in order to be eligible for protection.¹⁰³

In contrast to the four-part misappropriation provision in the Restatement (First), the UTSA includes a detailed definition of misappropriation addressing liability for improper acquisition, improper use or disclosure, and accidental or mistaken acquisitions.¹⁰⁴ In the departing employee context, the most relevant portion of the definition of misappropriation in the UTSA is:

[D]isclosure or use of a trade secret of another without express or implied consent by a person who . . . at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was . . . acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use¹⁰⁵

For purposes of this discussion, the important part of the definition is the requirement that the defendant knew or had reason to know, at the time of disclosure or use, that their knowledge of the trade secret was acquired while under a duty of confidentiality.

At the federal level, the Defend Trade Secrets Act was enacted in 2016 to provide a federal civil cause of action for trade secrets misappropriation.¹⁰⁶ Because the DTSA borrowed heavily from the UTSA, the effect of the DTSA was simply to federalize the UTSA version of trade secrets law.¹⁰⁷ The DTSA also includes the “improper

101. UNIF. TRADE SECRETS ACT § 1(4) (UNIF. L. COMM’N 1985).

102. *Id.*

103. *Id.* § 1 cmt. 5 (“The definition of ‘trade secret’ contains a reasonable departure from the Restatement of Torts (First) definition which required that a trade secret be ‘continuously used in one’s business.’”).

104. *Id.* § 1(2).

105. *See id.* § 1(2)(ii)(B)(II).

106. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, § 2(b), 130 Stat. 376 (codified at 18 U.S.C. § 1836).

107. There are some differences between the UTSA and DTSA, for example the ex parte seizure provision in Section 1836(b)(2)(A) of the DTSA, but other provisions

means” and “knowledge” elements of a trade secrets misappropriation claim.¹⁰⁸ In the DTSA, “improper means” is defined to include “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.”¹⁰⁹ The UTSA provides a similar definition.¹¹⁰ The DTSA provision that parallels the UTSA provision most applicable to departing employees defines misappropriation as

disclosure or use of a trade secret of another without express or implied consent by a person who . . . at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was . . . acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret¹¹¹

Accordingly, the definition of misappropriation in the DTSA includes the same “knew or had reason to know” element as the UTSA. Moreover, both the UTSA and the DTSA set the timing of this knowledge requirement as the time of the alleged disclosure or use.¹¹²

An important consideration for this discussion is the extent to which the knowledge requirement in the UTSA and DTSA is different, if at all, from the knowledge requirement in the Restatement (First). As discussed above, the Restatement (First) seems to contemplate two distinct pieces of knowledge from an alleged misappropriator: first, knowledge that the particular information at issue constitutes a trade secret; and second, knowledge by the alleged misappropriator that the disclosure of the information was made in confidence.¹¹³ Conversely, the only knowledge that seems to be required under the UTSA and DTSA is that the alleged misappropriator’s knowledge of the trade secret was acquired under circumstances giving rise to a duty of confidentiality.¹¹⁴ However, this

are duplicates. *See* Sharon K. Sandeen & Christopher B. Seaman, *Toward a Federal Jurisprudence of Trade Secret Law*, 32 BERKELEY TECH. L.J. 829, 858 (2017) (noting that many provisions of the DTSA are identical to the UTSA and discussing how federal courts might interpret provisions of the DTSA in view of existing UTSA case law).

108. 18 U.S.C. § 1839(5).

109. 18 U.S.C. § 1839(6)(A).

110. UNIF. TRADE SECRETS ACT § 1(2)(ii)(B)(II) (UNIF. L. COMM’N 1985).

111. 18 U.S.C. § 1839(5)(B)(ii)(II).

112. “[M]isappropriation’ is defined identically in all relevant respects to the definition of misappropriation in § 1(2) of the UTSA. The Committee intentionally used this established definition to make clear that this Act is not intended to alter the balance of current trade secret law or alter specific court decisions.” H.R. REP. NO. 114-529, at 14 (2016).

113. *See supra* note 66 and accompanying text.

114. *See supra* note 111 and accompanying text.

language in the UTSA and DTSA could be broad enough to encompass both aspects of the Restatement (First) requirement. As demonstrated by some of the cases surveyed in Part II, courts have found the UTSA and DTSA knowledge requirement as including one or both of the aspects of the Restatement (First) approach.¹¹⁵ Although not plain on the face of the statutes, Part II of this Article proposes that the UTSA and DTSA approach is best understood as requiring two knowledge elements, but not necessarily the same elements of the Restatement (First) approach.

The statutory period is characterized by somewhat rigid definitions for both trade secrets and misappropriation, which have largely supplanted the flexible approach taken in the restatement period. Despite these rigid definitions, however, courts still struggle with applying the precise words of the statutes. The next Part will discuss courts' application of the knowledge requirement in the statutory period.

II. THE KNOWLEDGE REQUIREMENT IN THE STATUTORY PERIOD

As discussed above, the most relevant portion of the definition of misappropriation in the trade secrets statutes is:

[D]isclosure or use of a trade secret of another without express or implied consent by a person who . . . at the time of disclosure or use, knew or had reason to know that [their] knowledge of the trade secret was . . . acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use¹¹⁶

A key aspect of this definition is the requirement that the defendant knew or had reason to know, at the time of disclosure or use, that their knowledge of the trade secret was acquired while under a duty of confidentiality.¹¹⁷

The timing element of the misappropriation definition is important to consider because other options could be possible and could have been considered when drafting the UTSA. As an example, one could instead look to the timing of when the alleged misappropriator acquired the information. One would simply ask whether the misappropriator knew or had reason to know at the time they acquired the information that it was being acquired under an obligation of confidentiality. From an evidentiary perspective, this would probably be an easier approach. The plaintiff would simply show that an employee was under a confidentiality

115. See *infra* Part II.

116. UNIF. TRADE SECRETS ACT § 1(2)(ii)(B)(II) (UNIF. L. COMM'N 1985).

117. *Id.*

obligation (most likely through their employee confidentiality agreement) and that the employee knew of this obligation during their employment. Of course, one of the drawbacks to this approach is that it separates (in time) the knowledge requirement from the improper act (using or disclosing the trade secret information). This is particularly problematic for remembered information for which the misappropriator does not know the source, because it imposes liability without any contemporaneous knowing conduct.¹¹⁸ Moreover, placing the timing at this point may be entirely inconsistent with how employees in the modern workplace view their obligations upon leaving a particular employment.¹¹⁹ Despite other possibilities, the UTSA and DTSA fix the timing of the knowledge requirement at the time of later use and disclosure,¹²⁰ so one would expect to see courts focus on timing when deciding misappropriation cases. However, that does not appear to be the case.

Despite the fact that cases against employees are the bulk of modern trade secrets cases,¹²¹ courts often ignore the knowledge requirement in the UTSA and DTSA in these cases.¹²² There are at least a handful of

118. It is worth noting that neither the UTSA nor the DTSA explicitly address remembered information in their definitions of misappropriation. However, the Restatement (Second) of Agency did address remembered information. RESTATEMENT (SECOND) OF AGENCY § 396 cmt. b (AM. L. INST. 1958). Unfortunately, the Restatement (Third) of Agency rejected the distinction. See RESTATEMENT (THIRD) OF AGENCY § 8.05 reporter's note c (AM. L. INST. 2006). As discussed elsewhere, the Third Restatement's reliance on the *Nowogroski* decision for this change in approach may have been misguided. See Murphy, *supra* note 4, at 539.

119. See Yuval Feldman, *The Behavioral Foundations of Trade Secrets: Tangibility, Authorship, and Legality*, 3 J. EMPIRICAL LEGAL STUD. 197 (2006) (reporting and discussing survey of employees regarding attitudes toward disclosure of trade secrets after changing employment).

120. UNIF. TRADE SECRETS ACT § 1(2)(ii)(B)(II) (UNIF. L. COMM'N 1985); Defend Trade Secrets Act of 2016, 18 U.S.C. § 1839(5)(B)(ii).

121. See Saunders & Golden, *supra* note 55, at 63 (“[M]ore than 90 percent of trade secret misappropriation cases involve a[n] . . . employee or former business partner.” (footnote omitted)); Almeling, Snyder, Sapoznikow, McCollum & Weader, *supra* note 18, at 294 (stating that most modern trade secrets cases are against employees).

122. See, e.g., *Radiant Glob. Logistics, Inc. v. BTX Air Express of Detroit LLC*, No. 18-12783, 2021 WL 1313236, at *12 (E.D. Mich. Apr. 8, 2021) (quoting the relevant language in the Michigan UTSA, then summarizing the elements as “(1) the existence of a trade secret; (2) its acquisition in confidence; and (3) the defendant’s unauthorized use of it,” thereby omitting the knowledge requirement); *MWG Enters., LLC v. ETS Wound Care, LLC*, 586 F. Supp. 3d 946, 965 (E.D. Mo. 2022) (restating the definition of misappropriation under the Missouri UTSA and DTSA in such a way that either misstates or omits the knowledge requirement); *Guidance Residential, LLC v. Mangrio*, No. 75507-2-I, slip op. at 7–10 (Wash. Ct. App. Dec. 18, 2017) (walking through the various acts of misappropriation by the defendants, but not addressing the knowledge element beyond the quotation from the statute); *PEO Experts CA, Inc. v.*

cases where courts give some attention to the knowledge requirement, but even those courts do not give significant attention to the timing aspect of the knowledge requirement and apply the requirement inconsistently. In addition to the inconsistent approaches to the timing issue, courts often treat the knowledge requirement as a singular element, rather than looking to two aspects (whether the defendant knew of a confidentiality obligation and whether they knew that the particular information at issue was subject to the obligation). A few example cases will illustrate the point.

*Injection Research v. Polaris*¹²³ is a classic idea submission case.¹²⁴ Injection Research (IR) sent an unsolicited meeting request to Polaris to discuss IR's new engine design for snowmobiles.¹²⁵ Polaris responded with a letter refusing to discuss or consider IR's design idea unless IR agreed to a "Statement of Policy," which stated that Polaris "cannot agree to accept any submissions on a confidential basis."¹²⁶ The parties executed the statement and commenced discussions about the design.¹²⁷ A dispute later arose as to whether Polaris had used trade secret aspects of the design in their later products and litigation ensued.¹²⁸ Specifically addressing the knowledge requirement in Colorado's version of the UTSA, the Federal Circuit concluded that "[i]t was reasonable for the jury to infer that the conduct of the parties gave rise to a duty of confidentiality regardless of the Statement of Policy and Disclosure Agreement."¹²⁹ Thus, in this case, the court decided that circumstances

Engstrom, No. 17-cv-00318, 2017 WL 4181130, at *7 (E.D. Cal. Sept. 21, 2017) (finding the proximity in time between defendant employee's departure and alleged use of trade secret information sufficient to award preliminary injunction without addressing knowledge requirement); *JustMed, Inc. v. Byce*, 600 F.3d 1118, 1129 (9th Cir. 2010) ("Byce already had possession of the source code through his work for JustMed. Indeed, he created much of it. In that capacity, however, he did acquire it 'under circumstances giving rise to a duty to maintain its secrecy or limit its use.' Thus, if Byce used or disclosed the trade secret, he is liable for misappropriation." (quoting IDAHO CODE § 48-801(2)(b)(B)(ii) (2023)) (second citation omitted)); *Stampede Tool Warehouse, Inc. v. May*, 651 N.E.2d 209, 217 (Ill. App. Ct. 1995) (affirming injunction against departing employees without addressing the knowledge requirement).

123. *Injection Rsch. Specialists, Inc. v. Polaris Indus., L.P.*, 168 F.3d 1320, No. 97-1516, 1998 WL 536585 (Fed. Cir. Aug. 13, 1998) (unpublished table decision).

124. *Id.* at *9.

125. *Id.* at *1-2.

126. *Id.* at *2.

127. *Id.*

128. *Id.* at *2-4.

129. *Id.* at *10 ("Evidence was presented, for example, of conversations between Polaris and Injection Research officials regarding the need for confidentiality, of meetings being held under secure conditions, and of efforts by Polaris to restrict knowledge of its dealings with Injection Research to only a few, select employees."). However, there is a strong argument here that the court reached the wrong result because

surrounding the disclosure gave rise to an implied obligation of confidentiality, despite an executed agreement between the parties to the contrary. The court thus ended its analysis without analyzing whether the alleged misappropriator “knew or had reason to know” of this confidentiality obligation (or that it applied to this particular information) at the time of use or disclosure.¹³⁰

*Dionne v. Southeast Foam*¹³¹ is a departing employee case, in which the employee attempted to set up a competing business using manufacturing methods from his previous employer.¹³² A key argument by the employee depended on a prior common law holding addressing trade secrets created by the employees themselves.¹³³ In view of the newly enacted Virginia version of the UTSA, the *Dionne* Court rejected the applicability of the prior common law case and specifically discussed the knowledge requirement in the statute.¹³⁴ The court affirmed that the knowledge requirement was met based both on an employee confidentiality agreement and other circumstances surrounding the information at issue.¹³⁵ Again, the court did not explicitly address the timing issue, but the disclosure of the information to the employee (the employee actually assisted in the creation of the information) and the alleged misappropriation were within a few months of each other, and thus specifically addressing the timing element would not likely have changed the decision.

the knowledge requirement was likely not met. It seems unlikely that the defendant knew or had reason to know that the information was subject to an obligation of confidentiality when the defendant had an executed agreement with the plaintiff stating that the information was not subject to an obligation of confidentiality.

130. *Id.* at *9–10. Note that the timing aspect of the knowledge requirement was likely not relevant here because the initial disclosure of the trade secret information and the subsequent misappropriation disclosure were only a few days apart. *Id.* at *2.

131. *Dionne v. Se. Foam Converting & Packaging, Inc.*, 397 S.E.2d 110 (Va. 1990).

132. *Id.* at 110–12.

133. *Id.* at 113–14.

134. *Id.* at 114.

135. *Id.* (Affirming the chancellor’s conclusion that Pierre “knew or had reason to know that his knowledge of the trade secret was . . . [a]cquired under circumstances giving rise to a duty to maintain its secrecy or limit its use” because “[n]o member of the Dionne family ever revealed the details of the Durafoam process to anyone except the patent attorney. Unauthorized persons were excluded from the plant. All employees, suppliers, customers, and contractors were required to sign agreements to treat any information they may have acquired as confidential. Each member of the Dionne family, Pierre included, signed such a paper. And it was Pierre himself who prepared and filed an application on behalf of Sefco to convert the trade secret into a patent and then urged Sefco to dispatch ‘cease and desist’ letters to all potential competitors.” (second alteration added)).

*Fireworks Spectacular, Inc. v. Premier Pyrotechnics, Inc.*¹³⁶ is a departing employee, customer list case.¹³⁷ In this case, the departing employee actually took the customer list in tangible form, not just in memory.¹³⁸ The court specifically found that “[a]t all times relevant to this lawsuit, [defendant] knew that Plaintiffs maintained a policy of keeping their customer information confidential, and that Plaintiffs expected him to keep their customer information confidential.”¹³⁹ Thus, when addressing the knowledge requirement for purposes of misappropriation, the court had no trouble finding that the knowledge requirement was met.¹⁴⁰ Other than the reference to “all times relevant to this lawsuit,” the court did not specifically address the timing aspect of the knowledge requirement, but as the employee was actively building and using the customer list up until the time he left and then immediately formed a competing company,¹⁴¹ the timing aspect likely would have been met if the court would have addressed it.

*Lydall, Inc. v. Ruschmeyer*¹⁴² is another employee case, where the information at issue was a strategic business plan and the disclosures were made while the employee was still employed.¹⁴³ The court found that the employee met the knowledge requirement based on both the employee confidentiality agreements the employee signed and on his personal knowledge of the protective measures the company used to maintain the confidentiality of the plans.¹⁴⁴

136. 147 F. Supp. 2d 1057 (D. Kan. 2001).

137. *Id.* at 1062.

138. *Id.*

139. *Id.*

140. *Id.* at 1067 (“The court concludes that Mr. Sutcliffe is liable for misappropriation of Plaintiffs’ trade secrets. As an agent and employee of Plaintiffs, Mr. Sutcliffe acquired the confidential customer information contained on the lists and the notes under circumstances giving rise to a duty to maintain its secrecy and to limit its use. Mr. Sutcliffe knew it was the policy of Plaintiffs to keep their customer information confidential, and that Plaintiffs expected him to keep their customer information confidential.”).

141. *Id.* at 1062.

142. No. CV030827087S, 2004 WL 3220270 (Conn. Super. Ct. Nov. 2, 2004).

143. *Id.* at *1–2.

144. *Id.* at *5 (“Ruschmeyer participated in the preparation of and/or was aware of all elements of the five-year strategic plan. He, therefore, meets the condition of subsection (b) of C.G.S. § 35-51 that ‘at the time of disclosure or use, (he) knew or had reason to know that his knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use.’ Accordingly, subparagraphs (a) and (b) of C.G.S. § 35-51 apply to Ruschmeyer. Ruschmeyer admitted in testimony on April 14, 2004 that the company’s strategic plan has not been revealed even in investor conference calls. He stated that ‘The comprehensive plan has never been disclosed anywhere as a single comprehensive plan.’ Ruschmeyer also admitted that Lydall ‘is not

*InnoSys, Inc. v. Mercer*¹⁴⁵ is another employee case, but here the disclosures were made to a government agency as part of the employee's attempt to obtain unemployment benefits following termination.¹⁴⁶ The *Mercer* Court reversed the lower court's grant of summary judgment to the employee and found that the employer made at least a prima facie showing of misappropriation of trade secrets.¹⁴⁷ The interesting aspect of this case with respect to the knowledge requirement is that the court found that the fact that the employee signed a nondisclosure agreement (NDA) at the time of hiring was sufficient to establish the knowledge requirement and did not look at the timing aspect at all.¹⁴⁸ In fact, in quoting the definition of misappropriation in the Utah version of the UTSA,¹⁴⁹ the court omitted the "at the time of disclosure or use" portion of the statute in their quotation.¹⁵⁰

*Syngy v. ZS*¹⁵¹ was a business-to-business dispute where a client business chose to engage a different provider and shared information from the previous provider to the new provider.¹⁵² Predictably, the spurned previous provider asserted that the documentation disclosed to the new provider contained trade secret information.¹⁵³ In rejecting the client's motion for summary judgment of no misappropriation, the court emphasized the knowledge requirement in Pennsylvania's version of the UTSA.¹⁵⁴ The interesting aspect of this case, though, is that the court expressly looked to whether the defendant knew that the information disclosed constituted trade secrets, rather than whether the defendant

transparent' even to 'institutions and its insiders who understand the company's story.'" (citations omitted)).

145. 364 P.3d 1013 (Utah 2015).

146. *Id.* at 1015.

147. *Id.* at 1019 ("The undisputed evidence shows that Mercer copied protected trade secrets onto her personal email account and thumb drive, allowing her to take those secrets with her after her employment ended. And she did so despite having signed a non-disclosure agreement, showing that she owed a duty to InnoSys to maintain the secrecy of those trade secrets and limit their use.").

148. *Id.* at 1018-19. Another interesting issue with this decision is the court's statement that forwarding e-mail from a work account to a personal Gmail account constitutes a disclosure to Google, and therefore actionable misappropriation. Unfortunately, that issue is outside of the scope of this discussion. Instead, for a relevant discussion of the different ways in which the notion of disclosure may be employed in trade secrets and other legal regimes, see generally Sharon K. Sandeen, *A Typology of Disclosure*, 54 AKRON L. REV. 657 (2020).

149. UTAH CODE ANN. § 13-24-2(2)(b)(ii) (West 2023).

150. *InnoSys*, 364 P.3d at 1018-19.

151. *Syngy, Inc. v. ZS Assocs., Inc.*, No. 07-3536, 2015 WL 899408 (E.D. Pa. Mar. 3, 2015).

152. *Id.* at *1-2.

153. *Id.*

154. *Id.* at *19-20.

knew or should have known that they were under a duty of confidentiality.¹⁵⁵

*Sonoco v. Guven*¹⁵⁶ is another employee case, where the employee sets up a competing business while still employed with the previous employer.¹⁵⁷ At the previous employer, the employee signed a confidentiality agreement upon commencing employment.¹⁵⁸ The court treated the existence of the employee confidentiality agreement as sufficient to establish that the employee knew, at the time of disclosure, that the trade secrets were acquired under a duty of confidentiality.¹⁵⁹ Because the case was decided on a default judgment, there are no allegations from the employee to refute this conclusion. In fact, the court may have been entirely correct in that the employee knew at the time of the use of the information that it was acquired under a duty of confidentiality. However, because the employee confidentiality agreement was signed over a decade before the alleged misappropriation¹⁶⁰ and the agreement was very broadly worded,¹⁶¹ one could at least raise a question as to whether the employee actually knew or should have known (a decade after signing the agreement) that they were under a duty of confidentiality, generally, or whether a duty of confidentiality applied to the particular information at issue.

*PPEX, LLC v. Buttonwood, Inc.*¹⁶² is another departing employee case (although the only remaining parties by the time of this decision were business entities), but in this case, the left-behind employer engaged in almost no formalities with respect to confidential or trade secret information.¹⁶³ Due to the lack of protective measures, the court denied

155. *Id.* at *20 (“Material questions of fact remain with respect to whether Novo was aware that the information it shared with ZS included confidential trade secrets.”).

156. *Sonoco Prods. Co. v. Guven*, No. 12-cv-00790, 2015 WL 127990 (D.S.C. Jan. 8, 2015).

157. *Id.* at *5.

158. *Id.* at *4.

159. *Id.* at *6 (“Sonoco disclosed such trade secrets to Güven only after Güven signed and acknowledged the Employee Agreement, which, among other things, prohibited him from using or disclosing Sonoco’s trade secrets. Thereafter, the facts reveal that Güven used and disclosed such trade secrets in breach of those contractual duties. Thus, at the time of Güven’s use and disclosure of these trade secrets, Güven clearly knew or had reason to know, by virtue of the Employee Agreement, that his knowledge of Sonoco’s trade secrets was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use.”).

160. *See id.* at *3–5. Note that the case is not entirely clear on this point, but it appears that the defendant signed the agreement before beginning employment in 1998 and began using the information to form the competing business sometime around 2010.

161. *See id.* at *4.

162. No. 21-CV-53, 2021 WL 7210417 (D. Wyo. Sept. 7, 2021).

163. *See id.* at *1–2.

a preliminary injunction based primarily upon the knowledge requirement of the DTSA not being met.¹⁶⁴ This case had two interesting aspects with respect to the knowledge requirement. First, after quoting the relevant portion of the DTSA, the court restated the knowledge requirement as “disclosure or use of a trade secret with knowledge or reason to know it is unauthorized.”¹⁶⁵ This statement is arguably much different than the actual knowledge requirement in the DTSA, which requires knowledge that the information was acquired under a duty of confidentiality rather than knowledge of whether disclosure is authorized.¹⁶⁶ Second, rather than inquiring as to whether the former employees knew or had reason to know that the information at issue was acquired under circumstances giving rise to a confidentiality obligation, the court instead looked to whether the employees knew the information was a trade secret.¹⁶⁷

Finally, *H&E v. Harley*¹⁶⁸ is another departing employee case, where the departing employee sent their employer’s confidential information to their private email account right before resigning.¹⁶⁹ In granting a temporary restraining order, the court determined the employer was likely to succeed on both their Louisiana UTSA and DTSA claims.¹⁷⁰ However, in its misappropriation analysis, the court never addressed what the departing employee knew or should have known at the time of use or disclosure. Instead, the *Harley* Court appeared to find that the existence of the employee confidentiality agreement was sufficient to establish the knowledge aspect of the misappropriation

164. *Id.* at *12 (“Considering all of the circumstances evidenced in the current record – Mr. Garwood’s contribution of his existing contacts to PPEX’s database, the lack of any agreement or notice during Messrs. Garwood and Miller’s employment regarding rights in the Customer and Supplier Lists, the lack of any agreements regarding employment status, and the lack of any communication or notice from PPEX to Mr. Garwood or Mr. Miller that it considered those lists to be proprietary or confidential until this lawsuit was filed – the fact that PPEX placed these lists on a secured server did not give Messrs. Garwood or Miller (or other employees) a reason to know that PPEX considered them confidential to PPEX. . . . Even if the Court could ignore PPEX’s lack of internal protection of the Customer and Supplier Lists for purposes of the reasonable measures element, for the same reasons as above PPEX has not made a strong showing that Messrs. Garwood or Miller knew or should have known that these lists were trade secret to PPEX when they retained them after resigning and used them as employees or officers of Buttonwood.”).

165. *Id.* at *7.

166. 18 U.S.C. § 1839(5).

167. *PPEX*, 2021 WL 7210417, at *12.

168. *H&E Equip. Servs., Inc. v. Harley*, No. 22-103, 2022 WL 541774 (M.D. La. Feb. 23, 2022).

169. *Id.* at *2.

170. *Id.* at *5–6.

element.¹⁷¹ Accordingly, the court never asked whether the employee knew or should have known that the information at issue was acquired under an obligation of confidentiality, only that an obligation of confidentiality existed.

As seen from this sampling of cases, even when courts do address the knowledge requirement, they do not do so in a consistent manner. Some courts see actions taken during or at the beginning of employment (such as signing an employee confidentiality agreement) as sufficient to establish the knowledge requirement, even though the proper time for measuring knowledge is years later (at the time of disclosure or use).¹⁷² Other courts address the knowledge requirement by only asking whether the alleged misappropriator knew the information was a trade secret or confidential or by only asking whether the defendant knew of the existence of a confidential relationship.¹⁷³

This mixed bag of approaches is particularly problematic with respect to remembered information—the type of information that a departing employee is most likely to take with them without expressly recognizing that their employer has trade secret rights in the information or their later disclosure or use of the information might constitute a breach of a confidential relationship. Consequently, because almost all courts in the country are applying essentially the same statutory language, the approaches to the knowledge requirement with respect to remembered information should be consistent.

In an era in which most employees are required to sign broad employee confidentiality agreements as a condition of employment, the

171. *Id.* (“Second, the Court is satisfied that Plaintiff has demonstrated that Defendant breached a duty of confidence owed to Plaintiff to maintain the secrecy of the proprietary information. The Verified Complaint sets forth the specific terms of the Non-Competition Agreement, wherein Defendant, upon the beginning of his employment with Plaintiff, undertook this obligation by agreeing to the terms in this contract. Moreover, the terms of the Non-Competition Agreement are very specific and not at all vague in detailing what constitutes trade secrets and what is prohibited by the employee. There can be no doubt, based on the terms of the Non-Competition Agreement, that the proprietary information accessed by Defendant and forwarded to his personal email addresses constitutes a breach of the Non-Competition Agreement and the general duty of loyalty an employee owes to his employer under Louisiana law.”).

172. *See, e.g., Injection Rsch. Specialists, Inc. v. Polaris Indus., L.P.*, 168 F.3d 1320, No. 97-1516, 1998 WL 536585 (Fed. Cir. Aug. 13, 1998) (unpublished table decision); *Dionne v. Se. Foam Converting & Packaging, Inc.*, 397 S.E.2d 110 (1990); *Fireworks Spectacular, Inc. v. Premier Pyrotechnics, Inc.*, 147 F. Supp. 2d 1057 (D. Kan. 2001); *InnoSys, Inc. v. Mercer*, 364 P.3d 1013 (Utah 2015); *Sonoco Prods. Co. v. Guven*, No. 12-CV-00790, 2015 WL 127990 (D.S.C. Jan. 8, 2015); *H&E Equip. Servs.*, 2022 WL 541774.

173. *See, e.g., Syngy, Inc. v. ZS Assocs., Inc.*, No. 07-3536, 2015 WL 899408 (E.D. Pa. Mar. 3, 2015); *PPEX, LLC v. Buttonwood, Inc.*, No. 21-CV-53, 2021 WL 7210417 (D. Wyo. Sept. 7, 2021).

knowledge requirement in the UTSA and DTSA must require more than the mere existence of such an agreement. If the only requirement is that the agreement exists (and therefore that the employee should have known that the information was acquired while under a duty of confidentiality), trade secret misappropriation becomes a strict liability offense with no consideration of the employee's actual state of mind. Instead, once it is established that particular information is a trade secret, misappropriation liability would attach simply by providing evidence that the employee used or disclosed the information. This approach would moot the historical requirement of some wrongful conduct before trade secrets liability attaches, a requirement that was carried forward into the statutory period through the knowledge requirements in the UTSA and DTSA.¹⁷⁴

The better approach, and one that is consistent with both the history of trade secrets law and the statutory requirement of some wrongful conduct, would be to recognize the knowledge requirement as consisting of two unique pieces of knowledge (keeping in mind that the time for testing this knowledge is at the time of the use or disclosure, not the time of acquisition): (1) knowledge of the existence of a duty of confidentiality; and (2) knowledge that the particular information at issue was subject to the duty when it was acquired.¹⁷⁵ Under this approach, the mere establishment of contractual confidentiality does not end the inquiry with respect to the knowledge requirement in the misappropriation definition. Instead, the left-behind employer would need to also show that the departing employee knew or had reason to know, at the time of the later use or disclosure, that the information was subject to the confidentiality obligation.¹⁷⁶

174. A review of the DTSA's legislative history shows no substantive discussion of the knowledge requirement. Instead, the knowledge requirement appears to have been simply copied over from the UTSA. *See supra* notes 108–112 and accompanying text. Similarly, a review of the legislative history of many states adopting a version of the UTSA did not show any substantive discussion of the knowledge requirement.

175. Deepa Varadarajan has argued that the function of the reasonable efforts requirement is to provide notice to employees of the employer's claim of rights in the trade secrets. *See Varadarajan, supra* note 83, at 357. While this is a sound argument, it could be read to imply that establishing the reasonable efforts element would be sufficient to establish either aspect of the knowledge requirement, as presented herein. Instead, a better approach might be that, to the extent the analyses are linked at all, the failure to establish reasonable efforts is informative of whether the knowledge requirement could be met, but not conclusive. *See PPEX*, 2021 WL 7210417, at *9–10 (noting that reasonable measures must include “at least *some* communication to employees regarding what information is confidential to the employer”).

176. This approach would also seem to be consistent with that suggested by the Restatement (Third) of Unfair Competition, which states:

Establishing that the departing employee has the requisite actual knowledge is relatively straightforward. Knowledge requirements are well established in other areas of the law (torts is one example) and courts and practitioners should be familiar with existing approaches for establishing actual knowledge.¹⁷⁷ The existence of a signed employee confidentiality agreement, particularly if the execution of the agreement is in close temporal proximity to the alleged misappropriation, is likely relevant in establishing that the employee knew they were under a duty of confidentiality. This is the case even if the employee did not read the agreement when they signed it.¹⁷⁸ Assuming the agreement is sufficiently detailed as to what information is confidential, it may also be relevant to establish knowledge of the confidentiality of the trade secret information at issue in the case, absent evidence to the contrary. Again, temporal proximity between execution of the agreement and the alleged misappropriation may be relevant.

The more challenging aspect of the knowledge requirement is the “had reason to know” option, which would be relevant in situations where actual knowledge is not established. The term is not defined in the statutes and there is not sufficient case law from which to determine a definition. One could refer back to the definition in the Restatement (First), but the definition there is with respect to a different term: “should

One is subject to liability for the appropriation of another's trade secret if: . . . the actor uses or discloses the other's trade secret without the other's consent and, at the time of the use or disclosure, . . . the actor knows or has reason to know that the information is a trade secret that the actor acquired under circumstances creating a duty of confidence owed by the actor to the other

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 (AM. L. INST. 1995). Unfortunately, the comments following this section do not specifically address the knowledge requirement for this portion of the section and instead focus on the remaining bases of liability in the section. *See, e.g., id.* cmt. d.

177. Moreover, courts are already familiar with knowledge requirements in the trade secrets space because knowledge elements are a requirement in criminal trade secrets cases. *See* Kassie Miller, Cesar Azrak, Rianna Jha & Victoria Kingham, *Intellectual Property Crimes*, 59 AM. CRIM. L. REV. 1055, 1061 (2022) (describing the knowledge elements the government must prove, including “that the defendant is aware that the information defendant possesses is a trade secret” and that “the defendant must intend or know that the offense will injure the rightful owner” (footnotes omitted)).

178. Although this author does not necessarily agree with this result from a normative perspective, the result is firmly established in modern contracts jurisprudence. *See, e.g., Melancon v. Carnival Corp.*, 835 F. App'x 721, 726 (5th Cir. 2020) (per curiam) (“Contract law does not require that a signing party read or understand a contract in order to be bound”). Also note that the use of contract law principles to establish trade secrets liability is not itself uncontroversial, but courts have routinely engaged in this approach. *See* Varadarajan, *supra* note 2.

know” versus “had reason to know.”¹⁷⁹ The First Restatement’s definition of “should know” appears to include a duty to ascertain the relevant facts, but no court seems to have ever applied this requirement. Moreover, it is not clear how such a requirement could be applied in a departing employee situation. Each time an employee uses information in their memory at a new employer, would they have a duty to contact their former employer and find out if the information is a trade secret? Or, would they need to review their employee confidentiality agreement with their former employer (or an attorney) to try and determine whether the particular information is covered by the agreement?¹⁸⁰

The First Restatement’s, “duty to ascertain,” approach does not appear to be a good fit for the UTSA and DTSA knowledge requirement.¹⁸¹ Moreover, the inconsistent case law in this area, as demonstrated above, provides little definitive guidance. However, looking to the cases that do address the knowledge requirement generally, some factors can be extracted as relevant to whether a departing employee meets the “had reason to know” requirement. For example, the existence of a signed confidentiality agreement that identifies trade secret information with particularity may be sufficient to establish the knowledge requirement.¹⁸² Additionally, the close connection between the employee’s work and the information at issue could be relevant.¹⁸³ Moreover, although not addressed specifically in the cases, an exit interview that includes a discussion of the employee’s confidentiality obligations with respect to particular information could also be relevant.¹⁸⁴ In each of these situations, the proximity in time to the later use or disclosure would also likely be relevant.

Despite the explicit language in both the UTSA and the DTSA, courts struggle with consistently applying the knowledge requirement in

179. See RESTATEMENT (FIRST) OF TORTS § 12 (AM. L. INST. 1965). Subsequent restatements of torts do not provide a reasonable source for defining the knowledge requirement of the trade secrets statutes for at least two reasons: (1) The Restatement (Second) of Torts specifically excluded trade secrets from its coverage. See RESTATEMENT (SECOND) OF TORTS div. 9, intro. note (AM. L. INST. 1979). And, (2) the Restatement (Third) of Torts does not provide an explicit definition of these knowledge terms and instead discusses knowledge elements as part of its definition of the higher-level concepts of negligence and foreseeability. See RESTATEMENT (THIRD) OF TORTS § 3 & cmt. g (AM. L. INST. 2010).

180. This author has not found any cases in the statutory period finding liability based on a failure to ascertain facts associated with a duty of confidentiality.

181. Note that the UTSA and DTSA do not reference the torts restatements as authoritative, or even relevant, as to the meanings of their terms.

182. See *Hexacomb Corp. v. GTW Enters., Inc.*, 875 F. Supp. 457 (N.D. Ill. 1993).

183. See *supra* note 135 and accompanying text.

184. *Hexacomb*, 875 F. Supp. at 467.

these statutes, and in some cases completely ignore the language. In cases where the departing employee leaves with tangible or electronic documents, the inconsistency of application of the knowledge requirement is unlikely to change outcomes.¹⁸⁵ However, in the case of remembered information, proper application of the knowledge requirement could be outcome determinative. The next Part details a proposed taxonomy of remembered information that will then be used to analyze how the knowledge requirement, as proposed here, could apply to different classes of remembered information.

III. A TAXONOMY OF REMEMBERED INFORMATION

Although many courts treat remembered information as a single class of information, a better approach would be to think about remembered information as consisting of five unique types. When viewed in this manner, the notion of having a blanket rule with respect to remembered information in a misappropriation claim is likely not consistent with the knowledge requirements in the statutes. Moreover, unlike tangible documents, the information stored in a person's memory is not static and changes over time, both as to content and as to source.¹⁸⁶ Accordingly, this Part develops a taxonomy of remembered information in order to set a framework through which the misappropriation definition in the relevant statutes can be analyzed in the context of remembered information. In thinking about this taxonomy, it is important to keep in mind that the relevant time period at which the type of remembered information is being determined—the time of the subsequent use or disclosure—so as to remain consistent with the statutory definitions.¹⁸⁷

185. This is particularly true where the tangible or electronic documents include within them information that identifies the former employer as the source of the information and/or includes an indication of the confidentiality of the information (for example, a confidentiality notice in the footer of the documents). That being said, it is certainly possible that, even in the case of tangible documents, a defendant employee could establish that the knowledge requirement is not met in a particular case.

186. See GABRIEL A. RADVANSKY, *HUMAN MEMORY* 53 (2006) (“Perhaps the strongest finding to come out of research using recall tests is that the more time that has passed, the less likely a person will remember a given piece of information. Or, to put it simply, people forget more as time passes.”); *id.* at 264 (“For example, information content may be remembered for a long time, but source knowledge may be lost.”).

187. Both the UTSA and the DTSA define misappropriation as: disclosure or use of a trade secret of another without express or implied consent by a person who at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain its secrecy, or limit its secrecy, of the trade secret or limit the use of the trade secret. See UNIF. TRADE SECRETS ACT § 1(2)(ii)(B)(II) (UNIF. L. COMM’N 1979); 18 U.S.C. § 1839(5)(B)(ii)(II).

A. Intentional Memorization

The first class of information—*Intentionally Memorized*—would be information that is intentionally memorized by the alleged misappropriator. In the employment context, this includes the departing employee that intentionally memorizes trade secret information with the intention of taking that information with them when they leave. Note that the employee's motivations in memorizing the information are not dispositive, but it is likely that if the employee is going to expend the effort to intentionally memorize the information, they likely intend to use or disclose the information at some later point in time (either at a subsequent employer or in establishing a competing enterprise).¹⁸⁸

Although their reasons for memorizing the information may not be relevant, the employee's understanding of the status of the information might be. For example, if the departing employee is taking the information because they believe it is part of the general skills and knowledge they have acquired and are entitled to keep, that may be different than the departing employee who intentionally memorizes the information in order to deliver it to a competitor or start a competing business knowing that it constitutes a trade secret of their employer. To put it differently, the distinction here would be between the employee that takes the information believing that they have some right to it (or at least that the former employer does not have any trade secret rights in the information) and the employee that takes the information knowing that the former employer likely has trade secret rights in the information.

To make explicit these two possible understandings of the alleged misappropriator, this class of remembered information has two sub-classes directed to whether the misappropriator recognizes that the remembered information is in fact trade secrets information or not. In other words, does the employee know that the intentionally memorized information constitutes trade secrets of the employer or not?¹⁸⁹

188. Although this is characterized as “likely,” it is certainly not universally true. For example, an employee could intentionally memorize information in order to be more effective or efficient in their job and any notion of leaving that employer may come later.

189. There are multiple ways in which the information could end up not being a trade secret, even if the information is secret. For example, the information could fall outside the definition in the relevant statute because the employer did not take reasonable measures to protect the information or the information did not provide economic benefit to the employer due to its secrecy. Additionally, the information could be covered by the Memory Rule or the General Knowledge, Skill, and Experience Exclusion and thus not constitute a trade secret.

B. Recalled with Acknowledgement of the Source

The next two classes of remembered information—*Actively Remembered* and *Passively Remembered*—address information that the departing employee simply remembers due to, for example, long and continued exposure to the information or simply a prowess for remembering information.¹⁹⁰ An important aspect of these classes of information is that, when remembering this information, the employee recognizes that this information came from the former employer.¹⁹¹

The distinction between these two classes of information is how the employee goes about remembering the information at the time of later use or disclosure. With respect to *Actively Remembered* information, this is information that the employee has to actively recall. In other words, the employee remembers having learned particular information at their previous employer that is now relevant at their new employment and then they wrack their brain to recall the desired information.¹⁹² Conversely, *Passively Remembered* information is information that is simply remembered when needed without any brain wracking. Each of

190. With respect to how repeated exposure to information can lead to improved memory of the information, see RADVANSKY, *supra* note 186, at 264 (“One of the more powerful ways to manipulate memory is to influence the frequency that something is encountered. For example, information that is repeatedly encountered is more likely to be remembered, may become overlearned, and subsequently be chronically available.”); *id.* at 48 (“According to levels of processing, the more information is elaborated on, the better it is remembered. This can be done by the generation effect: Information that a person generates is remembered better than information that is simply read or heard.” (emphasis omitted)); *id.* at 49 (“A generation effect may also be observed when people solve a puzzle or problem when trying to understand something. This is called the ‘aha’ effect.” (citation omitted)). See also RICHARD A. CHECHILE, ANALYZING MEMORY: THE FORMATION, RETENTION, AND MEASUREMENT OF MEMORY 411–16 (2018) (describing the “aha effect” and “self-choice effect” for improved memory encoding).

191. With respect to how information content could be remembered but source information forgotten, see RADVANSKY, *supra* note 186, at 259 (“The ability to keep track of where memories come from is called source monitoring and it involves processes over and above those needed to assess whether something is old or new.”). See also *id.* at 260–61 (detailing the various mental criteria a person might use in attempting to recall source information, including “perceptual detail,” “contextual information,” “the amount of semantic detail and/or affective information that is available,” and “cognitive operations” (defined as “any mental activities that were done when first thinking about the information”)); *id.* at 264 (“For example, information content may be remembered for a long time, but source knowledge may be lost. Alternatively, source knowledge may never have been learned in the first place or learned very poorly.”).

192. With respect to mental processes associated with forgotten information, see *id.* at 303–04 (“When you forget things, it does not always feel the same. Sometimes you don’t know something and it seems like you never learned it. Other times, you don’t know the answer, but you feel that it is somewhere in memory, and if you heard or saw it, you would be able to identify it.”).

these classes has two sub-classes that address whether the employee recognizes that the remembered information is in fact covered by a confidentiality obligation with their former employer in addition to their knowledge of it coming from the previous employer.¹⁹³

C. Recalled without Acknowledgement of the Source

The fourth class of information—*Implicitly Remembered*¹⁹⁴—is passively remembered, but unlike Passively Remembered information, the employee does not associate that information with the previous employer.¹⁹⁵ In other words, the employee simply remembers the information without any separate mental acknowledgement that the information came from their former employer. There are no sub-classes to this information because the employee would not go through the mental steps of determining whether the information was a trade secret or subject to a confidentiality obligation with the previous employer for this class of information.

D. Mistakenly Believed to be Original

The final class of information—*Mistakenly Remembered*—is information that the individual believes to be their original idea, but that is actually remembered from a prior employer.¹⁹⁶ This would be the case,

193. Note that these sub-classes are different than the sub-classes applicable to Intentionally Memorized information because in that category, the employee is evaluating the status of the information at the time of its memorization. *See supra* Section III.A. Conversely, the employee is evaluating the status of both Actively Remembered and Passively Remembered information at the time of later use or disclosure, rather than at the time of acquisition.

194. The use of the term “implicit” here is not to be confused with the sense in which that term is used in cognitive sciences. In that area, “implicit memory refers to memories and memory processes that are unconscious” and is distinguished from “explicit memory,” which “refers to when a person is actively and consciously trying to remember something.” RADVANSKY, *supra* note 186, at 16, 63. *But see* CHECHILE, *supra* note 190, at 121–24 (challenging the traditional explicit versus implicit model of memory systems). Here, the use of the term “implicit” indicates that the subject consciously remembers the information but does not remember the associated source information. *See id.* at 121.

195. RADVANSKY, *supra* note 186, at 259 (“The ability to keep track of where memories come from is called source monitoring and it involves processes over and above those needed to assess whether something is old or new.” (citations and emphasis omitted)).

196. *See, e.g., id.* at 264 (“Some cases of plagiarism are unconscious and unintentional. This occurs when people come up with ideas they believe are their own but in fact were encountered in the past. This memory of the previous encounter has an unconscious, implicit effect on thinking, without the knowledge of the information’s

for example, where an employee encounters a particular problem at their new employer and comes up with a solution to the problem, believing that solution to be the fruit of their own creativity, when in fact, the solution came from information learned at the previous employer. Similar to the previous category, there are no sub-classes to this information because the employee would not go through the mental steps of determining whether the information was a trade secret of the previous employer.

E. Graphic Depiction

Table 1 shows a graphic depiction of the taxonomy of remembered information developed above.

Table 1. Taxonomy of Remembered Information.

Taxonomy of Remembered Information		
Known Source?	Class	Sub-Class
Yes	Intentionally Memorized	Recognized as Trade Secret
		Not Recognized as Trade Secret
	Actively Remembered	Recognized Confidentiality Obligation
		No Recognized Confidentiality Obligation
	Passively Remembered	Recognized Confidentiality Obligation
		No Recognized Confidentiality Obligation
No	Implicitly Remembered	Not Applicable
	Mistakenly Remembered	Not Applicable

IV. TRADE SECRETS LIABILITY FOR REMEMBERED INFORMATION

Finding misappropriation liability whether information is physically copied or intentionally memorized would seem a reasonable approach, as they both require some culpable conduct (either physically taking documents or intentionally memorizing information). Some courts and commentators have suggested that is the law, but they do not maintain a

original source entering consciousness. This unconscious plagiarism is called cryptomnesia.” (emphasis omitted)).

rigorous distinction between intentional memorization and simply remembering after the fact.¹⁹⁷ Accordingly, courts may find misappropriation liability even for information that was inadvertently remembered, as opposed to intentionally memorized.

As discussed above, trade secrets misappropriation claims require proof of some type of improper means or knowing breach of confidence, as defined in the relevant statutes. The time at which the knowledge is evaluated for a breach of confidence misappropriation is “at the time of disclosure or use.”¹⁹⁸ Accordingly, the following Sections of this Part examine how the knowledge requirement in the relevant statutes should be applied in such a way to take account of the unique issues raised by remembered information.¹⁹⁹ Later Sections in this Part will address some of the practical issues raised by the approach.

A. Attaching Liability to Each Class of Information

As discussed in this Section, the strongest case for liability with respect to remembered information is for intentionally memorized information and information that the misappropriator knows came from the former employer. This is the type of information that is most likely to meet the knowledge requirement in the relevant statutes. The other classes of information do not reflect a sufficient level of knowledge to establish misappropriation. The following Sections will address each type of remembered information in the taxonomy through the lens of the knowledge requirement. In evaluating each of the classes, it is assumed that the employee was actually under some type of confidentiality obligation with the employer when the information was disclosed to the employee and thus the only question is whether the employee knew or had reason to know at the time of use or disclosure of the information that their knowledge of the particular information was acquired while under that duty.

197. See Murphy, *supra* note 4, at 548–52.

198. 18 U.S.C. § 1839(5)(B)(ii).

199. Note that this Article focuses exclusively on liability with respect to the statutory language. A further, and perhaps more interesting, discussion would be directed at the level of culpability that *should* attach to each class of remembered information. Attaching liability to conduct that is not sufficiently culpable could be seen as destroying the infringement/misappropriation distinction between trade secrets and other forms of intellectual property. However, that analysis is beyond the discussion here.

1. LIABILITY FOR INTENTIONALLY MEMORIZED INFORMATION

Looking to the taxonomy of remembered information, the conduct most likely to lead to liability would be with respect to Intentionally Memorized information.²⁰⁰ In this case, the employee has actively taken steps to depart with information and thus, this situation is not significantly different from a culpability perspective from an employee that leaves with documents in hand. Actively memorizing information for the purpose of taking it to a competitor (or to start a competing venture) certainly suggests knowledge or reason to know that the information was acquired under a duty of confidentiality at the time the information is memorized and that the information was subject to that duty. The question is whether, at the time of the later use or disclosure, the alleged misappropriator still meets the knowledge requirement. Because the information was intentionally memorized, a court could easily conclude that the knowledge requirement is met in that the employee, at a minimum, had reason to know at the time of later use or disclosure that they were under a confidentiality obligation when they intentionally memorized the information. This is particularly true where the intentional memorization and the later use or disclosure are in close temporal proximity, which is likely to be the case.

However, the situation is slightly more complicated with respect to the second aspect of the knowledge requirement. As proposed here, the knowledge requirement in the UTSA and DTSA requires that the misappropriator know that the particular information was subject to the duty of confidentiality.²⁰¹ If it was the case that defendants could potentially escape liability by not knowing that the particular information is a trade secret, then they would have a strong incentive to raise this argument in every case. However, the analysis with respect to the knowledge requirement takes place at the misappropriation stage of a trade secrets case, which means that the information must in fact be a trade secret in order for the misappropriation analysis to even occur.²⁰² Accordingly, to get to a place where the employee's belief about the

200. Note that this analysis is being done with respect to the particular portion of the misappropriation definition related to breaches of confidential relationships. If intentional memorization was considered to fit within the definition of "improper means" in the statutes (which is not an exclusive list), then the employee who intentionally memorizes trade secret information could potentially be liable under a different portion of the misappropriation definition. *See* 18 U.S.C. § 1839(5).

201. *See* UNIF. TRADE SECRETS ACT § 1(2) (UNIF. L. COMM'N 1985); 18 U.S.C. § 1839(5).

202. If the information is not a trade secret, the plaintiff's case is over and there is no misappropriation liability. *See* Murphy, *supra* note 4, at 543-46 (discussing the structure of a modern trade secrets misappropriation case).

information is relevant, it has already been established that the employee was incorrect in their belief that the information was not a trade secret or not confidential, even if that belief was genuine.²⁰³ Thus, attaching liability even in the case of the mistaken employee simply assigns the risk of error to the employee that is doing the intentional memorization in order to depart with information, which is probably appropriate. A court could easily get to this result, even in the absence of evidence of actual knowledge, by determining that the employee had reason to know of the duty of confidentiality and its applicability to the particular intentionally memorized information. Thus, in the case of Intentionally Memorized information, the knowledge requirement for misappropriation would likely be met and liability likely would attach irrespective of the employee's beliefs about the status of the memorized information.²⁰⁴

2. LIABILITY FOR ACTIVELY REMEMBERED INFORMATION

With respect to Actively Remembered information, liability could easily turn on whether the employee recognized that the information came from the previous employer. However, simply knowing that the information in their memory came from a previous employer should not be sufficient knowledge upon which to base trade secrets liability. Instead, there needs to be actual knowledge or a reason to know that the information at issue was acquired while under a duty of confidentiality and that the duty applied to the particular information.²⁰⁵

With respect to the first sub-class in this category—reusing information that the employee knows was derived from the previous employer and was subject to a duty of confidentiality—the knowledge requirement is likely met. When the employee must take mental steps to recall the information knowing that the information came from the previous employer and is subject to a confidentiality obligation, this conduct should meet the “had reason to know” requirement, even if

203. This assumes, of course, that the duty (*e.g.*, as stated in the employee confidentiality agreement) was sufficiently drafted to include trade secret information within the duty.

204. This is not to say that a defendant could not argue that the knowledge requirement is not met, but it would be an odd set of circumstances in which a misappropriator intentionally memorizes trade secret information and then later does not know or have reason to know that the particular information was acquired under a duty of confidentiality. It is possible that a court could place significant weight upon the employee's mistaken understanding of the status of the information however and, on this basis, decide that the knowledge requirement is not met. Thus, it is possible that in a small number of cases, different results could occur with respect to the two sub-classes in this category.

205. *See supra* Part II.

actual knowledge is not established. Thus, the employee is likely liable for misappropriation with respect to the first sub-class in this category.

With respect to the second sub-class—where the employee does not recognize the particular information as being subject to a confidentiality obligation—liability must rest on a finding that the employee had reason to know both that the information was acquired under a duty of confidentiality and that the particular information was subject to that duty, because the employee clearly does not meet the actual knowledge requirement. Factors that could impact the “had reason to know” analysis include: the existence of an employee confidentiality agreement, the specificity of the agreement with respect to what information is covered, the length of time between the later use and disclosure and the signing of the confidentiality agreement, whether an exit interview was conducted detailing the confidentiality obligation and the particular information covered, and other internal measures taken by the former employer to keep employees apprised of confidentiality obligations. However, evidence that the employee does not recognize that the particular information at issue is covered by a confidentiality obligation with the former employer at least raises a question as to whether the employee meets the “had reason to know” knowledge requirement. Accordingly, there is a decent chance that the employee may not be liable for this sub-class of remembered information.

In summary, when the knowledge requirement is properly applied in a case of Actively Remembered information, liability is likely to be found where the employee knows that the information came from the prior employer and was subject to a confidentiality obligation (first sub-class). However, liability may not attach in the case where the employee does not recognize that the particular information came from their prior employer under a duty of confidentiality.

3. LIABILITY FOR PASSIVELY REMEMBERED INFORMATION

The situation with respect to Passively Remembered information is not significantly different from Actively Remembered information because of the common element that the employee knows that the information at issue came from the previous employer. The difference in this category is that the employee does not take any active steps to remember the information; the information is simply available for use in their memory without taking any active recall efforts. However, this distinction is probably not going to make a significant difference with respect to the knowledge requirement aspect of the misappropriation analysis. Irrespective of whether the employee has to take active steps to recall the information or the information is readily available, the

likelihood of liability likely comes down to whether the employee recognizes that the particular information is subject to a duty of confidentiality. Thus, the analysis for this type of information is not meaningfully different from the analysis with respect to the two sub-classes of Actively Remembered information. Consequently, even though there appears to be a greater level of culpable conduct in the Actively Remembered situation (the employee is taking active mental steps to recall information), that type of culpable conduct is not addressed in the statutes. Instead, the conduct that leads to misappropriation liability is simply the knowing use or disclosure of the information, independent of what mental processes were used to recall the information.

4. LIABILITY FOR IMPLICITLY AND MISTAKENLY REMEMBERED INFORMATION

With respect to Implicitly Remembered information, there does not appear to be any basis for finding that the employee meets the knowledge requirement. The employee is simply using the knowledge in their memory without any acknowledgement or understanding of where the information came from or that it was subject to a duty of confidentiality. Thus, the employee could not meet the actual knowledge requirement. Moreover, the fact that the employee has no recognition of where this particular information in their memory came from suggests that they also do not meet the “had reason to know” requirement. Accordingly, Implicitly Remembered information is unlikely to meet the knowledge requirement in the statutes and thus this type of remembered information should not form the basis of trade secrets liability.

Finally, attaching liability to Mistakenly Remembered information requires the “had reason to know” part of the statute to do an unreasonable amount of work and places a significant burden on departing employees. In this category, the actual knowledge requirement clearly is not met. Thus, finding liability would suggest that a departing employee has reason to know the source of all information in their head and to question whether ideas—even those ideas that they believe to be original within themselves—actually originated from a former employer. This Article suggests that this approach stretches the statute too far and thus there should not be liability for Mistakenly Remembered information.

5. THE KNOWLEDGE REQUIREMENT IN THE UTSA AND DTSA SHOULD FORECLOSE LIABILITY FOR SOME TYPES OF REMEMBERED INFORMATION

In summary, Intentionally Memorized information most easily conforms to the statutory definition of misappropriation and most straightforwardly leads to liability. Similarly, those sub-classes of Actively and Passively Remembered information, which each include recognition that the information came from the former employer and was subject to a confidentiality obligation, would also likely lead to misappropriation liability. On the other hand, the sub-classes of Actively and Passively Remembered information that do not include recognition that the information was subject to a confidentiality obligation are less likely, maybe much less likely, to lead to liability. Finally, Implicitly Remembered information and Mistakenly Remembered information do not fit well within the statutory definition and thus should not form the basis for trade secrets liability when the knowledge requirement is applied as proposed here.

B. In the Absence of Intentional Copying or Other Culpable Conduct, Courts Should Not Find Use of Remembered Information to Be Misappropriation of a Trade Secret

The previous Section discusses how trade secrets liability should attach to remembered information from a descriptive perspective. This Section considers the issue from a normative perspective.²⁰⁶

Attaching trade secrets liability to all remembered information (whether intentionally memorized or not) is not consistent with the requirement that trade secrets be acquired by a person who knew or had reason to know of a duty of confidentiality.²⁰⁷ It exacts a price on employees after they leave an employer for which they have not been compensated. In other words, it requires them to constantly mentally check the information they are using at their new employer and see if it originated from their former employer and/or was acquired under a duty of confidentiality. Moreover, the risk of getting it wrong (incorrectly deciding that the information did not come from the former employer or was not subject to a duty of confidentiality) lands on the employee, and possibly their later employer.

206. For an argument that neuroscience should provide an input into policy decisions, see Emily R.D. Murphy, *Collective Cognitive Capital*, 63 WM. & MARY L. REV. 1347 (2022).

207. UNIF. TRADE SECRETS ACT § 1(2)(ii)(B)(II) (UNIF. L. COMM'N 1985); 18 U.S.C. § 1839(5)(B)(ii)(II).

In some rare situations, the employee could be seen to have bargained for this perpetual²⁰⁸ restraint on their work, but in most employment situations, the employee would not have been compensated for this restriction beyond their market-based salary and wages.²⁰⁹ Further, employees may be surprised to learn that the information in their memories is subject to this restraint, even if they acknowledge that the information came from their prior employer.²¹⁰ Accordingly, employees changing jobs in the same industry or field may be setting traps for themselves in the future of which they are not aware or for which they have a distorted view of what their liability might be.²¹¹

There are many challenges imposed on employees by haphazard application of the knowledge requirement. For example, blanket liability for remembered information places a perpetual obligation on mobile employees to mentally check the information in their memory before using the information in subsequent employment.²¹² This is not a workable requirement because cognitive science confirms that just the act of rehearsing information in memory causes source information to be lost

208. See Hrdy & Lemley, *supra* note 32, at 12–15 (contrasting trade secret with patents and copyrights with respect to the duration of protection).

209. See, e.g., John H. Matheson, *Employee Beware: The Irreparable Damage of the Inevitable Disclosure Doctrine*, 10 LOY. CONSUMER L. REV. 145, 146 (1998) (“The employee’s initial employment package does not reflect the cost that the employee ultimately may bear in terms of restricted mobility.”). One potential counter argument to this statement is that the employee’s hiring and/or continued employment provides compensation for the additional burden that trade secrets law imposes on the employee with respect to remembered information after the employment ends. However, even in the context of employee covenants not to compete, courts have recognized that restraints on future employment need to be limited in time, even if continued employment is considered adequate compensation for the restriction. See, e.g., *Abel v. Fox*, 654 N.E.2d 591, 597 (Ill. App. Ct. 1995) (“[N]oncompetition covenants occurring in an at-will employment relationship are not unenforceable per se. Instead, the judicial determination whether they are enforceable is based on the same rules which apply to any other post-employment noncompetition covenant made during an employment relationship.” (emphasis omitted)). Moreover, some courts have recognized similar restrictions as being applicable to employee NDAs. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 41 cmt. d (AM. L. INST. 1995) (“Some courts have indicated that nondisclosure agreements are subject to the same durational and geographic limitations traditionally applied to covenants not to compete.”).

210. See, e.g., Orly Lobel, *Enforceability TBD: From Status to Contract in Intellectual Property Law*, 96 B.U. L. REV. 869, 871 (2016) (“[E]mployees are frequently unaware of the contract restrictions they sign when they assume a new job.”).

211. See Feldman, *supra* note 119.

212. For a discussion of the ways in which employees could be liable for “negative” use of employer trade secrets and the pointless avoidance activities an employee would have to go through to avoid liability, see Charles Tait Graves, *The Law of Negative Knowledge: A Critique*, 15 TEX. INTELL. PROP. L.J. 387 (2007).

over time.²¹³ Additionally, this would place a disparate burden on more mobile or older employees because they will have more former employers' information in their memory that could potentially lead to liability.²¹⁴

Irrespective of the challenges with having to retain or recall source information for all workplace information in their memories, imposing strict liability for remembered information raises another practical problem: it is not clear how an employee could in fact avoid using information in their memory at a later employer.²¹⁵ For example, assume an employee makes their career by engaging in successive employment situations in a related industry or field, building upon their acquired knowledge and experience to obtain positions of increased responsibility or compensation. When the employee is faced with a particular problem to solve at any later employer, how could they avoid using knowledge acquired from a previous employer that addresses the same problem? What type of mental gymnastics would be required for the employee to isolate and ignore the information in their memory about a known solution and instead attempt to create a new solution from whole cloth? Would the employee be required to utilize a sub-optimal solution at the later employer with full knowledge that a more optimal solution is available? These types of restrictions might make sense with respect to patents, which grant exclusive rights for limited times. However, these types of restrictions are quite problematic in view of the perpetual duration of trade secret rights.

As discussed in this Section, remembered information should not form the basis for a misappropriation claim in the absence of intentional memorization or mental acknowledgement that the information came from the former employer and was acquired under a duty of confidentiality. To do otherwise places undue burdens on employees and potentially places them in nonsensical mental situations in subsequent employment. The statutes as written include the vehicle through which this result can be obtained; it is simply a matter of courts ensuring that the knowledge requirement is properly established in each case.

213. See RADVANSKY, *supra* note 186, at 275 (discussing how verbalizing old memories causes changes to the original memory).

214. See Chechile, *supra* note 190, at 151 (discussing the rate of memory increase over time and estimating the total amount of remembered information over a person's lifetime).

215. See, e.g., Harlan M. Blake, *Employee Agreements Not to Compete*, 73 HARV. L. REV. 625, 669-70 (1960) ("Even in the best of good faith, a former technical or 'creative' employee working for a competitor . . . can hardly prevent his knowledge of his former employer's confidential methods or data from showing up in his work." (footnote omitted)).

*C. Memorization Will Still Be Relevant to Whether Particular
Information Is a Trade Secret*

Although the discussion here focuses on the impact of remembered information in the misappropriation analysis, the issue of remembered information has traditionally been addressed in determining whether a trade secret exists.²¹⁶ This is an odd result because neither the UTSA nor the DTSA hinges the definition of trade secret on the form (remembered or tangible) through which the information was acquired from the former employer. A straightforward reading of the UTSA and DTSA suggests that memorization, or any other form of acquisition, is not a factor in determining whether information constitutes a trade secret. It is only through the common law doctrines of the Memory Rule and the General Knowledge, Skill, and Experience Exclusion, that remembered information impacts the trade secret analysis.²¹⁷

Despite some courts' assertions to the contrary,²¹⁸ courts around the country continue to apply the Memory Rule and/or the GKSEE when determining whether particular information constitutes a trade secret, including for remembered information.²¹⁹ Because the UTSA and DTSA provisions do not specifically address remembered information, courts will have to continue to rely on the common law approach for determining whether remembered information falls within the Memory Rule and/or the GKSEE. Thus, even if the knowledge requirement is applied to remembered information as this Article proposes, courts will still have to deal with remembered information in determining whether particular information is a trade secret.²²⁰ However, the knowledge requirement does provide an additional avenue for courts to find that particular information is a trade secret but that the departing employee should not be liable because the information was taken solely in their memory, similar to the exception companies reserve for themselves in

216. See Murphy, *supra* note 4, at 540–43.

217. As discussed elsewhere, this common law development that leads to remembered information only being relevant at the existence stage of a misappropriation claim is an unfortunate development, in this author's view. See *id.*

218. *Ed Nowogroski Ins. v. Rucker*, 971 P.2d 936, 948 (Wash. 1999) (“The weight of modern authority is that the manner of taking a trade secret is irrelevant. . . . [T]here is no legal distinction between written and memorized information under the Uniform Trade Secrets Act . . .”).

219. See Murphy, *supra* note 4, at 558–63.

220. It is important to acknowledge that, although the knowledge requirement approach detailed here could eventually take the place of the Memory Rule or GKSEE analysis for remembered information, it cannot replace the GKSEE completely because that common law doctrine also applies to information taken in tangible form. See Hrdy, *supra* note 54.

the residuals clauses in their business-to-business NDAs, as the next Section discusses.

D. Employers Are Already Familiar with the Unique Issues Raised by Remembered Information

Applying the knowledge requirement as discussed in this Article will likely lead to some departing employees not being liable for trade secret information taken by memory when changing employers. Employers may feel that this represents a reduction in the scope of protection for their valuable trade secrets. However, as this Section details, sophisticated employers already recognize that remembered information raises unique issues with respect to protection of trade secrets and thus should be treated differently than tangible information.

Modern employers have three vectors along which they need to protect their trade secrets. The first vector is their employees, who make up the vast majority of trade secrets defendants.²²¹ Section IV.D.1 addresses the first vector. The second vector is business partners, suppliers, customers, and the like. Section IV.D.2 addresses this vector primarily consists of other businesses with whom the employer voluntarily exchanges trade secret information. The third vector includes unrelated third parties, such as infrastructure hackers, and is beyond the scope of this Article. The strikingly different approaches employers take with confidentiality agreements in which they might be a defendant (*e.g.*, business-to-business agreements) versus agreements where they would only ever be a plaintiff (*e.g.*, employee confidentiality agreements) provides further support for the notion that courts should be paying more attention to the knowledge requirement in the UTSA and DTSA, particularly with respect to remembered information.²²²

1. AGREEMENTS WITH EMPLOYEES

In the modern workplace, employee confidentiality agreements are the vehicles through which employers place restrictions on the

221. See *supra* note 121 and accompanying text.

222. A broader argument could be made that courts should be applying the knowledge requirement of the UTSA and DTSA consistently in all cases, irrespective of whether the information is taken in tangible or remembered form. However, with respect to information taken in tangible form, the knowledge requirement is probably not going to be outcome determinative in very many cases because the alleged misappropriator must have had some reason for taking the tangible information and probably knew that it was subject to a confidentiality obligation.

employee's use of employer information after the employment ends.²²³ The provisions in these agreements are then used to establish some of the elements of a trade secrets misappropriation claim, including ownership of the trade secrets at issue and reasonable efforts to protect the trade secrets.²²⁴ However, these provisions are drafted so broadly that they purport to cover essentially all information that an employee is exposed to in the workplace.²²⁵ Additionally, these provisions require that the

223. See Ann Bartow, *Inventors of the World, Unite! A Call for Collective Action by Employee-Inventors*, 37 SANTA CLARA L. REV. 673, 674–75 (1997); Orly Lobel, *The New Cognitive Property: Human Capital Law and the Reach of Intellectual Property*, 93 TEX. L. REV. 789, 813 (2015); Christopher B. Seaman, *Noncompetes and Other Post-Employment Restraints on Competition: Empirical Evidence from Trade Secret Litigation*, 72 HASTINGS L.J. 1183, 1189–94 (2021). See also *Syndicated Servs., Inc. v. Yarbrough*, No. 16 CVS 20912, 2017 WL 663515, at *2 (N.C. Super. Ct. Feb. 15, 2017) (“All of the Corporation’s employees were required to sign a Confidentiality and Non-Circumvention Agreement Execution of the Confidentiality Agreement was a condition precedent to Defendant’s employment by the Corporation.”).

224. David S. Almeling, Darin W. Snyder, Michael Sapoznikow, Whitney E. McCollum & Jill Weader, *A Statistical Analysis of Trade Secret Litigation in State Courts*, 46 GONZ. L. REV. 57, 80–82 (2010–11) (“Confidentiality agreements with employees are the reasonable measure that courts cite most often in both federal and state [trade secrets] cases.”).

225. See, e.g., *Gifango, LLC v. Rosenberg*, 925 F. Supp. 2d 1128, 1132 (D. Or. 2013) (“In Rosenberg’s Confidentiality Agreement, ‘Confidential Information’ is defined to mean: ‘data that has been researched, compiled, developed and/or maintained by Company . . . , and which is not generally known within the industry. Confidential Information includes, but is not limited to, trade secrets, information, ideas, knowledge, data, or know-how related to products, processes, software, designs, formulae, tests, research, business and/or marketing plans and strategies, costs, profits, pricing, personnel and financial information, capitalization and other corporate data and information, and information about or obtained from customers, authors, suppliers, consultants, licensees, or affiliates.’”); *Box v. J.B. Hunt Transp., Inc.*, 533 S.W.3d 603, 617 (Ark. Ct. App. 2017) (employee confidentiality agreement covering “information concerning Company methods, processes, operations, marketing programs, computer programs, future plans, and customers and other proprietary or otherwise sensitive information”); *Saini v. Int’l Game Tech.*, 434 F. Supp. 2d 913, 916–17 (D. Nev. 2006) (employee confidentiality agreement covering “any information, manufacturing technique, process, formula, development or experimental work, work in process, business, trade secret, or any other secret or confidential matter relating to the products, sales, or business of [employer] or its affiliates or subsidiaries except as such disclosure or use may be required in connection with [employee’s] work for [employer]”); *Syndicated*, 2017 WL 663515, at *2 (“The Confidentiality Agreement defines ‘Confidential Information’ as ‘all non-public information designated as being confidential or which, under the circumstances surrounding disclosure, ought to be treated as confidential, as well as any derivatives thereof, including but not limited to . . . all information oral, written or otherwise exchanged between the parties hereto concerning [the potential business relationship between the Parties], including but not limited to financial information, development plans, marketing plan, business opportunities, personnel, and research.’” (omission and alteration in original)). See also Lobel, *supra* note 210, at 875–76 (providing sample employee confidentiality agreement); Camilla A.

employee protect company confidential and/or trade secret information irrespective of whether the information is marked or identified as confidential or trade secret. These agreements go on to restrict what the employee can do with the information after the employment ends, including not using any of the information contained in the employee's memory.²²⁶

This approach encourages employers to freely disclose information within the company to any employees to which the information is relevant.²²⁷ Moreover, the employers may benefit from this broad approach because it allows them to encourage employees to memorize the relevant information for their jobs (and thus become more effective in their job), and the employer may take steps through training and other means to accomplish this result. If the employee is prohibited from using any remembered information upon leaving the employer, this encouraged memorization provides significant benefit to the employer during the term of the employment and has limited risk afterwards. In particular, while the employee is employed by the trade secret owner employer, memorization of the trade secrets that are relevant to their job will likely help them be more efficient in their work and thus provide benefits to the employer through increased productivity. So long as the employee is bound by contract and/or trade secrets law from using the remembered trade secrets when their employment ends, the increased productivity gains come at little or no cost to the employer.

The situation is different for the employee, however. There may be some marginal benefit to the employee during the term of the

Hrды & Christopher B. Seaman, *Beyond Trade Secrecy: Confidentiality Agreements that Act Like Noncompetes*, 133 YALE L.J. (forthcoming 2023) (manuscript at 6-7), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4384661#.

226. Sample employee confidentiality agreements of the type described here are available from multiple online sources, see, for example, *Sample Confidentiality Agreement*, HR360, <https://www.hr360.com/Forms-and-Policies/New-and-Hire-and-Recruitment/Sample-Confidentiality-Agreement.aspx> [<https://perma.cc/887G-MW4A>], and *Employee Confidentiality Agreement*, JOTFORM, <https://www.jotform.com/pdf-templates/employee-confidentiality-agreement> [<https://perma.cc/Q76K-4TP4>].

227. This notion of employers "disclosing" may be a bit antiquated in the modern corporate workplace in which dozens or even hundreds of employees may create, share, and otherwise manage corporate trade secrets, rather than having a singular employer disclosing key trade secrets to a limited set of employees, as in *Peabody v. Norfolk*, 98 Mass. 452 (1868). Nevertheless, even in the modern workplace, the company would be considered the owner of these trade secrets and disclosures from one employee to another would be considered disclosures from the employer to the latter employee. Another important aspect of employee confidentiality agreements is that, to the extent the employer's business-to-business NDAs routinely include a provision requiring internal disclosures to be under terms at least as protective as those of the NDA, the employer may be required to execute broad employee confidentiality agreements in order to comply with these business-to-business NDAs.

employment for having memorized relevant trade secrets. For example, memorizing particularly useful information may make the employee's job easier or more fulfilling, or the employee may experience increased job satisfaction or engagement with the employer. On the other hand, there is significant risk to the employee once the employment ends. Having invested significant time, potentially years, in learning the employer's business and memorizing, either intentionally or through repeated use and exposure, relevant employer trade secrets, the employee is now left with all of this information in their memory, which could limit their job prospects, create potential personal liability, or limit their ability to provide their best efforts to future employers.²²⁸ This can be particularly problematic for employer trade secrets that the employee either created themselves or significantly contributed to during the term of employment.²²⁹

On balance, broad employee confidentiality agreements provide significant upside to employers with essentially no downside. Accordingly, employers have strong incentives to have new employees sign such agreements even if the employee's expected exposure to company trade secrets is likely to be minimal. On the other hand, employees face significant risks from signing such agreements, but because all employers are likely to require the employee to sign such an agreement, the employee has no realistic option but to sign, even if they do recognize the potential problems the agreement may cause them in the future. Compared to these broad and vague agreements that employees are required to sign, the next Section discusses the agreements that companies sign with each other; agreements that these companies may find themselves having to litigate as a defendant.

2. AGREEMENTS BETWEEN COMPANIES

The agreements between employers and employees provide one important data point with respect to how employers view protection of

228. Even if the employee recognizes that there may be some issues with reuse of the information in their memory, it is unlikely they could make a reasonable assessment of the scope of the potential liability without obtaining independent legal advice. In order to determine the potential liability the employee is facing, they would need to be able to identify a particular piece of information that is of concern, make the legal determination as to whether the information is in fact a trade secret of their former employer, and then make another legal determination as to whether the information falls within either the Memory Rule or the General Knowledge, Skill, and Experience Exclusion.

229. For an argument that the employee should be free to take with them their own creative outputs when leaving employment, see Murphy, *supra* note 2. See also Feldman, *supra* note 119 (discussing employee attitudes toward reuse of information when changing employment).

trade secrets, but it cannot form a complete picture because employers have almost no chance of being sued based on their employee confidentiality agreement. In other words, an employer is very unlikely to ever be a defendant in an action asserting that they breached an employee confidentiality agreement. Accordingly, an important source of information with respect to how employers view trade secret protection is the agreements employers make with other companies for protecting confidential or trade secret information.²³⁰

Companies entering these types of agreements must consider the real risk that they may be a defendant in a suit accusing them of breaching the NDA and/or misappropriating trade secrets. Accordingly, companies need to balance the risks of having their confidential information disclosed and protected with the risk that their employees may, sometimes inadvertently breach the terms of the NDAs. Thus, the terms in the NDAs should reflect this balancing and provide an important data point for how employers view protection of confidential or trade secret information.²³¹

Not all NDAs address remembered information, but those that do typically include what is often called a “residuals clause.”²³² Residuals clauses typically make it explicit that it is not a breach of the NDA for the party receiving confidential information to use that information in ways that would otherwise be a breach of the NDA, so long as such use

230. For the sake of simplicity, these agreements are referred to as “NDAs” here, independent of whether the particular agreements are titled “Nondisclosure Agreements.” Based on this author’s experience, many companies routinely enter into NDAs as the first step in building a business relationship so that all information disclosed during business negotiations (*e.g.*, prices, quantities, specifications, etc.) can be protected. Accordingly, a company of any significant size may be a party to hundreds or even thousands of executed NDAs at any given time.

231. This is primarily the case for bilateral NDAs in which both parties are disclosers and recipients. For unilateral NDAs in which one party is a discloser and the other party is the recipient, the disclosing party will attempt to negotiate the strongest protection for their information, having little risk of being a defendant. Conversely, the receiving party will attempt to negotiate the least onerous protection provisions it can, so as to minimize the risk of liability for breach of the NDA. The end result of this negotiation will likely depend on the parties’ relative bargaining positions, general business concerns, level of concern with the legal issues, company policies, and/or other general negotiation issues.

232. Most of the assertions made in this Section come from the author’s own experience as an in-house attorney drafting and negotiating confidentiality agreements. Most likely because these agreements typically include a provision making the agreement itself confidential, the author has not been able to obtain significant, publicly available examples to independently support these assertions. For a discussion of use restrictions and residuals clauses in NDAs, see Scott M. Kline & Matthew C. Floyd, *Managing Confidential Relationships in Intellectual Property Transactions: Use Restrictions, Residual Knowledge Clauses, and Trade Secrets*, 25 REV. LITIG. 311 (2006).

arises from the unaided memories of the employees exposed to the information without reference to any tangible documentation.²³³ Residuals clauses come in many forms and they can range from very broad to very narrow.²³⁴ In some cases, a residuals clause will even make a distinction between intentional memorization versus casual remembering. In any case, the underlying intent of the clauses is the same: to protect the receiving party from liability for use of remembered information by its employees that have been exposed to the other party's confidential or trade secret information. This is a stark contrast to the employee confidentiality agreements, which do not contain such an exception for remembered information.

Another important aspect of NDAs between companies is with respect to the marking or identification of confidential information.²³⁵ In

233. In this respect, the case of *Booth v. Stutz Motor Car Co.* provides an important example. 56 F.2d 962 (7th Cir. 1932). In this case, the alleged misappropriator had reviewed the plaintiff's car design documents but then returned them indicating that the designs were not going to be used. *Id.* When the defendants later developed a car that included some of the features of plaintiff's design, plaintiff sued. Defendants argued that they did not reference plaintiff's documents in designing the new car (the documents had been returned). *Id.* at 967. Nevertheless, the court found liability, stating:

With this knowledge of the Booth designs, and with the purpose of producing a car which proved to be generally similar in design, is it at all likely that Chief Engineer Crawford entirely banished from his mind the Booth plans, specifications, designs, and drawings, which only a short time before he had so intimately examined, and in such detail had approvingly reported upon? If Crawford's denial be accepted, and he be absolved from any purposeful appropriation for Stutz of any part of the Booth designs or plans, the influence of the Booth designs upon the new Stutz car must have been the result of Crawford's "unconscious assimilation" of them, which, however wanting in intent, none the less constituted an appropriation of the Booth designs so far as their novel features entered into the new Stutz car, involving none the less a breach of the trust and confidence under which Booth's plans and designs were turned over to Stutz.

Id. at 968.

234. For examples, see the discussion and sample provisions at Thomas R. Taylor, *Beware of "Residuals" Clauses in NDAs for M&A Transactions*, DENTONS (Oct. 18, 2018), <https://www.dentons.com/en/insights/articles/2018/october/8/beware-of-residuals-clauses-in-ndas-for-m-a-transactions> [https://perma.cc/Q7VM-9QWQ?type=standard], and Rahul Kapoor & Shokoh H. Yaghoubi, *Residuals Clauses in IP Agreements and NDAs*, MORGAN LEWIS: TECH & SOURCING (Oct. 23, 2017), <https://www.morganlewis.com/blogs/sourcingatmorganlewis/2017/10/residuals-clauses-in-ip-agreements-and-ndas> [https://perma.cc/QZ2E-MV96].

235. Commercial NDAs will often have a provision requiring that, in order to be protected under the NDA, information must be marked "Confidential" or the like when it is disclosed to the other party. This is referred to herein as a *marking requirement*. Often, there is also a provision to allow after-the-fact notice of confidentiality for information that was inadvertently disclosed without marking for a period of time, such as thirty days after disclosure.

a situation where a company is only disclosing, not receiving, confidential information, and is thus unlikely to be a defendant in an action for breach of the agreement, the company is likely to insist on no marking requirement for their confidential information. In this way, the company can ensure that protection of their confidential information is not lost simply because of an error in marking the information. On the other hand, when a company intends to both disclose and receive confidential information, and is thus more likely to be a defendant in an action based on a breach of the agreement, the company is much more likely to insist on a marking requirement so that any confidential information it receives from the other party can only form the basis of an action for breach if it is clearly marked as confidential at the time of disclosure. Thus, the marking requirement is another way that sophisticated companies can manage their liability risk when entering into confidentiality agreements. Again, this is a stark contrast to the employee confidentiality agreements, which often do not include such a marking requirement.

3. BUSINESS-TO-BUSINESS NDAs PROVIDE A GOOD EXAMPLE OF HOW LIABILITY SHOULD ATTACH TO EMPLOYEES FOR REMEMBERED INFORMATION

The use of residuals clauses in intercompany NDAs suggests that companies recognize that whether information is used in remembered form or in tangible form should be relevant to whether liability should attach. Moreover, the widespread use of marking requirements suggests companies recognize that potential liability for information that is not marked or identified as confidential or trade secret is an unreasonable business risk. Yet, in their employee confidentiality agreements, employers draft provisions that place the risk of both of these issues squarely on the employee. Accordingly, when these same companies try to establish trade secrets liability with respect to remembered or unmarked information, courts should be skeptical of claims that the distinction does not matter.

Moreover, courts should take note of the fact that sophisticated parties address remembered information in their agreements for the protection of trade secrets and recognize that remembered information should also be relevant to an employee trade secrets misappropriation claim. Diligent application of the knowledge requirement in the statutes is one way that courts can address this issue. The taxonomy of remembered information developed above in Part III provides a way to think about remembered information that can be used, in conjunction with the knowledge requirement, to make up for the shortcomings in the

employee confidentiality agreements. Because employers recognize the unique issues raised by remembered information, they should not view diligent application of the knowledge requirement in the UTSA and DTSA as an unreasonable limitation of their trade secret rights.

E. Practical Effects of Considering the Mental State of the Defendant as Part of the Misappropriation Analysis

Taking the defendant's mental state into consideration as part of the misappropriation case, and particularly what the defendant knew or should have known at the time of use or disclosure, would only impact a minority of trade secrets cases. Many departing employee cases involve actual removal of tangible or electronic documents, not just remembered information.²³⁶ To the extent the documents are taken intentionally, these cases are more like the Intentionally Memorized class of remembered information. Courts would still need to ensure that the knowledge requirement is met, but it would be an uncommon case where an employee was found not to know or have reason to know that the information was acquired under a duty of confidentiality when they intentionally took the information from their former employer.²³⁷

The types of cases where this issue would be most relevant, and potentially outcome determinative, are standard departing employee cases where an employee leaves to pursue a different or better opportunity and does not intentionally take any information with them. These cases are at the core of the balancing that shaped early trade secrets law because they implicate significant public policy issues: employee mobility on the one hand and the benefits of robust trade secrets protection on the other. Accordingly, these are exactly the types of cases where one would expect courts to diligently, and consistently, apply the applicable statutory provisions. Consequently, even though the approach discussed here only impacts a minority of trade secrets cases, there are important public policy reasons for implementing it in those cases.

Moreover, the actual terms of the employee confidentiality agreements are still relevant beyond the trade secrets action because the employer can still pursue their breach of contract claim, irrespective of

236. See Dennis Crouch, *Trade Secret Filings*, PATENTLY-O (Oct. 28, 2022), <https://patentlyo.com/patent/2022/10/trade-secret-filings.html> [<https://perma.cc/WD8X-Y47G>] for a compilation of recent trade secrets cases.

237. This is especially the case if the tangible or electronic documents include within them some indication that they are the property of the former employer and that they contain confidential or trade secret information, for example, a footer that reads "Company X Confidential Information."

the outcome of the trade secrets claim.²³⁸ These contract claims will, of course, be subject to all of the typical issues that arise in these types of contracts (*e.g.*, public policy concerns, unconscionability, and the like). Consequently, employers may need to reconsider their approach to drafting employee confidentiality agreements. More specificity in the drafting of the agreement will improve their chances of establishing the knowledge requirement for the misappropriation claim (particularly, the aspect of the knowledge requirement that looks to the employee's knowledge of the fact that the particular information was subject to the duty), but broader, less specific language would improve the chances of success for the breach of contract claim.²³⁹ From a public policy perspective, this may be an appropriate outcome because it avoids the situation where employers get two bites at the trade secrets apple by having broad language in the definition of what information is subject to the agreement.²⁴⁰

In sum, rigid application of the knowledge requirement as this Article proposes is not likely to work a fundamental shift in trade secrets law in the U.S. There may be some cases on the margins for which the outcome is changed with respect to a less-formal application of the knowledge requirement, but the bulk of cases are not likely to be affected. Moreover, employers may alter their approach to employee confidentiality agreements and exit interviews in view of the likelihood of success in a trade secrets claim against a departing employee. However, from a policy or normative perspective, this may be a desirable outcome. Taken together, the benefits of the proposed approach in increased certainty around remembered information and ensuring that trade secrets liability only attaches to wrongful conduct (both potentially leading to less litigation against departing employees) outweigh the small increased burden on employers of potentially having to modify how they address employee exposure to trade secret information.

CONCLUSION

For over one hundred years, courts have wrestled with the unique challenges raised by remembered information in trade secrets

238. See Murphy, *supra* note 2, at 567; Hrды & Lemley, *supra* note 32, at 60–62.

239. See Hrды & Seaman, *supra* note 225 (arguing that courts should treat confidentiality agreements under a default rule of enforceability and invalidate overbroad employee confidentiality agreements acting effectively as noncompete agreements).

240. This notion of the employee confidentiality agreement creating “two bites at the trade secrets apple” arises from an exchange between Tait Graves and Camilla Hrды with respect to the relationship between breach of contract claims and trade secrets claims at the 2022 Trade Secret Workshop at Mitchell Hamline School of Law.

misappropriation cases. In the early years, courts focused primarily upon the unfair competition aspects of trade secrets law and viewed misappropriation liability through this lens, embracing in at least some cases the balancing of employee mobility with employer trade secrets rights. This balancing continued in the restatement period with further developments of common law doctrines related to employee mobility and in the explicit knowledge requirement in the Restatement (First).

The UTSA and DTSA formalized the approach to trade secrets misappropriation claims, choosing rigid definitions for the various aspects of the claim, rather than flexible, multi-factor analysis. However, the statutes also specifically included the requirement of some improper means before liability would be imposed. In the departing employee context, this is ensured by the knowledge requirement in the statutes. Unfortunately, courts in the statutory period have not consistently applied the knowledge requirement and the failure to do so places employees in a tough position, particularly with respect to remembered information. This Article proposes that the knowledge requirement in the statutory period is best understood as requiring two distinct pieces of knowledge: (1) knowledge of the existence of a duty of confidentiality; and (2) knowledge that the particular information at issue was subject to the duty when it was acquired. As argued here, application of the knowledge requirement stated in the statutes will ensure that the traditional balancing aspect of trade secrets law is preserved and in particular it will ensure that employees are only liable for remembered information when they have engaged in some knowingly improper conduct.

* * *