Protecting Proprietary Information in Illinois: A Response to the Illinois Trade Secrets Act from a Drafting Perspective

Caroline Patricia Jamieson

Follow this and additional works at: https://via.library.depaul.edu/law-review

Recommended Citation
Available at: https://via.library.depaul.edu/law-review/vol41/iss3/8

This Comments is brought to you for free and open access by the College of Law at Via Sapientiae. It has been accepted for inclusion in DePaul Law Review by an authorized editor of Via Sapientiae. For more information, please contact digitalservices@depaul.edu.
PROTECTING PROPRIETARY INFORMATION IN ILLINOIS: A RESPONSE TO THE ILLINOIS TRADE SECRETS ACT FROM A DRAFTING PERSPECTIVE

INTRODUCTION

In today's high-technology society, businesses spend vast amounts of time, money, and other resources on research and development and gathering valuable information. In an age of shrinking profit margins and increasing deregulation, businesses have begun to take effective measures to protect their competitive advantages by securing the confidentiality of this information. Competing against this consideration is the increased mobility or transience of a work force that may misappropriate this information, negligently or intentionally, to its own advantage.

Research and innovation play prominent roles in the maintenance of our healthy economy. Throughout history, developers of high-technology systems and otherwise commercially valuable items have sought advice about how they may keep these achievements to themselves and away from their rivals. The law has responded to these concerns with the classification of various types of information according to the level of proprietary interest an individual has in the particular information. One classification of confidential information is a trade secret, the definition of which will be discussed in great detail later in this Comment. However, some information, not rising to the level of trade secret status, also may have its confidentiality protected pursuant to a binding contractual agreement between two parties. This type of agreement is com-

1. Cf. Kenneth J. Hautman & Rose A. Sullivan, Intellectual Property: Maximizing Protection of an Employer's Rights, 15 EMPLOYEE REL. L.J. 253, 253 (1989) (cautioning that because these valuable assets provide an employer with a competitive advantage, it is vital that employers explore the means by which they may protect their information).


3. See, e.g., Jane H. Cutaia, Reheating Slowly but Surely, BUS. WEEK, Jan. 13, 1992, at 74 (commenting that the chemical industry's expenditures on research and development in 1992 would increase five percent from expenditures of three billion dollars in 1991); James Flanigan, Why Savings on Defense May Not Help the Economy, L.A. TIMES, Jan. 19, 1992, at D1 (noting that defense expenditures on research would be relatively undisturbed by a decrease in defense spending generally); Barbara Rudolph, A Quick Fix is Not Enough, TIME, Jan. 13, 1992, at 39 (suggesting that to stimulate the economy the federal government should stimulate private investment in research and development).

4. Ramon A. Klitzke, The Uniform Trade Secrets Act, 64 MARQ. L. REV. 277, 277 (1980). In the intellectual property field, there are two sources of law that may be used to protect commercially valuable information. The first source is patent law, a creature of federal statute. Id. The second is trade secret law—the topic of this Comment—which is relegated to state law. Id.
monly referred to as a "nondisclosure agreement" or a "confidentiality agreement." This Comment will focus on how one may protect confidential information and what implications the newly enacted Illinois Trade Secrets Act ("ITSA" or the "Act") may have on the protection of confidential information in Illinois.

A good working definition of a trade secret is found in the Restatement of Torts. The United States Supreme Court quoted the definition in *Kewanee Oil Co. v. Bicron Corp.*, saying, "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." However, one should be wary of any single definition of a trade secret. Because trade secret protection is sought for matters ranging from chemical formulae to customer lists, a precise definition encompassing all possible exigencies is impossible.

Once a trade secret is defined, trade secret law provides a cause of action against one who improperly uses or attempts to use another's secret "know-how." Trade secret law protects trade secrets by guarding them against misappropriation.

This Comment will examine the protection of trade secrets under the recently enacted ITSA. The examination will begin with an overview of the development of trade secret laws. The origins of trade secret doctrine will be traced from early English common law to the birth of trade secret protection in the United States, and then to its introduction to and development in Illinois. Next, the Comment will analyze the struggle in Illinois to provide a

---

6. RESTATEMENT OF TORTS § 757 (1939); see infra text accompanying notes 64-96 (describing the Restatement definition and its application in Illinois).
7. 416 U.S. 470, 474-75 (1974). Definitions of trade secrets were developed independently in each of the fifty states. *Kewanee* is important because the Court defined a trade secret in a way that allowed the states to develop a uniform state trade secret law.
8. Id. (quoting Restatement of Torts § 757 cmt. e (1939)).
11. ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 2.01, at 2-3 (1990) (suggesting that because the range of items that may be trade secrets is so diverse, examples may be more useful in understanding what constitutes trade secrets than any attempt to codify or define them).
12. Id.
13. RESTATEMENT OF TORTS § 757 (1939).
workable definition of a trade secret, a definition that might provide the owners of trade secrets direction in their quest to protect their secrets. The bases in tort and contract in which common law actions for recovery for misuse of a trade secret lie will be discussed.

The Comment will then present and explain the recently adopted ITSA. ITSA will be discussed in a section-by-section fashion. This Comment will analyze the definitions in ITSA, its provisions for remedies, and how the Illinois courts have interpreted it. The Comment will then focus on the effect that the legislature intended for ITSA to have on other bodies of law in Illinois.

Then this Comment will compare and contrast ITSA with the common law from which it originated. The examination will show that ITSA has left some doubt as to the correct interpretation of its effect on the common law contract cause of action for trade secret misappropriation. The Comment will discuss possible interpretations of ITSA provisions and their effects on other laws, and propose legislative action to clarify these intended effects. Finally, the Comment will discuss the impact that ITSA and these interpretations will have on the day-to-day business decisions of trade secret owners in Illinois.

I. BACKGROUND

Trade secret protection finds its origins in early English common law. In 1891, although still adolescent in form, trade secret protection reached Illinois. Illinois courts struggled to pinpoint an exact definition of a trade secret. Given the broad gambit of data and items potentially covered by trade secret doctrine, clear and precise definitions of trade secrets were the exception rather than the rule.

Similarly, the bases for recovery for the misuse of a trade secret were not always clear-cut. Sometimes recovery was sought based on a written contract between the parties. In other instances the recovery was based in tort. This Background Section will begin by focusing on the common law development of trade secret doctrine in Illinois—the definition of a trade secret as well as the bases of recovery for misuse. Next, this section will discuss how the development of the law led to the eventual passage of ITSA. Lastly, the Background

15. See Newbery v. James, 35 Eng. Rep. 1011 (1817); infra notes 20-22 and accompanying text (discussing the facts of Newbery); I MELVIN F. JAGER, TRADE SECRETS LAW § 2.01, at 2-2 to 2-5 (1991) (tracing the development and form of trade secret doctrine from early English common law to its present-day form in the United States); see also Lee M. Rosenbluth, Comment, The Trade Secret Quagmire in Pennsylvania: A Mandate for Statutory Clarification, 86 DICK. L. REV. 137, 138 (1981) (stating that the English courts have recognized a legally protectable interest in trade secrets since the nineteenth century).


18. See infra notes 113-56 and accompanying text (discussing the contract cause of action).

19. See infra notes 100-12 and accompanying text (discussing the tort cause of action).
will identify how the Act differs from the common law from which it originated.

A. Early Common Law Trade Secret Protection

The first known dispute involving confidential information, or trade secrets, arose during the early 1800s in the English case of Newbery v. James. In this case, Lord Chancellor Eldon, acting for the court, refused to issue an injunction prohibiting the disclosure of a secret formula for treating gout, on the basis of trade secret misappropriation. Eventually, by the latter half of the twentieth century, English trade secret protection had markedly developed and culminated in the oft-cited case of Morison v. Moat.

Morison was the first instance in which a court issued an injunction on the basis of trade secret misappropriation. In Morison, plaintiff Morison agreed to form a partnership with defendant Moat for the purposes of selling "Morison's Universal Medicine." In a written agreement, Moat agreed that he was "bound not to reveal the secret [formula of the medicine] to any person whatsoever." Later, Moat disclosed the formula to his son. The court enjoined Moat's son from using the secret formula in any way. The court reasoned that Moat had not only broken a promise, but had also breached a duty of faith that all employees owe to their employers. The court thus impliedly recognized that rights to trade secrets may in some instances exceed those guaranteed by a patent.

20. For the purposes of this Comment, "confidential information" refers to data, formulae, information, or any other subject matter appropriate for trade secret protection. The list of items possibly qualifying for trade secret protection is as diverse as it is lengthy. It should be noted, however, that although not all confidential information qualifies for trade secret protection, all trade secrets are necessarily confidential.

22. Id. at 1013. Lord Eldon reasoned that the formula for the medicine failed to meet the "secrecy" requirement for trade secret status because most of the formula already had been disclosed to the public in a patent application. Id. at 1012. An additional reason cited for the refusal to issue an injunction was the impossibility of reviewing the secret formula without disclosure of the secret. The court reasoned that if the secret was reviewed by the court, it would no longer be "secret" and thereafter would not qualify for trade secret protection. Id. at 1013. Evidently the concept of trade secret protection was so new that in camera proceedings were not yet available. See 1 JAGER, supra note 15, § 2.01, at 2-3 to 2-4 (stating that trade secret protection had out-developed the judicial procedures necessary to protect trade secrets).
24. Id. at 493.
25. Id. at 493-94.
26. Id. at 495.
27. Id. at 503.
28. Id. at 499.
29. Id. at 500. Owners of confidential information may choose to protect their assets by patent or trade secret. Article 1, Section 8, of the United States Constitution authorizes Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. 1, § 8, cl. 8. Congress has codified the patent protection in federal statutes. See 35 U.S.C. §§ 101-376
Many basic "tenets"\(^{30}\) of trade secret law also find their origin in early English common law. For example, it became generally understood that an employer could enjoin a current or former employee from disclosing or otherwise appropriating confidential information obtained at the employer's expense.\(^{31}\) It was also well settled that an employee was always free to bring her general knowledge and skills to a new employer.\(^{32}\) The ex-employee, however, was not free to use her employer's customer lists to her own advantage.\(^{33}\)

The idea of trade secret protection made the trans-Atlantic jump to the United States in *Vickery v. Welsh*.\(^{34}\) In *Vickery*, the first reported trade secret

(1988 & Supp. 1990). To qualify for patent protection, the invention or discovery must meet several statutory requirements. The invention must have novelty, must have utility, and must be "nonobvious." *Id.* §§ 101-103.

Patent owners are granted the right to exclude all others from using the patented invention for a period of seventeen years. 35 U.S.C. § 154. In return, the patent is published and made available to the public. Obtaining a patent, however, can be an expensive and time-consuming process.

Trade secrets, on the other hand, are protected by the common law, are not disclosed to the public, and are protected for only so long as they remain secret. *Restatement of Torts* § 757 (1939). *See generally* Bruce A. Kugler, Note, *Limiting Trade Secret Protection*, 22 VAL. U. L. REV. 725 (1988) (thoroughly discussing trade secrets and the employer-employee relationship).

30. Many concepts in trade secret law are referred to as tenets because they illustrate the classic clash of the competing interests of trade secret law. Employers have a need to protect their confidential information from their competitors. Without such protection, an employer's competitors are allowed to reap the benefits of another's endeavors, and thus employers will have little or no incentive to spend any resources on the development of commercially valuable information. While competitors who steal confidential information are unjustly enriched, employees, on the other hand, should not be unduly restricted in their freedom to pursue useful and fulfilling employment. Trade secret doctrine attempts to satisfy these two competing interests by prohibiting employees from disclosing a former employer's trade secrets, while allowing an employee to take to any subsequent employment her general knowledge and skills. *See generally* Hautman & Sullivan, *supra* note 1, at 253 (discussing the competing interests of employers and their employees).

31. *See, e.g.*, Lamb v. Evans, 3 Ch. 462 (Eng. 1892) (holding that canvassers employed to obtain advertisements for plaintiff's directory could not use their materials for a rival publication); Merryweather v. Moore, 2 Ch. 518 (Eng. 1892) (holding that plaintiff's former employee could not give tables and graphs, which he had compiled while employed by the plaintiff, to a rival business).

32. *See, e.g.*, Badische Anilin und Soda Fabrik v. Schott, Segner & Co., 3 Ch. 447, 453 (Eng. 1892) (noting that public policy mandates that an employee be free to bring her general knowledge and skills to a new employer).

33. *See, e.g.*, Robb v. Greene, 2 Q.B. 315 (Eng. 1895) (enjoining a former employee from soliciting the customers of his former employer).

34. 36 Mass. (1 Pick.) 523 (1837). In *Vickery*, a chocolate mill owner guaranteed by bond that he would sell his chocolate mill along with his exclusive "secret manner of making chocolate." When the owner later refused to abstain from telling others about the process, the court determined the bond forfeited and assessed damages against the seller. *Id.*

About thirty years later, the Massachusetts Supreme Court again squarely faced the issue of trade secret protection in *Peabody v. Norfolk*, 98 Mass. 452 (1868). The *Peabody* court became the first American court to issue an injunction in a trade secret case. The court enjoined Norfolk, who had signed a secrecy agreement, from using his former employer's design and process secrets for the benefit of a subsequent employer. It recognized a "property right" in the secret and enjoined its unauthorized use. The court noted that a trade secret did not have to be patentable and the secrecy did not have to be absolute. *Id.*
After *Vickery*, courts in the United States gradually adopted, developed, and refined the early English common law by protecting trade secrets in a state-by-state fashion. By 1891 the concept of trade secret protection had reached the state of Illinois. Early Illinois decisions recognized a legitimate interest in trade secrets.

Illinois had adopted an unpredictable, "I know it when I see it" approach.

For some time there was doubt as to whether there was room for state trade secret doctrine to operate in the face of federal patent laws. The question was conclusively decided by the Supreme Court in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 473 (1974). In *Kewanee*, plaintiff company took sixteen years to develop an industrial crystal. Only nine months after leaving plaintiff's employ, defendants produced an almost identical crystal. Applying Ohio trade secret law, the district court granted an injunction. *Id.* Reversing the district court, the Sixth Circuit Court of Appeals held that federal patent laws preempted state trade secret laws. *Id.* at 472. The United States Supreme Court reversed, holding that state trade secret laws were not preempted by federal patent laws. *Id.* at 474; see also Richard H. Stern, *A Reexamination of Preemption of State Trade Secret Law After Kewanee*, 42 GEO. WASH. L. REV. 927 (1974) (calling for federal preemption of some applications of state trade secret law, but no preemption for others). But cf. Quick Point Pencil Co. v. Aronson, 567 F.2d 757 (8th Cir. 1977) (federal patent laws not preempted by state contract law where the parties contracted for the payment of a royalty in consideration for the use of a patentable device).

40. Shonk Tin Printing Co. v. Shonk, 27 N.E. 529 (Il. 1891) (refusing to enjoin disclosure of trade secrets absent a showing of harm).

41. See *id.* (implying that, had the plaintiff established the requisite harm, the defendant would have been enjoined from using the plaintiff's trade secrets); see also Victor Chem. Works v. Iliff, 132 N.E.2d 806, 812 (Ill. 1951) ("[A] court of equity will restrain an employee from making disclosures, or using trade secrets.")

42. See, e.g., MBL Corp. v. Diekman, 445 N.E.2d 418, 423 (Ill. App. Ct. 1983) (recognizing that an exact definition of a trade secret is not always possible); ILG Indus. v. Scott, 273 N.E.2d 393, 398 (Ill. 1971) (noting that in many cases the question of whether a matter is a trade secret is an extremely close one, often not predictable until a court has announced its ruling).

43. See, e.g., ILG, 273 N.E.2d at 395 ("Trade secrets may cover a wide spectrum of categories. A definition of the possible objects of trade secrecy is understandably subject to variations and change as the facts of any particular case might dictate."); see also Comment, *Theft of Trade Secrets: The Need for a Statutory Solution*, 120 U. PA. L. REV. 378, 378-81 (1971) (commenting that the 1971 "patchwork" of confused common law doctrines and definitions was inadequate to protect investments in technological advances and to prevent industrial espionage).
The answer to the question of what does and does not constitute a trade secret may be characterized as elusive at best. Illinois has long struggled to pinpoint the precise boundaries of trade secret protection. Given the variety of subject matter qualifying for trade secret protection this struggle has not been an exact science.

1. Illinois Defines Trade Secrets

In Victor Chemical Works v. Iliff, the Illinois Supreme Court articulated what became the controlling common law definition of a trade secret in Illinois. In Victor Chemical, a trade secret was considered "a plan or process, tool, mechanism, compound or informational data utilized by a person in his business operations and known only to him and such limited other persons to whom it may become necessary to confide it." The determining factor of whether something was a trade secret was the presence or absence of secrecy surrounding the information. In Victor Chemical, the Victor Chemical Company alleged that its formula for the manufacturing process of phosphates, more specifically its lime process for neutralizing free phosphoric acid, was a trade secret. Victor Chemical sought to enjoin a former employee, Iliff, from using the alleged trade secret after Iliff had set up a competing chemical plant.

Victor Chemical had taken great pains to guard the secrecy of its formula. There was evidence offered at trial, however, that the formula was an industry standard. Although Victor Chemical had protected the secrecy of its formula, the court held that because the formula was not "sufficiently secret," it could not be protected as a trade secret. The relative secrecy of an item was determinative.

Regardless of the outcome, the Victor Chemical trade secret definition became the standard common law definition of a trade secret in Illinois. The

42. See supra notes 40-41 and accompanying text.
43. 132 N.E. 806 (Ill. 1921).
44. Id. at 811.
45. Id.
46. Id. at 811-12.
47. Id. at 807-08.
48. Victor Chemical constructed high walls and fences around the plant and employed a night watchman. The company also required its employees to sign a contract promising that they would not disclose the manufacturing process to anyone. Id. at 812.
49. It was industry practice to use the same reacting agent, liquor catalyst, and oxidizer that Victor Chemical used. Most other chemical companies even used the chemicals in similar proportions. Id. at 546. Victor Chemical had to establish that its formula was not generally known. Otherwise, the formula would not meet the relative secrecy required for trade secret protection.
50. Id.
same definition was advanced shortly thereafter in \textit{Schulenburg v. Signatrol, Inc.},\textsuperscript{52} where, unlike in \textit{Victor Chemical}, the court did find that a trade secret existed.\textsuperscript{53} The trade secret in \textit{Schulenburg} encompassed the assembly process of devices called "flashers."\textsuperscript{54} Flashers are devices used in the sign industry to make lights flash so that they animate the sign in a pattern or design.\textsuperscript{55} Each flasher was an assembly of gears, motors, metals, and other devices that could be bought over the counter.\textsuperscript{56}

In \textit{Schulenburg}, the four individual defendants left the Schulenburg company to form Signatrol Corporation.\textsuperscript{57} Signatrol was set up to manufacture and market the same "flashers" that the defendants had assembled when they were employees of Schulenburg.\textsuperscript{58} The court noted that, although the flashers could be copied by legal means,\textsuperscript{59} they were not legally obtained when the defendants obviously had directly copied Schulenburg's blueprints and technical drawings.\textsuperscript{60} These illegally copied drawings provided Signatrol with the specific measurements, tolerances, and quality of materials used that could not be obtained from the product itself without expensive and time-consuming analysis.\textsuperscript{61} Consequently, the \textit{Schulenburg} court held that the flashers were trade secrets and enjoined Signatrol from assembling and selling them for the period of time that it would have taken Signatrol to lawfully reverse-engineer\textsuperscript{62} the flashers.\textsuperscript{63} Although secrecy was an important factor in ascertaining trade secret status, the \textit{Schulenberg} court also focused on the \textit{means used} to obtain the information.

The Restatement of Torts adopted the \textit{Victor Chemical} definition of a trade secret.\textsuperscript{64} The Restatement defines a trade secret as

\textsuperscript{52.} 212 N.E.2d 865 (Ill. 1965), aff'd after remand, 226 N.E.2d 624 (Ill. 1967).
\textsuperscript{53.} Id.
\textsuperscript{54.} Id.
\textsuperscript{55.} Id. at 865-66.
\textsuperscript{56.} Id.
\textsuperscript{57.} Id. at 866-67.
\textsuperscript{58.} Id.
\textsuperscript{59.} Id. at 868.
\textsuperscript{60.} Id. at 868-69.
\textsuperscript{61.} Id. at 869.

62. Reverse engineering is a process by which an end product is evaluated in order to determine the means or methods used to produce that end product. Thus, a competitor may reverse engineer to discover a rival competitor's trade secret. \textit{See, e.g.}, ILG Indus. v. Scott, 273 N.E.2d 393 (Ill. 1971). The trade secrets involved in \textit{ILG} were certain dimensions of a manufacturer's industrial fans. The court noted that the trade secrets could be ascertained by obtaining the fans on the open market, measuring the component parts, and reducing the measurements to a blue print type drawing. This is an example of reverse engineering.

\textsuperscript{63.} \textit{Schulenburg}, 212 N.E.2d at 669-70.
\textsuperscript{64.} \textit{Restatement of Torts § 757 cmt. b} at 5 (1939). The definition of a trade secret was not included in the Second Restatement of Torts because the drafters concluded that the doctrine of trade secret protection had not developed enough to warrant treatment as a separate body of law.
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. It may be a formula for a chemical compound, a process for manufacturing, treating or preserving materials, a pattern for a machine or other devices, or a list of customers.66

The Restatement also lists six factors that should be evaluated in order to determine whether or not an item is a trade secret.66 The six factors are:

1. the extent to which information is known outside of a business;67
2. the extent to which it is known by employees and others in a business;68
3. the extent of measures taken to preserve the secrecy of the information;69
4. the value of the information to a business and its competition;70
5. the amount of effort or money expended in developing the information;71 and
6. the ease or difficulty with which the information could be properly acquired or duplicated by others.72

This "codification" of the Victor Chemical definition provided courts with additional areas of inquiry. Instead of the broader Victor Chemical definition of a trade secret, the more specific mode of analysis provided by the Restatement...
ment's six-factor test could be uniformly employed. To accomplish this, two specific areas of inquiry were added. The amount of money or effort expended in developing the trade secret became one additional consideration. The ease of lawful replication of the trade secret became another.

The Restatement definition was first employed in Illinois in the case of ILG Industries v. Scott. In ILG, the Illinois Supreme Court was asked to determine whether drawings and blueprints containing information and specifications for parts to make industrial fans were trade secrets. Scott, the defendant, took the drawings out of the office when his employment with ILG Industries ("ILG") had been terminated. The drawings showed the configurations of the retaining rings, blades of a particular wheel, and the proper dimensions and materials for fans of different size ranges. Although some of the dimensions used by ILG were standard throughout the industry, others were not, and were unique to ILG.

The ILG court employed a test akin to the six-factor Restatement analysis. First, the court noted that the design of the wheels, the central part of the fans, was developed over a period of eighteen months. The court ruled that this was a sufficient amount of time spent developing the trade secret. Second, although the information provided by the drawings could have been obtained from the finished product, this procedure would have required the examination of a large number of fans of each size to accurately obtain the dimensions in question. This process of reverse engineering—if feasible at all—would have been an expensive and time-consuming process. Third, although ILG had given parts of the drawings to suppliers who needed to use them to manufacture component parts for ILG, the suppliers understood that the drawings were confidential. In fact, it was one of ILG’s suppliers who had informed ILG that Scott was using one of its drawings. Fourth, the court found that sufficient measures had been taken to protect the secrecy of the drawings and the blueprints. The court based this finding on the facts that not all of the critical information was supplied to the nonemployees who had access to the drawings and that when the information was made available,
it was with the recipient's knowledge that it was to be treated as confidential.\textsuperscript{87}

The court ruled that the drawings constituted trade secrets under the Restatement definition.\textsuperscript{88} It noted that: (1) some of ILG's designs were not known throughout the industry and were unique to ILG; (2) the information was not widely known to its employees; (3) by not disclosing all of the vital parts of the drawings and by telling those who had copies that they were confidential, enough measures were taken to guard the secrecy of the drawings; (4) ILG's development of the drawings after eighteen months and at significant expense was not inconsequential; and (5) the procedure that Scott would have to go through to properly obtain the information supplied by the drawings would have been quite difficult considering the time and expense involved.\textsuperscript{89} Thus, the court held that the plaintiff's plans sufficiently met the criteria necessary to be trade secrets under the Restatement definition.

The Restatement approach was unsuccessfully advanced by a plaintiff in \textit{MBL Corp. v. Diekman}.\textsuperscript{90} In this case MBL Corporation ("MBL") sued its former employee, Diekman, to enjoin him from using its alleged trade secret,\textsuperscript{91} a centrifugal molding process for belt-producing equipment.\textsuperscript{92} Although the process that MBL used was not discussed in any industry literature, another industry competitor used a substantially similar process.\textsuperscript{93}

Diekman, who had assisted in the ongoing development of the process, sought to use an almost identical process when he started his own business.\textsuperscript{94} When MBL attempted to restrain Diekman from using its "secret process," the court held that the process was not a trade secret because it was not secret—it was generally known in the industry.\textsuperscript{95} The first factor of the Restatement test, the extent to which information is known outside of a business, was fatal to the plaintiff's claim that the process was a trade secret.\textsuperscript{96}

\begin{itemize}
\item \textsuperscript{87} \textit{Id.}
\item \textsuperscript{88} \textit{Id.} at 397.
\item \textsuperscript{89} \textit{Id.} Although the court did not specifically address the fourth Restatement factor—the value of the information to a business and its competition—it may be inferred from the amount of time and money spent on developing the drawings that they were indeed considered valuable assets to the plaintiff.
\item \textsuperscript{90} 445 N.E.2d 418 (Ill. App. Ct. 1983).
\item \textsuperscript{91} \textit{Id.}
\item \textsuperscript{92} \textit{Id.} at 420-21.
\item \textsuperscript{93} \textit{Id.} at 423. It was common in the industry: (1) not to use a vacuum in the process; (2) to use the specific ingredients that MBL used; and (3) to use a range of proportions of ingredients and conditions similar to MBL's in the process of manufacturing the belts. \textit{Id.} at 424.
\item \textsuperscript{94} \textit{Id.} at 422.
\item \textsuperscript{95} \textit{Id.} at 424.
\item \textsuperscript{96} \textit{Id.}
\end{itemize}

At common law in Illinois there are two main theories upon which one may base recovery for the misuse of a trade secret. Since the inception of trade secret doctrine, Illinois courts have allowed actions for relief grounded in tort and based upon breach of contract.

a. The tort theory

The first and most common method for seeking redress for the misappropriation of trade secrets rests upon the tort theory of injury caused by the disclosure of a trade secret in breach of a confidential relationship. This approach focuses on the personal relationship of the parties at the time of disclosure rather than the property-type right in the trade secret itself. The Restatement adopts this approach where it provides that "one who discloses or uses another's trade secret is liable to the other if his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him." Trade secret owners have based causes of action for misappropriation of trade secrets on principles of unjust enrichment, agency, trust, and restitution.

For an interesting discussion of trade secrets viewed as property rights, see 1 JAGER, supra note 15, § 4.01[b], at 4-12.1 to 4-20. The United States Supreme Court implicitly adopted this view in Ruckelshaus v. Monsanto, 467 U.S. 986 (1984), where it held that trade secrets are property rights within the meaning of the Fifth Amendment Takings Clause.

However, the property approach does not seem to be advanced often in Illinois. See, e.g., Northern Petrochem. Co. v. Tomlinson, 484 F.2d 1057 (7th Cir. 1973) (applying Illinois law and noting that "a suit to redress the theft of a trade secret is one grounded in tort").

97. See Tomlinson, 484 F.2d 1057 (interpreting Illinois tort law). The Tomlinson court held that an action for theft of a trade secret is grounded in tort—the theft being "the misfeasance against which the law protects." Id. at 1060. Although the court found that a trade secret did exist, and that it had been improperly acquired by a former employee who had been in a position of trust when the process was disclosed to him, the court did not enjoin the employee from using the trade secret because he had not used it for a period of time longer than it would have taken him to develop the process lawfully. Id. at 1059-60.

98. See, e.g., Victor Chem. Works v. Iliff, 132 N.E. 806 (Ill. 1921) (stating that a court of equity will restrain the disclosure or use of trade secrets, particularly if one has contracted not to do so).

99. See, e.g., Tomlinson, 484 F.2d at 1060 ("[A] suit to redress the theft of a trade secret is one grounded in tort."); ILG Indus. v. Scott, 273 N.E.2d 393 (Ill. 1971) (using the Restatement of Torts as a guide to the basis of recovery); James C. Wilborn & Sons, Inc. v. Heniff, 237 N.E.2d 781 (Ill. App. Ct. 1968) (noting that a combination of persons can injure the business of another by inducing a person to violate a duty not to use or divulge trade secrets); see also 1 JAGER, supra note 15, § 4.01[2], at 4-8 (noting that the tort theory of injury caused by the disclosure or use of a trade secret is the most popular conceptual approach to trade secret law).

100. See, e.g., Tomlinson, 484 F.2d at 1060 ("[A] suit to redress the theft of a trade secret is one grounded in tort."); 1 JAGER, supra note 15, § 4.01[2], at 4-8 (describing the tort theory as deemphasizing the nature of the property sought to be protected and emphasizing the personal relationship of the parties). See generally Klitzke, supra note 4, at 279-80 (discussing the eventual codification of the tortious appropriation of a trade secret).
In order to recover for the misuse of a trade secret in tort, a plaintiff must establish two elements: (1) the existence of a trade secret; and (2) the defendant's wrongful disclosure or appropriation of the secret for the defendant's own benefit.  

Most of the early trade secret cases were tort actions focusing on the breach of confidence involved in the disclosure of another's trade secret. The tort approach has continued vitality even today in Illinois. For example, in *Heatbath Corp. v. Ifkovits,* an employer alleged that its customer list was a trade secret and sought to enjoin a former employee, who had opened a competing business, from using the list to solicit customers. The court, focusing on an employee's fiduciary duty to his employer, held that the former employee, whose newly formed business was similar to that of his former employer, was properly enjoined from soliciting the prior employer's customers for business. The tort cause of action was again asserted in *Armour & Co. v. United American Food Processors, Inc.* There the court held that equity will restrain an employee from making disclosures or using trade secrets "communicated to him in the course of a confidential employment."  

The typical employer/employee relationship, however, is not the only context in which Illinois will recognize a confidential relationship that gives rise to

---

102. *Restatement of Torts* § 737 (1939). Although the Restatement greatly contributed to the development of trade secret law, it is limited in two very important respects. First, by its very nature the Restatement is simply a summary of generally recognized principles of law and is not binding on state courts. Courts are free to adopt variations on the Restatement theme or even to depart significantly from it. Second, the Restatement discussion is incomplete. For example, it discusses damages in a very limited sense and does not discuss application of the statute of limitations at all. Kitzke, *supra* note 4, at 282-83 (discussing the infirmities of the Restatement definition).  

103. *Restatement of Torts* § 757 (1939). Trade secrets were not included in the Second Restatement of Torts because they have developed into a separate body of law. See United Centrifugal Pumps v. Cusimano, 708 F. Supp. 1038 (W.D. Ark. 1988) (noting that trade secrets are now treated in the Restatement of Unfair Competition and Trade Regulation); *see also Restatement (Second) of Torts 1-2 (1979).*  

104. *See, e.g., Victor Chem. Works v. Iliff,* 132 N.E. 806, 812 (Ill. 1921) (stating that a court of equity will restrain an employee from making disclosures or using trade secrets "communicated to him in the course of a confidential employment"); Witkowsky v. Affeld, 119 N.E. 630 (Ill. 1918) (holding that persons who, in their capacity as agents, obtain the custody of books and documents of their principal or come into possession of secrets relating to their principal's affairs may be restrained from making them public or from using them for their own advantage).  


106. *Id.*  

107. *Id.* at 144 (refusing to enjoin former employee from using the customer list, but enjoining the employee from soliciting those customers for products made utilizing his former employee's secret formulae).  


109. *Id.* at 800. The United States Supreme Court took a similar approach in *E.I. du Pont Powder Co. v. Masland,* 244 U.S. 100 (1917). In an opinion authored by Justice Holmes, the Supreme Court enjoined the disclosure of trade secrets by a former du Pont employee. The Court stated that "the property may be denied, but the confidence may not be." *Id.* at 102.
a duty not to disclose trade secrets. In Revcor, Inc. v. Fame, Inc., a plaintiff manufacturer necessarily disclosed its prints and drawings, both trade secrets, to defendant tool and die makers hired by the manufacturer to produce certain tools. The court imputed a confidential relationship between the two companies and enjoined the tool makers from disclosing the trade secrets of the manufacturer.

b. The contract theory

Contract is a second theory upon which trade secret actions may be based. In fact, any two parties may contract not to reveal certain information—trade secrets or any other types of confidential information. This Comment, however, will deal in detail with the contractual protection of trade secrets specifically. One advantage to using a contract as a means of protecting trade secrets is that by signing the agreement, the promisor is put on notice that the promisee regards the identified types of information as trade secrets.

Owners of trade secrets may disclose their business secrets to those in whom it becomes necessary to confide, and then contractually bind their confidante not to disclose them. For almost as long as trade secrets have been recognizable rights in Illinois, courts have paid special attention to their protection where the parties have contractually agreed to limit their use. As early as 1921, in Victor Chemical Works v. Iliff, the Illinois Supreme Court stated that it would restrain the disclosure or use of trade secrets communicated to a person in the course of a confidential relationship, “particularly where that person has contracted not to do so.”

Although courts have expended much effort to delineate clearly the boundaries of trade secret protection, it is not entirely clear how willing the courts are to enforce the contractual protection of trade secrets. For example, states are

---

111. Id. at 744.
112. Id. at 746.
113. See Seidel, supra note 97, § 1.01(b), at 1 (discussing the origins of trade secret protection).
115. See, e.g., Victor Chem. Works v. Iliff, 132 N.E. 806, 812 (Ill. 1921) (defendant had contractually agreed not to disclose the plaintiff's trade secret). For a discussion of Victor Chemical, see supra text accompanying notes 43-50.
split as to whether a contractual provision prohibiting the disclosure of trade secrets must have reasonable time and/or geographical limitations before that provision will be considered an enforceable part of a contract. Some states require that there be some boundaries on the contractual duty not to disclose.\textsuperscript{117} Other states, however, have explicitly rejected the notion that contractual protection of trade secrets must be so limited to be enforceable.\textsuperscript{118} Illinois, however, for quite some time had never squarely faced this issue.

The cases of \textit{Disher v. Fulgoni},\textsuperscript{119} and \textit{Cincinnati Tool Steel Co. v. Breed},\textsuperscript{120} became the platforms from which Illinois courts evaluated whether a contractual provision prohibiting the disclosure of trade secrets was enforceable in Illinois. The courts in these two decisions required time and territorial restrictions on a contractual duty not to disclose trade secrets in order for the contract to be enforceable.\textsuperscript{121}

In \textit{Disher}, the defendant, Information Resources, Inc. ("IRI"), was a market research firm that offered computer-based services and systems for market research and analysis.\textsuperscript{122} In August 1981, IRI hired Disher.\textsuperscript{123} When Disher started as vice-president of operations, his job duties consisted mainly of directing market operations, including data input and in-market quality control.\textsuperscript{124}

Some time after he joined IRI, Disher was asked to sign a confidentiality agreement.\textsuperscript{125} The agreement provided that Disher would not disclose IRI's trade secrets and confidential information to any third party.\textsuperscript{126} Without time or geographical limitations on the duty not to disclose, the agreement prohibited Disher from disclosing trade secrets to anyone, at any time.\textsuperscript{127} Although Disher initially objected to signing the agreement on the grounds that the agreement was too vague, he eventually signed the agreement in January of

\textsuperscript{118} See, e.g., Sigma Chem. Co. v. Harris, 586 F. Supp. 704 (E.D. Mo. 1984) (finding that the owner of a trade secret has an absolute, temporally unlimited right to a trade secret under Missouri law); State Farm Mut. Auto. Ins. Co. v. Dempster, 344 P.2d 821 (Ca. 1971) (refusing to apply a California statute requiring reasonable time and geographical limitations on restrictive covenants to a contract preventing the disclosure of trade secrets).
\textsuperscript{120} 482 N.E.2d 170 (Ill. App. Ct. 1985).
\textsuperscript{121} \textit{Disher}, 464 N.E.2d 639.
\textsuperscript{122} \textit{Disher}, 464 N.E.2d at 640.
\textsuperscript{123} \textit{Id.}
\textsuperscript{124} \textit{Id.}
\textsuperscript{125} \textit{Id.} at 641.
\textsuperscript{126} \textit{Id.} The alleged trade secrets at issue included, but were not limited to, client lists, marketing and business plans, computer programs, test designs, financial and business data, and other proprietary information. \textit{Id.}
\textsuperscript{127} \textit{Id.} The agreement prohibited Disher from disclosing the information "to any third party." It also specifically provided that: "This agreement of confidentiality will survive my [Disher's] employment at IRI." \textit{Id.}
1982 in fear of losing his job. Less than a year and a half after he signed the agreement, Disher was fired. Disher sued his employer, IRI, for, among other things, invalidation of the employee confidentiality agreement that he had signed. Disher sought a preliminary injunction nullifying or restraining enforcement of the confidentiality agreement. When the circuit court denied his motion, Disher appealed.

The Disher court equated Disher's confidentiality agreement with a covenant not to compete because those two types of agreements are almost identical in purpose and effect. The court noted that the same public policies that necessitated time and territorial restrictions on covenants not to compete required time and territorial restrictions on confidentiality agreements. The Disher court concluded that Illinois policy renders unenforceable any contractual duty not to disclose trade secrets that causes undue hardship to a contracting party. Furthermore, according to the court, Illinois policy requires that the restrictions be no greater than necessary to protect the proprietary interests of the owner of a trade secret. It held that without any time or geographical restrictions, a confidentiality agreement is, on its face, overly broad in scope and duration and consequently unenforceable.

The court ruled that the unlimited scope and duration of the confidentiality agreement strongly suggested that the agreement was in contravention of Illinois public policy. Therefore, because Disher had demonstrated a reasonable likelihood of success on the merits, the lower court should have granted

128. Id.
129. Id.
130. Id. at 642.
131. Id. at 640.
132. Id. at 642.
133. Id.
134. Id. at 642-44. The court believed that enforcing the confidentiality agreement without time and territorial restrictions would negatively impact the policies of: (1) encouraging fair competition in the business sector; (2) not unnecessarily restricting an individual's freedom to pursue a particular occupation; (3) not unjustly requiring an individual who has worked in a particular field to erase from his mind all of the general skills, knowledge, acquaintances, and overall expertise acquired during a tenure with a former employer; and (4) facilitating the free flow of information necessary for competition among businesses. Id.; see supra note 30 (discussing these policies as the basic tenets of trade secret law).
136. Id.
137. Id.
138. Id.
139. Id. The court declared that to be enforceable, confidentiality agreements must have reasonable time and geographic limits. Furthermore, the information must truly be confidential and the restrictions must be reasonably necessary for the protection of a legitimate proprietary interest. Id.
140. Id. at 644.
Disher's motion to restrain enforcement of the agreement.  

Disher thus seemingly created a bright-line rule. Without time or geographical restrictions on a contractual obligation not to disclose trade secrets, the contract can be invalidated. *Disher*, decided by the influential Illinois Appellate Court for the First District, was followed by the second district in *Cincinnati Tool Steel Co. v. Breed.*

In *Cincinnati Tool*, the plaintiff, Cincinnati Tool Steel Co., a manufacturer of tool and die steels, hired Patricia Breed as a typist in 1978. She later held the positions of receptionist, sales secretary, sales coordinator, purchasing agent, inside sales person, and lastly, sales manager. Prior to 1983, Breed had no written employment contract. In 1983 she signed a six-month employment contract in which she agreed not to disclose "during or after the time of her employment . . . to any party" any confidential information belonging to Cincinnati Tool.

In June 1984, Breed resigned her position with Cincinnati Tool and accepted a job with one of its competitors. Cincinnati Tool then sought to enjoin Breed from disclosing alleged company trade secrets. When the circuit court denied Cincinnati Tool's application for an injunction, Cincinnati Tool appealed. Although in its final analysis the appellate court affirmed the circuit court's holding that the proprietary items were not trade secrets, it still ruled on the validity of the confidentiality agreement. The court, following *Disher*, held that the agreement was unenforceable on its face. The agreement contained no time or geographical limitations, and thus did not establish a valid contractual right to prohibit the disclosure of trade secrets.

141. *Id.*
143. *Id.* at 172.
144. *Id.*
145. *Id.*
146. *Id.* at 174.
147. *Id.* at 172.
148. *Id.* Cincinnati Tool based its case on three separate theories. Count I sought to enjoin Breed based on common law fiduciary duty principles. Although Count II sought the same relief, it was based on the employment contract. Count III sought to enjoin Breed from violating a covenant not to compete, in which Breed agreed not to solicit or contact any of Cincinnati Tool's customers for a period of six months after leaving. *Id.*
149. *Id.* at 176-79. The informational items were not treated as confidential and secret inside Cincinnati Tool, the information was easy to duplicate independently, and Cincinnati Tool's relationship with its clients could not be characterized as near-permanent. *Id.* Although some documents were marked "Confidential," it was apparent from Breed's testimony that the information was never locked up and that everyone had access to it, including outside personnel. Furthermore, every phone number was listed in a telephone directory. *Id.*
150. *Id.* at 180.
151. *Id.* at 175, 180.
152. *Id.* at 175. Breed was prohibited from disclosing information during or after her time of employment. *Id.*
153. *Id.* The agreement simply prohibited disclosure to any third party. *Id.*
secrets.\textsuperscript{154}

After \textit{Disher, Cincinnati Tool}, and the cases that followed them,\textsuperscript{156} it became well-settled law in Illinois that agreements to contractually protect trade secrets and other confidential information would not be enforceable unless they contained reasonable time and geographical limits on the duty not to disclose.\textsuperscript{156}

3. A Trade Secret Owner’s Remedy for Misappropriation

Traditionally a trade secret owner has had a variety of remedies at her disposal. As summarized in the Restatement, a trade secret owner “may recover damages for past harm, or be granted an injunction against future harm by disclosure or adverse use, or be granted an accounting of the wrongdoer’s profits. . . . Moreover, he may have two or more of these remedies in the same action . . . .”\textsuperscript{157} Although other states have allowed the owner of a trade secret to recover money damages, an injunction remained the primary common law remedy in Illinois for the misappropriation of trade secrets.\textsuperscript{158}

From early English common law to present day, more often than not trade secret owners have requested an injunction as their remedy of choice for trade secret misappropriators.\textsuperscript{158} Illinois issued its first injunction in a trade secret context in \textit{Schulenburg v. Signatrol, Inc.}\textsuperscript{160} In \textit{Schulenburg}, the plaintiff’s former employees were ordered to abstain from using the plaintiff’s designs and drawings to manufacture certain items.\textsuperscript{161} Since then, injunctions prohibiting

\begin{itemize}
\item \textsuperscript{154} \textit{Id.}
\item \textsuperscript{155} \textit{See, e.g., AMP, Inc. v. Fleishhacker, 823 F.2d 1199 (7th Cir. 1987); Nitron Int’l Sales Co. v. Carroll, 714 F. Supp. 335 (N.D. Ill. 1989); Samuel Bingham Co. v. Maron, 651 F. Supp. 102 (N.D. Ill. 1986).}
\item \textsuperscript{156} \textit{See North Am. Paper Co. v. Unterberger, 526 N.E.2d 621 (Ill. App. Ct. 1988). In \textit{North American Paper}, the agreement before the court provided that “[t]he employee agrees that he . . . will [not] . . . at any time, during and after the date of his employment with the Company, disclose . . . any information regarding manufacturing, purchasing, research, development . . . .” \textit{Id.} at 623. Citing \textit{Cincinnati Tool}, 482 N.E.2d 170 (Ill. App. Ct. 1985), the court stated that the confidentiality agreement was enforceable only if it had reasonable time and geographical limitations. \textit{North Am. Paper}, 526 N.E.2d at 623. The agreement before the court, with neither time nor geographical limitations, was an impermissible restraint of trade and void as a matter of law. \textit{Id.} at 414-16. \textit{See also} Perman v. ArcVentures, Inc., 554 N.E.2d 982 (Ill. App. Ct. 1990) (noting that an agreement providing that “the employee will not, during or after the term of his employment, disclose the list of [his employer’s] customers . . . to any person” was unreasonable and unenforceable given its unlimited geographical and time dimensions); Service Ctrs. v. Minogue, 535 N.E.2d 1132 (Ill. App. Ct. 1989) (holding confidentiality agreement unrestricted in duration or scope unreasonable and unenforceable, although the materials sought to be protected were not trade secrets).
\item \textsuperscript{157} \textit{Id.} at 623. Citing \textit{Cincinnati Tool}, 482 N.E.2d 170 (Ill. App. Ct. 1985), the court stated that the confidentiality agreement was enforceable only if it had reasonable time and geographical limitations. \textit{North Am. Paper}, 526 N.E.2d at 623. The agreement before the court, with neither time nor geographical limitations, was an impermissible restraint of trade and void as a matter of law. \textit{Id.} at 414-16. \textit{See also} Perman v. ArcVentures, Inc., 554 N.E.2d 982 (Ill. App. Ct. 1990) (noting that an agreement providing that “the employee will not, during or after the term of his employment, disclose the list of [his employer’s] customers . . . to any person” was unreasonable and unenforceable given its unlimited geographical and time dimensions); Service Ctrs. v. Minogue, 535 N.E.2d 1132 (Ill. App. Ct. 1989) (holding confidentiality agreement unrestricted in duration or scope unreasonable and unenforceable, although the materials sought to be protected were not trade secrets).
\item \textsuperscript{158} \textit{See generally} 1 \textit{Jager, supra} note 15, § 7.02, at 7-4 to 7-54 (recognizing the need for prompt and effective injunctive relief).
\item \textsuperscript{159} \textit{Milgrim, supra} note 11, § 7.08[3][a] (noting that an injunction is the most common remedy for trade secret misappropriation).
\item \textsuperscript{160} 212 N.E.2d 865 (Ill. 1965), \textit{aff’d after remand}, 226 N.E.2d 624 (Ill. 1967).
\item \textsuperscript{161} \textit{Id.} For a discussion of \textit{Schulenburg}, see supra notes 52-63 and accompanying text.
the disclosure of trade secrets have been issued at the request of many injured trade secret owners. 162

Because the proper length of an injunction often is the subject of controversy, Illinois has a well-developed body of law concerning the proper duration of an injunction. 163 A successful plaintiff in a trade secret case is entitled to enjoin the defendant for only so long as it would take that defendant to lawfully develop or discover the secret. 164

For example, in Schulenburg, the court determined that the plaintiff's design drawings for fan parts were trade secrets. 165 After factually determining that the drawings in question could be lawfully produced over a period of eighteen months, the court enjoined the defendants from using the drawings in question for an eighteen-month period. 166

By 1985 the status of trade secret law in Illinois had markedly developed, in at least three important ways, since its introduction into the state in 1891. 167 First, Illinois courts had settled on the Restatement analysis to define a trade secret. 168 Although at times it was uncertain what the precise boundaries of trade secret protection were, using this analysis courts had protected drawings, 169 processes, 170 customer lists, 171 and circuitry schematics 172 as trade secrets. Second, it was relatively well established that actions for trade secret misuse could be grounded in tort 173 as well as in contract. 174 Third, those who could establish that their trade secrets had been appropriated unlawfully were not without legal recourse. Illinois courts would issue a successful plaintiff an

162. See supra note 14 (listing cases in which courts have issued injunctions).

163. MILGRIM, supra note 11, § 7.08[1] n.12.1 (discussing the development of Illinois law concerning the proper scope of an injunction).

164. ILG Indus. v. Scott, 273 N.E.2d 393 (Ill. 1971) (holding that the proper length of an injunction would be the eighteen-month period of time that it would have taken the defendants to lawfully discover the trade secret); Schulenburg, 212 N.E.2d 865.

165. Schulenberg, 212 N.E.2d 865.

166. Id.


168. See supra notes 64-96 and accompanying text (discussing the Restatement definition of a trade secret and how it has been applied in Illinois).


170. Schulenburg, 212 N.E.2d 865 (assembly process for electric flashers used in business signs).


173. See supra notes 100-12 and accompanying text (discussing the common law tort cause of action).

174. See supra notes 113-56 and accompanying text (discussing the common law contract cause of action).
injunction prohibiting a third party from unlawfully using her trade secret.\textsuperscript{175} Such was the state of the law in Illinois when its state legislature sought to codify the law in what was to become the Illinois Trade Secrets Act.\textsuperscript{176}

II. THE ILLINOIS TRADE SECRETS ACT

Although Illinois courts addressed issues of trade secrets and their protection, the guidance that these cases provided to business persons desirous of protecting their ideas, processes, blueprints, or customer lists was often nebulous if not outright conflicting.\textsuperscript{177} Businesses were thus left unsure whether their trade secrets were protectable and, if they were, what the boundaries of this protection would be.\textsuperscript{178}

This judicial climate of trade secret protection led Illinois to adopt the Illinois Trade Secrets Act ("ITSA" or "Act").\textsuperscript{179} The Act, effective January 1, 1988,\textsuperscript{180} was based on the Uniform Trade Secrets Act ("UTSA").\textsuperscript{181} UTSA evolved in an attempt to create a uniform state trade secret law and to clearly define the often fuzzy parameters of trade secret protection and remedies for misappropriation.\textsuperscript{182} UTSA, approved by the National Conference of Commissioners on Uniform State Laws in 1979,\textsuperscript{183} represents the culmination of over seven years of work by the American Bar Association's Special Committee on the Uniform Trade Secrets Protection Act.\textsuperscript{184} To date, thirty-five states and the District of Columbia have adopted UTSA or a version of it.\textsuperscript{185}

\begin{footnotesize}
\item[175] See supra notes 157-66 and accompanying text (discussing the common law injunctive relief available for trade secret misappropriation).
\item[177] MBL (USA) v. Diekman, 445 N.E.2d 418 (Ill. App. Ct. 1983). See generally Comment, supra note 41, at 378-81 (advocating the codification of state trade secret laws to more clearly delineate the boundaries of trade secret protection).
\item[178] Comment, supra note 41, at 378-81.
\item[179] ILL. ANN. STAT. ch. 140, ¶¶ 351-359. ITSA, sponsored by Rep. John Dunn, was originally submitted to the House Judiciary I Committee in the form unanimously approved by the American Bar Association Patent, Trademark & Copyright Law Section Council. Two amendments were adopted and incorporated into the proposal that became law in 1987.
\item[180] ILL. REV. STAT. ch. 140, ¶ 359. The legislative history concerning ITSA is relatively sparse.
\item[182] UNIF. TRADE SECRETS ACT WITH 1985 AMENDMENTS, 14 U.L.A. 433 commissioner's prefatory note.
\item[183] Id.
\item[184] Id. The committee was appointed in 1968 and presented UTSA for its first reading in 1972. After a few years of inactivity, the committee met in 1976, when, given the length of time that had elapsed, it presented the Fifth Tentative Draft of the Act as a first reading. On August 9, 1979, the Act was approved and recommended for enactment in all the jurisdictions. In 1985, four clarifying amendments were approved and also recommended for enactment in all the jurisdictions. Id.
\item[185] Id. The jurisdictions that have adopted a version of UTSA are Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Minnesota, Mis-
\end{footnotesize}
The bill that became ITSA was first submitted to the Illinois House of Representatives on March 10, 1987, when it was referred to the House Judiciary I Committee. In the House, two amendments to the bill were proposed and adopted. One expressly defined reverse engineering and independent development and provided that they are proper means of obtaining trade secret information. The second amendment placed emphasis on relative secrecy as the definitional test for a trade secret.

The bill was approved by the House in its final form and sent to the Illinois Senate where it was referred to, and subsequently recommended for approval by, the Senate Judiciary Committee. The bill was presented for its third and final reading and passed by both Houses on June 22, 1987. On September 11, 1987, the Governor signed the bill into law, and in Public Act 85-366, Illinois adopted its version of UTSA to become effective January 1, 1988.

The purposes of ITSA were to codify and establish Illinois trade secret law and to clarify the scope of trade secret protection in Illinois. ITSA can be broken down into three main sections—definitions, remedies, and effects on existing laws.

A. The Definitions

The heart of ITSA is contained in its definitions. The definitions codify the preexisting common law tort cause of action against the misuse of a trade secret. The ITSA definitional section defines who may be liable for trade secret misappropriation. Actions may be brought against natural persons, corporations, governmental entities, and even not-for-profit entities.

Section 2(a) describes the “improper means” through which trade secret
misappropriation may occur.\textsuperscript{201} ITSA includes breach of a confidential relationship, theft, bribery, breach of a duty to maintain secrecy, and electronic surveillance as possible improper means.\textsuperscript{202} These are codified examples of the improper means by which one may acquire another's trade secret—the showing of which is one of the elements necessary for common law tort recovery.\textsuperscript{203}

Section 2(b) describes acts that may constitute misappropriation of a trade secret.\textsuperscript{204} Misappropriation is defined as acquisition of a trade secret by improper means.\textsuperscript{205} According to section 2(b)(2), misappropriation also takes place in certain circumstances when one discloses a trade secret without permission.\textsuperscript{206}

ITSA also defines what constitutes a "trade secret."\textsuperscript{207} First, it lists technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, or lists of actual or potential customers or suppliers as appropriate subject matter for trade secret protection.\textsuperscript{208} This list of possible subject matter is only illustrative rather than
PROTECTING PROPRIETARY INFORMATION

exclusive. Material not specifically mentioned may still qualify for trade secret protection if it meets the two statutory requirements. Second, ITSA codifies the two basic requirements for protection under Illinois law. The two statutory requirements are that the information be relatively secret, and that adequate measures be taken by an owner of the trade secret to protect this secrecy.

B. Remedies

ITSA provides a court with broad discretion in shaping an injunction to provide the necessary equitable relief for the protection of a trade secret. First, it provides that a court may enjoin actual or threatened misappropriation. ITSA permits this injunction to be dissolved at the request of a party when the trade secret has ceased to exist although in some circumstances an injunction may still be continued for a reasonable time.

See, e.g., Witkowsky v. Affeld, 119 N.E. 630 (Ill. 1918) (granting trade secret protection to a customer list); Prentice Medical Corp. v. Todd, 495 N.E.2d 1044 (Ill. App. Ct. 1986) (holding that a medical center’s list of patients was a protectable trade secret). Contra Burt Dickens & Co. v. Bodi, 494 N.E.2d 817 (Ill. App. Ct. 1986) (holding that a customer list was not a protectable trade secret); American Claims Serv., Ltd. v. Boris, 485 N.E.2d 534 (Ill. App. Ct. 1985) (holding that an insurance company’s list of clients was not a trade secret where the names of the clients were readily obtainable in a widely published directory); Lincoln Towers Ins. Agency v. Farrell, 425 N.E.2d 1034 (Ill. App. Ct. 1981) (finding no protectable business interest in insurance agency’s customer list); Smith Oil Corp. v. Viking Chem. Co., 468 N.E.2d 797 (Ill. App. Ct. 1984) (suggesting that confidential customer information may be protected only by contract).

210. Id. ¶ 352(d)(1)-(2).
211. Id. ¶ 352(d)(1).
212. Id. ¶ 352(d). ITSA requires that the information (1) be “sufficiently secret to derive economic value, actual or potential, from not being generally known to [or readily ascertainable by] other persons who can obtain economic value from its disclosure or use, and (2) [be] the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality.” Id. The UTSA phrase “and not being readily ascertainable by proper means” was deleted from ITSA to follow in line with earlier decisions in Illinois, holding that the mere availability of proper means by which one may acquire knowledge of a trade secret is no defense to an action for misappropriation, if in fact, improper means were used. See, e.g., Schulenburg v. Signatrol, Inc., 212 N.E.2d 865 (Ill. 1965) (enjoining a misappropriator’s use of trade secrets where, although the trade secret could be lawfully developed, in the present instance, it was not), aff’d after remand, 226 N.E.2d 624 (Ill. 1967). For a similar result in other jurisdictions, see Telex Corp. v. IBM, 510 F.2d 894 (10th Cir. 1975) (assessing damages against a corporation that unlawfully appropriated another’s trade secret); Franke v. Wiltseck, 209 F.2d 493 (2d Cir. 1953) (awarding the trade secret owner an injunction although the trade secret was obtainable through proper means).
214. Id. ¶ 353.
215. Id.
216. Id. These reasons may include, but are not limited to, an elimination of the commercial advantage that was derived from misappropriation, deterrence of wilful or malicious misappropriation, or elimination of an advantage obtained where the trade secret ceases to exist due to the fault of the enjoined party or other improper means. Id.
217. Id.
Second, a court may condition future use of the trade secret upon payment of a royalty to the trade secret owner. A court may do this when there is a great public interest in not enjoining the use of the trade secret. Although not decided under ITSA, *Republic Aviation Corp. v. Schenk* is illustrative of such a situation. The issue in *Schenk* was whether a misappropriator would be enjoined from supplying the United States with an aircraft weapons control system. Without the system, military operations might have been compromised. The court held that, although the item at issue was a trade secret that had been misappropriated, in lieu of issuing an injunction it would condition sale of the trade secret upon payment of a reasonable royalty to the owner of the trade secret. When a court exercises this option, ITSA provides that the royalty payments may not continue for any length of time greater than the individual is capable of being enjoined.

Third, a court may, at its discretion, mandate that certain steps be taken in order to ensure the protection of a trade secret. This includes protective orders, in camera review, and “for attorney eyes only” orders.

In addition to injunctive relief, ITSA allows a successful claimant to receive damages as well as attorney’s fees in special cases. The owner of a trade secret is entitled to recover damages, in addition to injunctive relief, for the misappropriation of a trade secret. A court may award damages for the actual loss to the owner of a trade secret and the unjust enrichment caused by the misappropriation, as long as there is no duplication of damages. If damages cannot be established, the court may award the owner a reasonable royalty.

Where special circumstances exist, a court has broad discretion in shaping a remedy to fit the controversy before it. If the misappropriation is found to be willful and malicious, a court may award exemplary damages not exceeding

218. *Id.* ¶ 353(b).
219. *Id.*
221. *Id.*
222. *Id.* at 835.
223. *Id.*
224. ILL. ANN. STAT. ch. 140, ¶ 353(b).
225. *Id.* ¶ 353(c).
226. *Id.* ¶ 356.
227. *Id.* ¶ 354(a).
228. *Id.* ¶ 355. The right to attorney’s fees exists when any claims are made or defended in bad faith, or willful and malicious misappropriation occurs. *Id.*
229. *Id.* ¶ 354(a).
230. *Id.*
231. *Id.* For example, if company A misappropriates company B’s trade secret, a computer software package, the damages might not be readily ascertainable. It could be extremely difficult for B to establish an amount of lost profit or the identity of lost customers due to A’s wrongful act. In these types of circumstances ITSA authorizes a court to order company A to pay B a “reasonable royalty” based on the benefits derived from company A’s use of the software. *Id.*
twice the otherwise awardable sum.\textsuperscript{233} ITSA also gives courts the authority to award reasonable attorney's fees where it finds bad-faith claims or willful and malicious misappropriation.\textsuperscript{234} Lastly, section 6 of the Act gives a court clear statutory power to grant protective orders during the pendency of trade secret litigation,\textsuperscript{235} and to take any other reasonable means it deems necessary to preserve the secrecy of the alleged trade secrets.\textsuperscript{236}

C. The Effect of ITSA on Existing Law

ITSA clearly deals with issues that, prior to its enactment, had been left to common law principles. In order to clarify the effect that ITSA's provisions would have on existing laws, the legislature included the following provision:

(a) Except as provided in subsection (b), this Act is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret.\textsuperscript{237}

It was thus the express intent of the legislature to substantially displace preexisting tort remedies for the misappropriation of a trade secret.\textsuperscript{238} ITSA expressly displaces tort, restitutionary, unfair competition, and other Illinois laws\textsuperscript{239} providing for civil remedies for the misappropriation of a trade secret.\textsuperscript{240}

Although ITSA codifies and displaces tort causes of action, it does not affect contractual remedies, civil remedies not based on the misappropriation of a trade secret, and criminal penalties.\textsuperscript{241} As far as ITSA's effect on the contract cause of action, the text of ITSA states:

This Act does not affect contractual remedies, whether or not based upon the misappropriation of a trade secret, provided however, that a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of a durational or geo-

\textsuperscript{233} Ill. Ann. Stat. ch. 140, \S 354(b).
\textsuperscript{234} Id. \S 355.
\textsuperscript{235} Id. \S 356. The purpose of the protective order is to maintain the item's status as a trade secret. If during the course of discovery parties are allowed access to the trade secrets of their opponents, litigation may become a tool to learn about a competitor's trade secrets. For an interesting discussion of protective orders issued in the course of trade secret litigation, see W. Scott Simmer, First Amendment Interests in Trade Secret, Private Materials, and Confidential Information: The Use of Protective Orders in Defamation Litigation, 69 Iowa L. Rev. 1011 (1984).
\textsuperscript{236} Ill. Ann. Stat. ch. 140, \S 356.
\textsuperscript{237} Id. \S 358(a).
\textsuperscript{238} Id.; see supra notes 100-12 and accompanying text (discussing the tort cause of action).
\textsuperscript{239} Although there is no legislative history on point, the comment on a similar provision in UTSA, section 7, implies that this provision would allow the contract cause of action to survive intact. Unif. Trade Secrets Act with 1985 Amendments, 14 U.L.A. 433, 463 (1990) ("This Act . . . does not apply to a duty voluntarily assumed through an express or implied-in-fact contract.").
\textsuperscript{240} Ill. Ann. Stat. ch. 140, \S 358.
\textsuperscript{241} Id. \S 358(b)(1)-(3).
This provision concerning the effect of ITSA on contractual remedies did not appear in UTSA. In fact, of the thirty-six jurisdictions that have adopted a version of UTSA, this provision is unique to Illinois. It was apparently included to override the Disher\textsuperscript{243} and Cincinnati Tool\textsuperscript{244} line of cases that required reasonable time and geographical limitations to enforce a contractual duty to maintain secrecy in a confidentiality agreement.\textsuperscript{246}

III. ANALYSIS: CONTINUED UNCERTAINTY UNDER ITSA

The focus of this analysis is three-fold. First, ITSA will be compared and contrasted with the Illinois common law. Second, confidentiality agreements will be compared and contrasted with covenants not to compete. This analysis will focus on the different policy concerns and implications of these two types of agreements. Third, the section of ITSA concerning its effect on other Illinois law will be examined in detail. Possible interpretations of the Act will be discussed and a proposal for clarification will be advanced.

First this Comment will discuss how ITSA differs from common law. Where applicable, courts' and commentators' interpretations of ITSA will be discussed. However, because ITSA is relatively new, few courts have had the opportunity to interpret its provisions. In fact, to date only six Illinois appellate cases have been interpreted under the Act.\textsuperscript{246}

A. What ITSA Does

ITSA serves two basic purposes. First, it codifies some of the common law concerning trade secrets. The common law definition of a trade secret and common law remedies for the misappropriation of trade secrets are both now codified in ITSA. Second, in addition to codifying common law, ITSA provides for additional remedies against misappropriators.

\footnote{242. Id. ¶ 358(b)(1).}
\footnote{243. Disher v. Fulgoni, 464 N.E.2d 639 (Ill. App. Ct. 1984) (holding, as a matter of first impression, that, to be enforceable, confidentiality agreements must contain reasonable time and geographical restrictions on the duty not to disclose).}
\footnote{244. Cincinnati Tool Steel Co. v. Breed, 482 N.E.2d 170 (Ill. App. Ct. 1985) (holding confidentiality agreement unenforceable given its unlimited durational and geographical scope).}
\footnote{245. Although there is no legislative history directly on point, the two principal draftsmen of the act, Melvin Jager and Marvin Benn, have both suggested that the legislature intended to override Disher and Cincinnati Tool. \textit{See, e.g.}, Melvin F. Jager, \textit{Illinois Returns to the Mainstream of Trade-Secret Protection}, CBA RECORD, Oct. 1988, at 18; Benn, supra note 232, at 1.}
1. Codification of Common Law

ITSA's description of a trade secret consists of two separate parts. First, ITSA lists various subject matter capable of being protected as trade secrets. Second, ITSA enumerates the two essential qualities that information must have to actually receive the protection guaranteed with trade secret status.

The first part of the definition lists subject matter capable of being protected as a trade secret. It is notable in that it follows the common law tradition in Illinois by allowing trade secret protection for a wide range of items and, more specifically, customer lists. The phrase "including but not limited to technical or non-technical data" reflects the past protection of nontechnical business information as well as technical information.

In a similar vein, ITSA specifically mentions "lists of actual or potential customers or suppliers" as examples of the type of information that can qualify as a trade secret. This clearly addresses the question whether customer lists, the subject of much trade secret debate, may be protectable trade secrets. Illinois common law affords these items protection.

The definition of a trade secret in ITSA codifies two distinct requirements for trade secret protection present under Illinois common law. First, under section 352(d)(1), the information must be sufficiently secret to derive economic value. Second, the information must be the subject of reasonable efforts to maintain its secrecy or confidentiality.

---

247. See supra notes 207-12 and accompanying text (discussing ITSA's definition of a trade secret). In full, section 352(d) provides:

"trade secret" means information, including but not limited to, technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers or suppliers, that:

(1) is sufficiently secret to derive economic value, actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use; and

(2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality.


248. ILL. ANN. STAT. ch. 140, ¶ 352(d).

249. Id.

250. Id.

251. Id.; see supra note 208 (noting that customer lists are protectable trade secrets under Illinois law).


254. ILL. ANN. STAT. ch. 140, ¶ 352(d).

255. Customer lists have often been characterized as on the periphery of trade secret law. However, in Illinois this has not been the case. See supra note 208 (noting that customer lists are protectable trade secrets under both Illinois common law, and ITSA).


257. ILL. ANN. STAT. ch. 140, ¶ 352(d)(1).
forts to maintain its secrecy.258

Using this definition of the Act, Illinois courts have held that financial documents showing the difference between a company’s expenses and revenues were trade secrets,259 while a customer list that was readily obtainable in a public directory,260 a customer list that could almost be duplicated with little expenditure of time or money,261 and a pricing formula for a medical records storage company,262 were not.

ITSA was more recently interpreted in Gillis Associated Industries v. Cari-All, Inc.263 In Cari-All, Mark Oleska, plaintiff Gillis’ national sales manager, left Gillis’ employ and began working for Cari-All, the defendant, as Cari-All's regional sales manager.264 Gillis complained that upon leaving, Oleska misappropriated its confidential customer list in violation of ITSA and tendered it to the defendant who then began using it in competition with the plaintiff.265

The Illinois appellate court held that the customer list was not a trade secret.266 The court first discussed the economic value prong of the test, holding that this prong was met because the list could only be developed by a competitor after significant expenditures of time and money, such as targeted mailings and/or telemarketing.267

The list, however, failed the “subject of secrecy” requirement.268 The evidence that plaintiff produced at trial to show that he had taken adequate safety measures to protect the secrecy of the customer list was insufficient.269

The plaintiff’s failure to take any affirmative action to keep the list secret, the inadequacy of internal and external security systems, and the apparent lack of any employee confidentiality agreements and/or exit interviews imparting the importance of confidentiality were all factors that led the Gillis court to conclude that the customer list in question was not deserving of trade secret protection.270

An injunction was the traditional common law remedy for the misappropriation of trade secrets in Illinois.271 ITSA now gives a court broad discretion in awarding an injunction where either actual or threatened misappropriation

258. Id. ¶ 352(d)(2).
261. Hamer Holding Group, Inc. v. Elmore, 560 N.E.2d 907 (Ill. App. Ct. 1990), appeal de-
264. Id. at 881.
265. Id.
266. Id. at 886.
267. Id. at 883.
268. Id. at 886.
269. Id. at 885-86.
270. Id.
271. See supra notes 159-62 and accompanying text (noting the widespread desire for injunc-
tive relief in trade secret cases).
may occur. This is simply Illinois common law codified.

2. Provision of Additional Remedies

In addition to codifying the common law, ITSA provides additional remedies not available at common law. ITSA allows a court to issue a limited injunction in special circumstances where a permanent injunction would be unreasonable due to "an overriding public interest." In these instances, ITSA allows courts to formulate a type of "licensing" agreement; the court is authorized to issue an injunction conditioning future use of the trade secret upon the payment of a reasonable royalty to the owner of the trade secret.

Although there are no Illinois cases directly on point, the New York case of Republic Aviation Corp. v. Schenk illustrates the situation in which a court may issue a section 3(b) remedy. In Schenk, the alleged trade secret was an aircraft weapons control system that improved the security of the armed forces in Vietnam. An overriding public interest existed with respect to the security of United States troops in a foreign country. Although the court declined to issue an injunction prohibiting the disclosure and use of the trade secret, the owner of the trade secret was entitled to an accounting to determine what damages the plaintiff had occasioned from the defendant’s wrongful appropriation. The plaintiff was also entitled to such further accountings as would be necessary to determine the damages occasioned by the defendant's future use of the plaintiff's defense system.

Furthermore, ITSA provides for more remedies than simply injunctions. Under ITSA, a successful party may recover damages and, in some instances, reasonable attorney fees. The recovery of damages is a substantial modification to common law. For example, in Schenk, the defendant was not able to prevent the plaintiff from initially using his trade secret. An injunction that merely prohibits the defendant from future use of the plaintiff's trade secret might be an insufficient remedy. It does not compensate

---

273. See supra notes 157-76 and accompanying text (discussing the common law remedies for trade secret misappropriation).
274. ILL. ANN. STAT. ch. 140, ¶ 353(b).
275. Id.
277. Id.
278. Id. at 834.
279. Id. at 835.
280. Id.
281. ILL. ANN. STAT. ch. 140, ¶ 354.
282. Id. ¶ 355.
284. Schenk, 152 U.S.P.Q. (BNA) 830; see supra text accompanying notes 276-80 (discussing the facts in Schenk).
286. See supra text accompanying notes 157-76 (discussing the need for injunctive relief in trade secret cases).
the plaintiff for the past harm. In circumstances such as these, ITSA allows a court to award damages for both the actual loss caused by the misappropriation and the unjust enrichment caused by the misappropriation that is not taken into account in computing the actual loss.

B. Confidentiality Agreements vs. Covenants Not To Compete

ITSA should decrease the amount of uncertainty involved in trade secret protection. The Act has not, however, eliminated uncertainty altogether. At least one issue requires clarification. Businesspersons need to know what the precise boundaries of contractual trade secret protection are in light of the adoption of ITSA. As noted earlier, the Illinois courts attempted to address this problem in Disher and Cincinnati Tool. Those decisions equated the contractual protection of trade secrets with covenants not to compete, and imposed upon contractual trade secret protection the requirements of time and territorial limits. However, these decisions have failed to recognize the differences that exist between these two types of contracts. A covenant not to compete prohibits an individual from working in a certain position. A confidentiality agreement simply limits the disclosure of certain information falling in the category of trade secrets. An individual bound to a confidentiality agreement, but not to a covenant not to compete, is unrestricted in her pursuit of the occupation of her choice. She simply must not disclose another's proprietary information.

Equating confidentiality agreements with covenants not to compete is inappropriate. First, confidentiality agreements and covenants not to compete serve different policy considerations. Given the two different purposes of the agreements, covenants not to compete should be temporally and geographically limited, while confidentiality agreements should not be. Second, protecting trade secrets for only a limited period of time and within a specific geographical area undermines the well-established intentions of trade secret law—to encourage research and development and to discourage the misappropriation of trade secrets.

Illinois courts have failed to recognize that confidentiality agreements and covenants not to compete are justified by two separate policy considerations. Confidentiality agreements protect a person's right to her secret information,
trade secrets or otherwise. Often the person seeking protection has developed
the information at significant time and expense. Thus, trade secrets are pro-
tected to encourage research and development. If a person's efforts could be
simply usurped with the attrition of an employee, it is doubtful that anyone
would be willing to invest time and money in development. In the end, society
benefits from the protection of trade secrets. Protection encourages technologi-
cal advances. On the other hand, covenants not to compete simply protect an
individual from unwarranted competition. Most courts have implicitly recog-
nized this by requiring reasonable time and geographical restrictions on cove-
nants not to compete.

Covenants not to compete, if enforceable, may create illegal restraints in
trade and restrict employees from exercising a freedom of choice in their ca-
reers. However, covenants not to disclose do not necessarily illegally restrain
trade or unduly restrict an employee's career choices. Suppose, for example,
that Dr. Brown, a Peoria resident and the only practicing physician specializing
in orthopedic surgery in Peoria, joined a physician's group that required
him to sign an agreement restricting him from working within a sixty mile
radius of Peoria for a period of two years after he left the medical partnership.
Should Dr. Brown become dissatisfied with the partnership arrangement and
decide to leave he would have few meaningful local employment choices. To
pursue an occupation similar to that which he performed with the partnership,
he most likely must uproot his family and move to another city.

However, if he stays in Peoria he must quit his practice and the people of
Peoria may be left with one less doctor in the area. Enforcing this covenant
not to compete both restricts Dr. Brown's freedom to pursue a specific occupa-
tion and limits the choices that the citizens of Peoria will have.

Confidentiality agreements are dramatically different from covenants not to
compete. If Dr. Brown is merely prohibited from disclosing the partnership's
trade secrets, not only will he be able to remain in Peoria, but he will also be
able to practice medicine, providing Peoria residents with nearby medical ser-
dices. An employee has never been prevented from bringing to a subsequent
employer the general skills, knowledge, acquaintances and overall expertise ac-
quired during her tenure with a former employer. A confidentiality agree-
ment simply protects the old partners from the inequitable conversion of their
proprietary information.

Second, decisions requiring temporal and geographical restrictions on confi-
dentiality agreements, simply because they are required for covenants not to
compete, violate the well-established principle that a trade secret has an indef-

296. See Kugler, supra note 29.
297. See supra notes 30-33 (discussing the tenets of trade secret law).
298. Granted this analysis may be a little too simplistic. However, the analysis is proper where
the trade secret gives the employee a competitive advantage. For this reason, the courts likened
covenants not to compete and confidentiality agreements and imposed temporal and/or geographi-
cal limitations on both types of restrictive covenants.
inite life and economic value so long as it is kept secret.\textsuperscript{299} The requirement of time and territorial limitations on an agreement prohibiting the disclosure of trade secrets directly contradicts the definition of a trade secret itself.\textsuperscript{300} As long as the trade secret remains secret, it should be protected.\textsuperscript{301} A company's trade secret does not automatically lose its value after, for example, the expiration of a fixed period of time outside a certain location. A trade secret, as a property right, should be protectable for as long as the item remains a trade secret.\textsuperscript{302}

In light of the above, then, a temporal limitation \textit{may} make sense if linked by expert testimony to the time required to independently develop the information (outside the employment context). By contrast, geographical limitations make no sense in nondisclosure agreements, but do make sense in a noncompetition agreement.

\section*{C. Section 8(b)(1) of ITSA}

\subsection*{1. Has ITSA Overruled Disher?}

\textit{Disher v. Fulgoni} may or may not be overruled by section 8(b)(1) of ITSA. However, how the practitioner should draft a confidentiality agreement largely depends upon section 8(b)(1), which \textit{Disher} played no small part in prompting. Whether \textit{Disher} is overruled by ITSA, then, has certain ramifications for the correct interpretation of the Act itself. If ITSA overrules \textit{Disher}, then certain presumptions concerning the proper interpretation of the Act may be made and drafters of confidentiality agreements are given additional guidance to the intended meaning of the Act.

The Illinois legislature, recognizing that it was essential to realize the proper scope of contractual protection that should be afforded trade secrets in Illinois, added\textsuperscript{303} the provision in ITSA that states:

\begin{quote}
This law does not affect:
(1) contractual remedies, whether or not based upon misappropriation of a trade secret, provided however, that a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of a durational or geographical limitation on the duty . . . \textsuperscript{304}
\end{quote}

This language was arguably included to overrule \textit{Disher} and the cases that followed its reasoning.\textsuperscript{305} Although no definitive legislative history exists specifically stating that the above provision overrules the \textit{Disher} requirements, two commentators, Melvin F. Jager and Marvin N. Benn, the principal drafts-

\begin{itemize}
\item\textsuperscript{299} See Benn, supra note 232, at 1; Jager, supra note 245, at 18-19.
\item\textsuperscript{300} See Benn, supra note 232, at 1; Jager, supra note 245, at 18-19.
\item\textsuperscript{301} See Benn, supra note 232, at 1; Jager, supra note 245, at 18-19.
\item\textsuperscript{302} See Benn, supra note 232, at 1; Jager, supra note 245, at 18-19.
\item\textsuperscript{303} This provision was "added" in that it was not a part of UTSA.
\item\textsuperscript{304} ILL. ANN. STAT. ch. 140, ¶ 358(b)(1) (Smith-Hurd Supp. 1991) (emphasis added).
\item\textsuperscript{305} See Benn, supra note 232, at 3; Jager, supra note 245, at 21.
\end{itemize}
men of ITSA, have each indicated that this is the case. Mr. Benn writes:

Recently, there have been decisions in Illinois, which have been followed in other states, that have severely limited and, in some experts’ opinions, severely misconstrued the common law of trade secrets in Illinois dealing with the protection of trade secrets by contract. The Illinois act overrules this Illinois decisional law that is inconsistent with the full recognition of the property rights and public policies underlying trade secret laws.

Under the act, Illinois law will once again conform to the general trade secret law and foster the public policies underlying trade secret law. The property rights in a trade secret will therefore be protected by either a contractual or non-contractual duty to maintain secrecy without time or territorial limits, provided the other terms and provisions of the act are met.\footnote{Mr. Benn argues that if ITSA does not overrule Disher, there would have been no reason for section 8(b)(1)’s inclusion in the Act.\footnote{He argues that no longer must contractual agreements contain reasonable time and territorial limitations to be enforceable.\footnote{In a similar vein, Mr. Jager, Chairman of the Intellectual Property Section Council that initiated the bill, writes:

A recent pair of appellate court decisions for the first time imposed time and territorial limits on the contractual duty to protect trade secrets. \textit{Disher v. Fulgoni, and Cincinnati Tool Steel Co. v. Breed}. Illinois protection for trade secrets was thrown into a tailspin . . . .

. . . [A] major difference between the Uniform Act and the Illinois Act arose out of the unique development in Illinois law represented by \textit{Disher v. Fulgoni} and \textit{Cincinnati Tool Steel Co. v. Breed}. Section 8(b)(i) of the Illinois Act returns Illinois to the mainstream by declaring that “a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed void or unenforceable solely for lack of durational or geographical limitation on the duty.” \textit{Disher} and its progeny are expressly overruled.\footnote{Both Benn and Jager have reasoned that contractual agreements must no longer contain reasonable time and territorial limitations to be enforceable.}}}}

Both Benn and Jager have reasoned that contractual agreements must no longer contain reasonable time and territorial limitations to be enforceable.

In spite of the above comments, however, arguments may be made that \textit{Disher} was not overruled by ITSA. First, the legislature never expressly overruled the case. It would seem that before the legislature would overrule two Illinois appellate decisions, it would thoughtfully argue the point—or at least mention it for the record. Yet nowhere in the debates is the matter discussed. Second, where a statute and case law can be interpreted as either consistent or
conflicting, it is appropriate to interpret the statute and case law as consistent. If a court could interpret Disher as consistent with the Act it should do so. Should a court interpret Disher and ITSA as consistent, the Act would not overrule Disher. ITSA and Disher can be interpreted as consistent. Thus, the argument that ITSA in fact does not overrule Disher is compelling. Third, the only direct authority for the proposition that ITSA overrules Disher are the Benn and Jager articles. Although they may be correct, the authors fail to cite any primary authority for their proposition. While both Mr. Benn and Mr. Jager were involved in the drafting of the Act, the relevance of their intentions does not rise to the same level as does those of the Illinois legislators.

Fourth, Perman v. ArcVentures, Inc., decided after the effective date of ITSA, but not under it, made no mention of ITSA. This is especially notable in light of the fact that if the Act is interpreted as overruling Disher, the court would have reached the opposite conclusion. In Perman, an Illinois appellate court held that a nondisclosure/confidentiality agreement was unreasonable and unenforceable given its unlimited geographical and temporal dimensions. In Perman, the defendant Perman signed a confidentiality agreement in which he agreed not to “during or after the term of [his] employment disclose or in any way exploit any information . . .” of his employer. The court, in language almost identical to that found in Disher and Cincinnati Tool, reasoned that because the agreement was unlimited in its time and geographical dimensions, it was overly broad, unreasonable, and thereby unenforceable. Perman, in fact, relied specifically on Disher and Cincinnati Tool.

If, however, ITSA overrules Disher, confidentiality agreements no longer need contain time and geographical restrictions. Had this interpretation of the Act been binding precedent, clearly the Perman Court would have reached a different result. Unable to rely on Disher, the court would not have been

310. See NORMAN J. SINGER, STATUTES AND STATUTORY CONSTRUCTION § 58.03, at 72 (Temporary Pamphlet 1992) (noting that when a concept is established in common law, the courts should presume that the legislature would have specifically provided so had it wished to abolish the doctrine).

311. See supra text accompanying notes 309 and infra notes 324-31 for a discussion of how Disher and the Act could be interpreted consistently.

312. Mr. Benn is the managing partner in the Chicago law firm of Hamman & Benn. Mr. Jager is a partner in the Chicago firm of William Brinks Olds Hofer Gilson & Lione.


315. Perman, 554 N.E.2d at 986.

316. The consideration for the agreement was his continued employment. Id. at 984.

317. Id.


320. See Perman, 554 N.E.2d at 986.

321. Id.
free to ignore the express provisions of the Act. Therefore, the confidentiality agreement in *Perman*, without temporal and geographical restrictions, would be enforceable, and *Perman* would have been enjoined. However, although not binding precedent, ITSA was not even mentioned in *Perman*. It seems unlikely that the court would cite a case that had been overruled without mentioning why reliance on it would be justified in the particular instance at hand. One explanation for why the court made no mention of the Act is that it did not consider *Disher* overruled.

In any event, whether or not *Disher* is overruled is unclear at best. Achievement of the ends that trade secret law seeks to promote—the maintenance of commercial morality and encouragement of innovation and invention\textsuperscript{322}\textsuperscript{323}—requires that this guidance be clear.

2. Remaining Ambiguities of Section 8(b)(1)

It is unclear whether ITSA overrules *Disher*. Although that issue requires clarification, it is not the only barrier to an unencumbered interpretation of the Act. At least two other issues remain. First, it is unclear whether section 8(b)(1) validates contracts without any limitations in them, or whether it validates only those agreements containing only one of the two possible limitations (geographical or temporal). Second, it is unclear what role the lack of a limitation or limitations may play in invalidating the contract.

a. One or neither?

Whether a contract without any temporal or geographical limitations is valid is still open to debate. Section 8(b)(1) may be interpreted in one of two ways. It may be interpreted to require neither a geographical nor a temporal limitation; or it may be interpreted to require only one such restriction. If the former is true, a confidentiality agreement need contain neither time nor territorial restrictions. Under this interpretation, the confidentiality agreement in *Perman*,\textsuperscript{322} prohibiting disclosure at any time to any person, would be enforceable. If the latter is true, however, confidentiality agreements that prohibit disclosure of trade secrets anywhere at any time will not be enforceable. Under this latter interpretation, enforceability requires that these agreements contain either a time or a territorial restriction. For example, the *Perman* agreement, containing no restrictions whatsoever, would be unenforceable because of its overbreadth. However, an agreement that either prohibited disclosure for a reasonably limited time, or prohibited disclosure within a reasonably specific area, would survive the court’s scrutiny.

To determine the appropriate interpretation, it is necessary to examine section 8(b)(1) in two separate contexts. First, the plain language of the Act will be examined using statutory construction principles as a guide to interpreta-

\textsuperscript{322} See Rosenbluth, *supra* note 15, at 161.

\textsuperscript{323} See *supra* notes 313-17 and accompanying text (describing the agreement in *Perman*).
tiation. Second, the clause will be interpreted according to its relationship to Disher.

b. Statutory construction principles as a guidepost

The plain language of the Act reads, “[The contract will not be void] solely for lack of a durational or geographical limitation.” The issue is whether neither a durational nor a geographical restriction is necessary, or only one of the restrictions is necessary. The focus is on the word “or.” Presumably, the drafters chose that word over the conjunctive word “and.” “Or” clauses are read in the disjunctive, while “and” clauses are read in the conjunctive.

Had the statute read that the contract would not be void solely for lack of a durational and geographical limitation, then clearly, read in the conjunctive, neither limitation would have been required. In such a case, a confidentiality agreement with neither type of limitation would not be invalid because it lacked a durational and a geographical restriction. Under this alternative formulation of the statute, the agreement in Perman would have been valid.

However, the legislature did not choose this formulation of the statute. Instead of the conjunctive word “and,” they chose the disjunctive “or.” Read, then, in the disjunctive, the following rule emerges: A contract will not be void solely for lack of a durational limitation, or solely for lack of a geographical limitation. Under this formulation, at least one of the limitations must be contained in a confidentiality agreement for it to be enforceable. An agreement with neither a time nor a geographical restriction would not be valid. For although a contract will not be void solely for lack of one of the restrictions, lack of both a durational and a geographical restriction is not addressed by the statute, and under Disher, the lack of both restrictions voids the contract.

The legislators’ use of the term “solely” also gives context to the statute’s interpretation. Read in the disjunctive, a contract will not be void solely for lack of a duration limitation or solely for lack of a geographical limitation on the duty not to disclose. Use of the term “solely” focuses even more on the separation of the two limitations. It suggests that lack of a geographical limitation may not be the “sole” reason a confidentiality agreement is void. Further, a contract may not be rendered void solely because it has no duration limitation. This suggests that, in the aggregate, the absence of both a duration and a geographical restriction may be enough justification to void the agreement. Arguably, the word “solely,” in combination with the disjunctive word “or,” isolates the limitations and addresses the instance in which only one of them—not both—is absent.

Considering then the choice of the disjunctive “or,” over the conjunctive word “and,” and the use of “solely,” an argument may be made that an agree-

326. If ITSA is consistent with Disher, it validates only those agreements containing either a durational or a geographical restriction.
ment containing neither limitation may be void. Under this interpretation, the Act renders enforceable only those agreements that include at least one of the limitations. Thus, under this analysis, at least one or the other—a geographical or durational limitation—must be included to save the agreement.

c. Disher as a guidepost

Section 8(b)(1)'s relationship to Disher, if in fact there is one, also gives context and guidance to the correct interpretation of section 8(b)(1) itself. Again, the plain words of the statute leave the clause open to interpretation. Either a contract without either limitation is valid, or at least one limitation is required to save a confidentiality agreement. To determine the appropriate interpretation, it is necessary to reexamine the facts and, specifically, the confidentiality agreement in Disher.327

The agreement that Disher signed did not contain any mention of either a territorial or temporal restriction.328 Disher was precluded from disclosing trade secrets and other confidential information "to any third party."329 Also, the agreement included this statement: "This agreement of confidentiality will survive my employment at IRI."330 This implies an agreement unlimited in time.331

Given this language and starting with the presumption that section 8(b)(1) overrules Disher, there is only one possible interpretation of the clause's requirements for an enforceable contractual duty not to disclose. Because the clause reads, "solely for lack of a durational or geographic limitation," one must conclude that the legislature, if it intended to overrule Disher, meant to require neither time nor geographical restrictions. This is the only interpretation that would render the Disher agreement enforceable, as that agreement had neither type of restriction. Thus, beginning with the presumption that Disher is indeed overruled, ITSA must be interpreted to require neither time nor geographical restrictions.

However, one may argue that Disher may not be overruled.332 If Disher is not overruled, the confidentiality agreement in Disher, which had neither a temporal nor a geographical restriction, would still be unenforceable under ITSA. For ITSA to be interpreted consistently with Disher, it must be interpreted to require either a temporal or a geographical limitation. Under this interpretation, the Disher agreement would still be unenforceable as it contained no restrictions on the duty not to disclose. However, had the agreement included either of the limitations, it would have been enforceable. If this is the

327. See supra notes 121-41 and accompanying text (discussing the facts and holding of Disher).
329. Id.
330. Id.
331. Id.
332. See supra notes 310-20 and accompanying text (discussing the reasoning in support of this theory).
case—that ITSA requires either limitation—then Disher remains good law, and agreements with neither of the restrictions are invalid. Notably, however, the argument that either one of the limitations is necessary to save the agreement is contingent upon Disher not being overruled.

In sum, if Disher is overruled, ITSA requires neither a time nor a geographical limitation on a contractual duty not to disclose trade secrets. However, if Disher is not overruled, then ITSA must be interpreted to require either a time or a geographical limitation on a contractual duty not to disclose trade secrets.

d. The “solely” argument

Another ambiguity exists in ITSA. The text of ITSA provides that “a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of a durational or geographical limitation on the duty.” Use of the word “solely” opens up the clause to two additional possible interpretations. First, “solely” could mean that the courts are still free to employ the usual defenses, such as lack of consideration or duress, to invalidate a confidentiality agreement. But the courts would not be free to invalidate such agreements “solely” on the basis of the absence of time and/or geographical restraints. For example, a court may never invalidate an agreement on the grounds that it was unlimited in durational or geographical scope. However, if the contract was one of adhesion, the court could invalidate it on that basis. The effect is to eliminate an overly broad durational or geographical scope of the agreement as a defense to the agreement, while preserving the usual contract defenses.

The other possible interpretation is that “solely” means that lack of time and geographical restraints may not be the “sole” reason a court invalidates a confidentiality agreement but that the absence of such a provision may be a factor considered with other factors to invalidate the agreement. For example, a court may not invalidate a confidentiality agreement on the grounds that it contains no duration restriction. But, the lack of restriction, in addition to an overly broad list of trade secrets, or some other compelling circumstance, in addition to the lack of restriction may be used as a basis to invalidate the nondisclosure agreement.

IV. Impact

ITSA will have at least three aggregate effects on future Illinois trade secret

336. See supra notes 323-32 and accompanying text (discussing which of the two is the proper interpretation).
litigation. First, the Act provides improved stability in this area of the law. It returns Illinois to the “mainstream” of trade secret law. In addition to the availability of additional remedies for trade secret misappropriation, trade secrets, now codified by definition under the Act, will be more readily ascertainable. Cases interpreting the definition under the Act will now be decided more uniformly. Similarly, cases decided under another state’s version of the Uniform Act may provide additional guidance where Illinois decisional precedent is sparse.

Second, if section 8(b)(1) is interpreted to require either time or territorial limits on the duty not to disclose trade secrets, Illinois might have to face the possibility of businesses declining to locate and/or expand in the state due to a lack of sufficient protection of trade secrets. In this age of instant worldwide communication and competition, it is incredible that Illinois would limit the contractual protection for valuable trade secrets to, for example, Cook and DuPage County or for three years. These limitations, although quite appropriate for covenants not to compete, are not appropriate for confidentiality agreements protecting trade secrets. No well-advised new research business would locate in Illinois if that business’ trade secrets would be less than well protected. Some facilities might decline to expand, or might even relocate, if faced with the possibility that their trade secrets might receive less protection in Illinois.

Third, those seeking to contractually protect trade secrets must pay attention to the drafting aspects of these agreements. In particular, the agreement should pay attention to two areas—the identification of trade secrets and the scope of protection that the agreement provides. Although ITSA sets out the statutory definition of a trade secret, one should not simply name any conceivable protectable information in a confidentiality agreement and hope that the court decides that the information will qualify as a trade secret. Because Illinois, unlike most other states, does not “blue pencil” agreements of this type, it is vital that only proprietary information be included.

337. See supra notes 323-32 and accompanying text (discussing the likelihood of this interpretation).
338. See Benn, supra note 232, at 1; Jager, supra note 245, at 21.
339. See supra notes 28-302 and accompanying text (discussing the differences between covenants not to compete and covenants not to disclose).
340. See supra note 247 (noting that ITSA codified the definition of a trade secret).
341. Aside from identifying information as a trade secret, it is also necessary to treat the information as confidential to insure protection.
342. Although trade secrets are often an important part of a nondisclosure agreement, it should be noted that non-trade secrets may also be contractually protected. When trade secrets and non-trade secrets are protected in the same agreement, they should be separately identified. Also, a severability clause is essential to realize the fullest protection of all the information.
343. See, e.g., Klubeck v. Division Medical X-Ray, Inc., 439 N.E.2d 506, 510 (Ill. App. Ct. 1982) (noting that, while the intent of the parties always governs, the separate clauses of a contract bargained for as a whole are generally not severable).
A second caveat is that, although it seems likely that the Illinois legislature intended to require neither time nor geographical restrictions on contractual duties not to disclose trade secrets, at least one Illinois appellate court seems to have sidestepped what is arguably the legislature's intentions. Although this issue is ripe for a definitive answer from the Supreme Court of Illinois, perhaps for the moment the wary drafter might include either a time or geographical limitation. If it is relatively reasonable to project the length of time in the particular area a trade secret is likely to have continued vitality, it might be especially wise to include the less restrictive of the two. Also, given the potential conflict between Disher and ITSA, the wise drafter should include a severability clause in the agreement.

CONCLUSION

Illinois trade secret doctrine is elusive at best. ITSA, while not without ambiguity itself, is a step in the right direction towards clarifying a confusing and complicated body of law. ITSA not only offers a workable definition of a trade secret, but also provides a trade secret owner with a variety of remedies to meet her specific needs. These remedies are especially important in that the provisions for allowing attorney's fees and damages, in addition to injunctions, will provide a larger group of persons with access to the judicial system to seek redress of trade secret wrongs. The illumination that ITSA provides in these areas, however, is somewhat offset by the ambiguities present in the provisions of ITSA expressing the legislature's intended effect of the Act on contractual agreements not to disclose trade secrets.

Illinois courts confuse the issue by blurring the distinctions between non-competition and nondisclosure agreements. Although the Illinois legislature made an attempt to rectify the situation through adoption of ITSA, that attempt continues to be aborted by post-ITSA decisions that continue to impose time and geographical limitations on agreements to protect the nondisclosure of trade secrets and other confidential information.

A conservative drafting approach would subject trade secret protection to a writing with some limitation imposed on the scope of nondisclosure. Certainly the propriety of including a time and/or a geographical limitation on a contractual duty not to disclose is subject to debate.

Illinois courts must continue to focus on clarifying the relationship between ITSA enforcement and the contractual protection of confidential information. This clarification may be necessary in a highly competitive environment to avoid business relocation out of Illinois to states allowing unlimited protection.

344. Not only will an overinclusive list compromise the entire agreement, but it might result in unnecessary administrative costs as well. See Hautman & Sullivan, supra note 1, at 254.
345. No court has yet been faced with interpreting a confidentiality agreement for trade secrets under ITSA. In the meantime, drafters of confidentiality agreements should take a cautious approach.
while accomplishing ITSA's dual purposes of maintaining commercial morality and encouraging innovation and invention.

Caroline Patricia Jamieson