

TRADE SECRETS IN INDIANA: PROPERTY VS. RELATIONSHIP

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INTRODUCTION

It is no secret that intellectual property is currently one of the fastest-growing areas of legal practice. In this increasingly competitive world, businesses are continually striving to differentiate themselves from their competitors. Frequently, innovation—a new product (or at least a new feature) or a new service—is the key to differentiation. When a business has invested in developing something innovative, it wants to protect that investment. Legally, the different forms of available protection primarily include copyrights, patents, trademarks, trade dress, and trade secrets. This Article will address the law of trade secrets in Indiana.

Historically, there have been two competing views of trade secret law in the United States, the “relationship” view and the “property” view.¹ Under the relationship view, a plaintiff can successfully assert a claim for theft of trade secrets against a defendant who misappropriated the plaintiff’s information to which the defendant had access because of a confidential relationship, such as employment.² Because of the abuse of the confidential relationship, the plaintiff can prevail even if the information is not otherwise secret.³ In contrast, under the property view the plaintiff’s information must be secret for the plaintiff to prevail, even if the defendant originally obtained access to the information through a confidential relationship.⁴

This Article will demonstrate that Indiana appears to follow the property view of trade secrets. Indiana has enacted the Uniform Trade Secrets Act,⁵ which adopts the property view, and the vast majority of cases decided by federal courts which apply Indiana law have adopted the property view. Although the Indiana Supreme Court’s decision in *Amoco Production Co. v. Laird*⁶ contains some language that arguably endorses the relationship view,⁷ this Article demonstrates that it is unlikely that the court adopted the relationship view in that decision: to do so, the court would have ignored the Indiana Uniform Trade Secrets Act, which it was interpreting, and the court did not even cite any of the federal cases

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1. See Miles J. Feldman, *Toward a Clearer Standard of Protectable Information: Trade Secrets and the Employment Relationship*, 9 HIGH TECH. L.J. 151, 163 (1994).

2. *Id.* at 162.

3. *Id.*; see also *infra* note 11 and accompanying text.

4. Feldman, *supra* note 1, at 163.

5. IND. CODE §§ 24-2-3-1 to -8 (1993).

6. 622 N.E.2d 912 (Ind. 1993).

7. See *infra* notes 86-89 and accompanying text.

on point.

I. RELATIONSHIP VS. PROPERTY: A BATTLE OF LEGAL GIANTS

The “relationship” view of trade secrets is often attributed to the 1917 opinion of Justice Holmes in *E.I. Du Pont De Nemours Powder Co. v. Masland*.⁸ Du Pont sued Masland to prevent him from disclosing alleged trade secrets he had learned during his employment.⁹ The district court enjoined Masland from disclosing the alleged secret to potential witnesses or experts before trial and he appealed. The court of appeals reversed, and the Supreme Court granted certiorari.¹⁰ Having noted that the case was presented as a conflict between a property right and the right to defend the case, Justice Holmes wrote:

We approach the question somewhat differently. . . . Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. *Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiff*¹¹

In other words, according to Justice Holmes, Du Pont was entitled to protection against disclosure of its information by Masland, without regard to whether the information was in fact a trade secret, because Masland had acquired the information in a confidential (employment) relationship.¹²

The Seventh Circuit applied the relationship view in *Shellmar Products Co. v. Allen-Qualley Co.*¹³ Allen-Qualley had disclosed an invention (candy bar wrap and the processes and machinery for making it) to Shellmar in confidence.¹⁴ Allen-Qualley obtained an injunction against Shellmar’s use of its methods to produce the wrap.¹⁵ After certain patents had issued which disclosed the wrap and process, Shellmar sought relief from the injunction on the ground the

8. 244 U.S. 100 (1917).

9. *Id.*

10. *Id.* at 102.

11. *Id.* (emphasis added).

12. Sixty-seven years after Justice Holmes’ famous decision in *Masland*, the Supreme Court limited its holding. In *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984), the Supreme Court referred to the quotation in the text as dictum and stated: “Justice Holmes did not deny the existence of a property interest; he simply deemed determination of the existence of that interest irrelevant to resolution of the case.” *Id.* at 1004 n.9. The Court further noted that an earlier opinion by Justice Holmes “had spoken of trade secrets in property terms.” *Id.* (citing *Board of Trade v. Christie Grain & Stock Co.*, 198 U.S. 236, 250-53 (1905)).

13. 87 F.2d 104 (7th Cir. 1936).

14. *Id.* at 105.

15. *Id.* at 104; *see also* *Allen-Qualley Co. v. Shellmar Prods. Co.*, 31 F.2d 293 (N.D. Ill.), *aff’d*, 36 F.2d 623 (7th Cir. 1929).

information was no longer secret.¹⁶ The Seventh Circuit affirmed the district court's denial of relief, however, stating that "the consensus of authority is that by its inequitable conduct [Shellmar] has precluded itself from enjoying [the rights of the general public to] the patent disclosure"¹⁷ Justice Holmes's opinion in *Du Pont v. Masland* was one of the decisions cited by the court in support of this proposition.¹⁸

In contrast to Justice Holmes's relationship view, Judge Learned Hand espoused the property view in *Conmar Products Corp. v. Universal Slide Fastener Co.*¹⁹ Conmar sued Universal for patent infringement and for inducing former employees of Conmar to divulge alleged trade secrets in breach of a confidentiality agreement.²⁰ Out of seven alleged trade secrets, six and part of the seventh were disclosed in patents assigned to Conmar.²¹ In these circumstances, Judge Hand held that the defendant was not liable in the absence of an express agreement to maintain the alleged secrets in confidence after the patents issued:

[W]e do not see why a wrongful inducement to divulge the disclosure before issue should deprive the wrongdoer of his right to avail himself of the patentee's dedication [of the invention to the public] The doctrine must rest upon the theory that it is a proper penalty for the original wrong to deny the wrongdoer resort to the patent; and for that we can find no support in principle. Thus, any possible liability for exploiting whatever the patents in suit disclosed, ended with their issue.²²

In other words, under the property view, "[t]he starting point in every case of this sort is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated."²³ According to Judge Hand, because the patents had put the alleged secrets in the public domain, the defendant could not be liable even if it obtained the information through breach of a confidential relationship.

16. *Shellmar Prods.*, 87 F.2d at 105.

17. *Id.* at 108.

18. *Id.* The court also cited *A.O. Smith Corp. v. Petroleum Iron Works Co.*, 74 F.2d 934 (6th Cir. 1935).

19. 172 F.2d 150 (2d Cir. 1949); *see also* *Picard v. United Aircraft Corp.*, 128 F.2d 632 (2d Cir. 1942) (Hand, J.).

20. *Conmar Prods.*, 172 F.2d at 154.

21. *Id.*

22. *Id.* at 156.

23. *Van Prods. Co. v. General Welding & Fabricating Co.*, 213 A.2d 769, 780 (Pa. 1965) (A footnote citing *E.I. DuPont De Nemours Powder Co. v. Masland*, 244 U.S. 100 (1917), for the relationship view has been omitted.). The *Van Products* court cited *National Starch Products, Inc. v. Polymer Industries, Inc.*, 79 N.Y.S.2d 357 (N.Y. App. Div. 1948), in support of the property view. *Id.*

II. INDIANA AND THE PROPERTY VIEW

Surprisingly, it appears that neither the Indiana Supreme Court nor the Indiana Court of Appeals has ever squarely addressed whether Indiana follows the property or relationship view of trade secrets.²⁴ In 1982, Indiana adopted its version of the Uniform Trade Secrets Act (the “Act”).²⁵ As shown below, the Act follows the property view. Furthermore, seven cases decided by federal courts, applying Indiana law, have actually or at least apparently adopted the property view of trade secrets and only one adopted the relationship view.²⁶

The Act allows both injunctions²⁷ and damages²⁸ for “misappropriation,” which is defined as either (1) the acquisition of or (2) the disclosure or use of a “trade secret” of another under certain circumstances, including breach of a confidential relationship.²⁹ The Act in turn defines a “trade secret” as follows:

“Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique or process, that:

- (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.³⁰

By basing a right to relief on misappropriation and incorporating the definition of trade secret into the definition of misappropriation, the Act adopts the property view. To prove misappropriation, the plaintiff must prove that the device, method, or information at issue qualifies as a trade secret.³¹ If there is no secret,

24. *Donahue v. Permacel Tape Corp.*, 127 N.E.2d 235 (Ind. 1955), and *Westervelt v. National Paper & Supply Co.*, 57 N.E. 552 (Ind. 1900), have been cited as adopting the property view. See ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 1.01[2], at 1-9 (1983). *Donahue* was a non-compete case, not a trade secret case. In *Donahue*, the Indiana Supreme Court stated that trade secrets were property rights that gave an employer a legitimate interest to support a non-compete agreement. 127 N.E.2d at 240. The case did not address whether Indiana follows the property or relationship view of trade secrets. In *Westervelt*, the defendant argued that it should not be liable for using the plaintiff's trade secrets or confidential information because the information was available in published patents. The court held that the defendant had waived the argument, however, by failing to include the evidence in the record on appeal. 57 N.E. at 555. Thus, the issue was presented but not decided.

25. IND. CODE §§ 24-2-3-1 to -8 (1993).

26. See *infra* text accompanying notes 30-87.

27. IND. CODE § 24-2-3-3 (1993).

28. *Id.* § 24-2-3-4.

29. *Id.* § 24-2-3-2.

30. *Id.*

31. “For liability to exist under [the Uniform Trade Secrets Act], a section 1(4) trade secret

then there is no misappropriation (and no claim) under the Act regardless of whether the defendant obtained access to the device, method, or information through a confidential relationship. Under the Act, “[t]he starting point . . . is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated.”³²

The first of several federal cases to apply Indiana law to this question was *Northup v. Reish*.³³ Beginning in early 1945, Northup conceived the idea of using a thin sheet of aluminum foil under food in an oven to catch any drippings.³⁴ In mid-1946, Northup met with Reish and others, all of whom were officers of Consumer Products Corporation. After obtaining Reish’s assurance that he would treat Northup’s idea confidentially, Northup disclosed his idea, samples, and marketing information to Reish, and discussed the possibility of having Consumer Products manufacture the aluminum liners.³⁵ In November 1946, Northup began manufacturing and selling the liners himself. In November 1947, another company began manufacturing and selling the liners for Reish, and Northup sued for patent infringement and unjust enrichment.³⁶

The district court found for Northup on his unjust enrichment claim, but the Seventh Circuit reversed.³⁷ Although purporting to approve of its earlier decisions in *Allen-Qualley* and similar cases, the court stated that those decisions did not apply “where, as here, the plaintiff has made a full disclosure to the public long before the defendant started to manufacture and sell the article.”³⁸ In other words, even though Reish had obtained information about Northup’s product through a confidential relationship, once Northup made the product public, he had no confidential information to be misappropriated and Reish was free to use it.³⁹ Thus, by relying on the nature of the information rather than on the nature of the relationship, *Northup* adopted the property view of trade secrets, its approval and attempted distinction of *Allen-Qualley* notwithstanding.

The second case to consider this question was *Skoog v. McCray Refrigerator Co.*⁴⁰ In *Skoog*, the plaintiffs invented a space-saving cabinet for displaying refrigerated meat in a grocery store.⁴¹ The plaintiffs installed the cabinet in their store in November 1947, and filed a patent application in December 1947.⁴² The

must exist. . . .” Commissioners’ Prefatory Note, *Uniform Trade Secrets Act*, reprinted in ROGER M. MILGRIM, *MILGRIM ON TRADE SECRETS* App. A, at A-2.1 (1993).

32. *Van Prods. Co. v. General Welding & Fabricating Co.*, 213 A.2d 769, 780 (Pa. 1965).

33. 200 F.2d 924 (7th Cir. 1953).

34. *Id.* at 924.

35. *Id.* at 925.

36. *Id.* at 924.

37. *Id.* at 924, 929.

38. *Id.* at 929.

39. Of course, Reish would not have been free to use the information if Northup had obtained a valid patent, but the district court held his patent invalid and Northup did not appeal. *Id.* at 924.

40. 211 F.2d 254 (7th Cir. 1954).

41. *Id.* at 255-56.

42. *Id.* at 256.

following month, the plaintiffs tried to interest McCray Refrigerator in manufacturing the cabinet and eventually sent McCray two pictures of it.⁴³ Despite its response that it had no interest in the plaintiffs' cabinet, McCray came out with a similar product within a year.⁴⁴

The plaintiffs sued McCray for patent infringement and theft of trade secrets.⁴⁵ The plaintiffs argued that McCray had obtained its trade secret through a confidential relationship.⁴⁶ In light of the public display of the cabinet in November 1947, however, the court affirmed a judgment for the defendant:

We think it well established that there can be no confidential disclosure where there has been a prior disclosure to the public without reservation. . . . In *Affiliated Enterprises, Inc. v. Gruber*, the court held that "any property right based upon secrecy was lost as early, at least, as the first public exhibition."⁴⁷

Because the public display of the cabinet preceded any relationship, confidential or otherwise, with McCray, *Skoog* does not clearly adopt either the relationship or property view. The language quoted above is ambiguous. The court could be saying that because the cabinet was displayed publicly (1) there was no confidential relationship, or (2) there was no trade secret.⁴⁸

*Boop v. Ford Motor Co.*⁴⁹ was the next case to address this issue under Indiana trade secret law. Boop alleged that he had developed a new method for mounting a corn picker on a Ford tractor and that Ford had converted his idea.⁵⁰ Judge Steckler held that to prevail on his claim for conversion of trade secrets, Boop had to prove "that the ideas [Ford allegedly] so acquired were new and novel and were utilized," among other things.⁵¹ Finding that Boop's ideas were not "new and novel" as a matter of law, Judge Steckler entered summary judgment for Ford:

43. *Id.*

44. *Id.*

45. *Id.* at 255.

46. *Id.* at 257.

47. *Id.* (citation omitted). Later in its opinion the court also wrote: "As we said in *Smith v. Dravo Corp.*, 'Of course, as the term demands, the knowledge cannot be placed in the public domain and still be retained as a 'secret'. . . . That which has become public property cannot be recalled to privacy.'" *Id.* (citation omitted).

48. The plaintiffs' evidence of a confidential relationship was weak: the plaintiffs initially wrote McCray and offered to disclose their invention; McCray wrote back and stated it was always interested in something new, but disclaimed any obligations until it had determined that the plaintiffs had an invention; the plaintiffs then sent a picture of their cabinet to McCray without any reference to McCray's letter (or to confidentiality). *Id.* at 256.

49. 177 F. Supp. 522 (S.D. Ind. 1959), *aff'd*, 278 F.2d 197 (7th Cir. 1960).

50. *Id.* at 524. Boop also relied on theories of breach of contract and fraud. *Id.*

51. *Id.* at 526. The Seventh Circuit agreed with Judge Steckler on this point. *Boop*, 278 F.2d at 199-200.

The real question in this case is whether Boop's pickers contained any new and novel ideas which Ford utilized. On this there really is no genuine issue of fact. The affidavit of Clarence Richey contains reference to six patents It is well settled that disclosures in patents are matters in the domain of public knowledge.

. . . .

Without analyzing these patents in detail, it is apparent that all of the principal features of Boop's two pickers, and indeed much more, is disclosed by the patents.⁵²

By entering summary judgment for Ford based solely on Boop's failure to raise an issue of fact on whether his ideas were new, Judge Steckler followed the property view. Further evidence that Judge Steckler applied the property view in *Boop* lies in his holding that whether Ford had been in any confidential relationship with Boop was irrelevant to the proper decision of the case.⁵³

The next federal court case to adhere to the property view of trade secrets as the law in Indiana was *Nickelson v. General Motors Corp.*⁵⁴ In that case, defendant Crull had worked with the chrome plating process for several years, including twelve years for a division of GM.⁵⁵ In 1953, Crull left GM and went to work in Texas.⁵⁶ While in Texas, he developed a secret process for chrome plating tools, called the "Armoloy Process", and convinced Monarch Manufacturing Company to invest the money to develop the process.⁵⁷ In 1955, he assigned the process to Monarch and entered a contract in which he agreed not to disclose the process for ten years.⁵⁸ After Monarch's successor⁵⁹ discontinued its chrome plating operation in September 1958, Crull went to work for Delco-Remy where he used the "Armoloy Process" under another name.⁶⁰ The plaintiff, Nickelson, purchased the Armoloy division from Monarch's successor in October 1958, and later sued Crull for breach of a confidential relationship in disclosing the "Armoloy Process" to Delco-Remy, and sued GM for improperly

52. 177 F. Supp. at 530 (citing *Conmar Prods. Corp. v. Universal Slide Fastener Co.*, 172 F.2d 150 (2d Cir. 1949)). Later in the opinion Judge Steckler wrote that "an examination of the mass of material in the affidavits indicates that there are no major features of either of the Ford pickers which were not disclosed in either issued patents or competing pickers." *Id.* at 531. Again, the Seventh Circuit agreed. *Boop*, 278 F.2d at 200.

53. 177 F. Supp. at 529.

54. 361 F.2d 196 (7th Cir. 1966).

55. *Id.* at 197.

56. *Id.*

57. *Id.* at 197-98.

58. *Id.* at 198.

59. Monarch merged with Fort Worth Steel and Machinery in 1955. *Id.*

60. *Id.*

using the alleged trade secret.⁶¹

Even though Crull had been employed by Monarch and its successor, had assigned the “Armoloy Process” to Monarch, and had agreed in writing not to disclose the process for ten years, the district court found for the defendants (and the Seventh Circuit affirmed) because there was no trade secret.⁶² The Seventh Circuit summarized its analysis as follows:

The [District] Court also found, as facts, that all of the steps specified in the “Armoloy Process” were known in and used by the chrome plating industry before Crull was employed by Monarch Manufacturing Company. The Court further found that the process used at Delco-Remy after Crull’s employment there, did not utilize anything not previously known to defendant General Motors.

The Restatement of the Law of Torts, Section 757, Comment (b) states: “The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret.”⁶³

The *Nickelson* decision thus applied the property view because the starting (and ending) point of the Seventh Circuit’s analysis was whether the “Armoloy Process” was a secret. The facts that Crull had agreed not to disclose the process and had been in a confidential relationship with the plaintiff’s predecessor in interest, facts which would have been dispositive in favor of the plaintiff under the relationship view, were irrelevant to the court’s analysis.

The fifth federal case on this issue was *Koehring Co. v. National Automatic Tool Co.*⁶⁴ Koehring sued NATCO for patent infringement and theft of trade secrets.⁶⁵ On the trade secret claim, Koehring alleged that certain former employees (Powell, Norman and Sherer) had left Koehring, joined NATCO, and taken to NATCO prints of Koehring drawings, “Supplements to Proposals” showing performance data of Koehring machines, an “Engineering Standards Book,” and a “Data Book.”⁶⁶ Judge Dillin found that certain information related to two patents had been confidential.⁶⁷ He further held, however, that Koehring failed to prove that any other information was a trade secret:

The layout, assembly and some detail prints were freely furnished to purchasers; the “Supplements to Proposals” were widely distributed by the sales force; and the Standards Book contained primarily material to be found in any textbook on engineering. The Data Book contained

61. *Id.*

62. *Id.* at 199.

63. *Id.*

64. 257 F. Supp. 282 (S.D. Ind. 1966), *aff’d*, 385 F.2d 414 (7th Cir. 1967).

65. *Id.* at 285.

66. *Id.* at 291.

67. *Id.*

prints of detail drawings, but the machines to which such prints pertained were sold to the public, so that the details could have been obtained by disassembly, measurement and analysis *There can be no confidential information or trade secret in that which has previously been disclosed to the public without reservation.*⁶⁸

Although Judge Dillin rejected Koehring's tort claim for theft of trade secrets, he did allow Koehring to recover for unjust enrichment because the defendant "obtained the benefit of its employees' unwarranted use of the [Koehring] materials."⁶⁹ It is unclear from the opinion whether this unwarranted use related to the confidential information from the two patents or use of the non-confidential information. Judge Dillin's opinion was affirmed on appeal.⁷⁰

*Eaton Corp. v. Appliance Valves Co.*⁷¹ was the next federal decision on this question. Eaton manufactured water inlet valves for dishwashers and other appliances.⁷² Donahue and Krzewina were Eaton employees who had signed confidentiality agreements.⁷³ After working for Eaton for several years, Donahue and Krzewina decided to form their own company, Appliance Valves ("AVC").⁷⁴ On AVC's first day of manufacturing water inlet valves, Eaton sued for misappropriation of trade secrets, among other things.⁷⁵

Judge Sharp found that Eaton had failed to prove that the defendants had stolen any trade secrets:

The AVC valve does not incorporate any features of the Eaton valve which may properly be claimed as trade secrets of Eaton or confidential information. All of the features of the Eaton valve are either on file in the U.S. Patent Office and disclosed as patents, expired or unexpired, or in patent applications, or they can be discovered by any knowledgeable person reasonably skilled in the industry from an examination of any one of the millions of Eaton valves available in the market or from customers of Eaton, or from an examination of the similar Horton or Singer valves.⁷⁶

Even though Donahue and Krzewina had been in a confidential relationship with Eaton, Judge Sharp's factual findings were fatal to Eaton's claim. In an earlier opinion denying Eaton's motion for preliminary injunction, Judge Sharp wrote:

The law of trade secrets requires a showing that a business'

68. *Id.* (emphasis added) (citing *Skoog v. McCray Refrigerator Co.*, 211 F.2d 254 (7th Cir. 1954); *Northup v. Reish*, 200 F.2d 924 (7th Cir. 1953)).

69. *Id.*

70. *See Koehring*, 385 F.2d at 414.

71. 634 F. Supp. 974 (N.D. Ind. 1984), *aff'd*, 790 F.2d 874 (Fed. Cir. 1986).

72. *Id.* at 976.

73. *Id.* at 978.

74. *Id.* at 977.

75. *Id.* at 976, 978.

76. *Id.* at 979.

information is secret before a court will enforce efforts to prevent disclosure or use of such information. As stated in *Smith v. Dravo Corp.*, “Knowledge cannot be placed in the public domain and still be retained as a ‘secret’ That which has become public property cannot be recalled to privacy.”⁷⁷

Judge Sharp adhered to this view after the trial on the merits.⁷⁸ The Federal Circuit affirmed Judge Sharp’s opinion.⁷⁹

The seventh and final federal case on this issue is another opinion by Judge Dillin, *Eli Lilly & Co. v. EPA*.⁸⁰ Lilly submitted certain data to the EPA under the provisions of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”).⁸¹ After certain amendments to FIFRA in 1972, “Lilly was explicitly assured that the EPA would not disclose publicly, or consider in connection with the application of another, any data submitted by Lilly, if both Lilly and the EPA determined the data to constitute trade secrets.”⁸² In light of this assurance, Judge Dillin held that if the EPA disclosed Lilly’s confidential data or considered it in connection with another company’s application, “[s]uch disclosure or consideration of research data, to the extent such data are cognizable as a trade secret property right under Indiana law . . . would constitute a ‘deprivation’ of property.”⁸³ In other words, even though the EPA had an obligation of confidentiality, its disclosure or use of Lilly’s data would not have deprived Lilly of property unless “such data [were] cognizable as a trade secret property right under Indiana law.”⁸⁴ The starting point was whether Lilly had a trade secret to protect, and this is the property view.

In contrast to this long line of federal cases applying Indiana law and adopting the property view, the only federal case which purports to apply Indiana law and adopts the relationship view is *In re Uni-Services, Inc.*⁸⁵ In *Uni-Services*, the trustee in Uni-Services’s bankruptcy proceeding sued the debtor’s former president, Dudenhoffer, to enjoin him from competing against the debtor. In the course of its analysis, the Seventh Circuit wrote:

Our inquiry is not how others could have acquired the data; but rather, how did Dudenhoffer acquire it? Dudenhoffer gained his knowledge of Crystal’s trade data in confidence. Use of information gained through lawful inspection and surveillance cannot be restricted;

77. *Eaton Corp. v. Appliance Valves Corp.*, 526 F. Supp. 1172, 1179 (N.D. Ind. 1981) (citations omitted), *aff’d*, 688 F.2d 842 (7th Cir. 1982) (citing *Skoog v. McCray Refrigerator Co.*, 211 F.2d 254 (7th Cir. 1954)).

78. 634 F. Supp. at 986.

79. *See Eaton*, 790 F.2d at 874.

80. 615 F. Supp. 811 (S.D. Ind. 1985).

81. 7 U.S.C. §§ 136-136y (1994).

82. 615 F. Supp. at 820.

83. *Id.*

84. *Id.*

85. 517 F.2d 492 (7th Cir. 1995).

use of the same information disclosed in confidence may be restricted.⁸⁶

By framing the issue as how Dudenhoffer acquired an alleged trade secret, and not how others could have acquired it, the Seventh Circuit endorsed the relationship view. *In re Uni-Services* should not be persuasive as a statement of Indiana law, however. First, the Seventh Circuit relied solely on *Smith v. Dravo Corp.*⁸⁷ as support for this proposition.⁸⁸ *Smith v. Dravo Corp.*, however, applied Pennsylvania law, not Indiana law.⁸⁹ Second, the *Uni-Services* court did not distinguish, discuss, or even cite any of the other federal cases, reviewed above, which have adopted the property view as Indiana law.

In 1993, the Indiana Supreme Court rendered its landmark decision in the trade secret case of *Amoco Production Co. v. Laird*.⁹⁰ The court held that “where the duplication or acquisition of alleged trade secret information requires a substantial investment of time, expense, or effort, such information may be found ‘not being readily ascertainable’ so as to qualify for protection under the Indiana Uniform Trade Secrets Act.”⁹¹ The supreme court rejected the Indiana Court of Appeals’ standard that information had to be “economically infeasible” to acquire in order to qualify as a trade secret.⁹²

In its analysis of the meaning of “not readily ascertainable,” the court reviewed the law of several other states. The court observed that in Illinois “[e]ven if information potentially could have been duplicated by other proper means, it is no defense to claim that one’s product could have been developed independently of plaintiff’s, if in fact it was developed by using plaintiff’s proprietary designs.”⁹³ Since the decision in *Amoco Production*, some lawyers appear to have construed this portion of the supreme court’s opinion to have adopted the relationship view. For example, one author has written that *Amoco Production* rejects “a simple hindsight test of what ‘could have’ been.”⁹⁴ While not explicit (and perhaps not intended), this quotation suggests that *Amoco Production* endorsed the relationship view because it held that even if the defendant could have gotten the information from a public source (so there was no secret), the defendant is liable if it obtained the alleged trade secret through abuse of a confidential relationship.

For several reasons, *Amoco Production* does not support the relationship

86. *Id.* at 496.

87. 203 F.2d 369 (7th Cir. 1953).

88. *See In re Uni-Services*, 517 F.2d at 496.

89. *See Dravo Corp.*, 203 F.2d at 373.

90. 622 N.E.2d 912 (Ind. 1993).

91. *Id.* at 919.

92. *Id.* at 917-19. The economic infeasibility standard first appeared in *Xpert Automation Sys. Corp. v. Vibromatic Co.*, 569 N.E.2d 351 (Ind. Ct. App. 1991).

93. *Amoco Prod.*, 622 N.E.2d at 918 (quoting *Televation Communication Sys., Inc. v. Saindon*, 522 N.E.2d 1359, 1365 (Ill. App. Ct. 1988)).

94. Charles R. Reeves, *Survey of Indiana Trade Secret Law: UTSA Survives an Eleventh-Year Scare*, 27 IND. L. REV. 1193, 1193 (1994).

view as the law in Indiana. First, the Indiana Supreme Court did not reject a “could have” test in *Amoco Production*. Indeed, the court’s holding was that information is “not readily ascertainable” within the meaning of the Act if duplicating the information requires a substantial investment of time, money, or effort.⁹⁵ A corollary of this holding is that the information is not a trade secret if the defendant could have duplicated the information without a substantial investment of time, money, or effort. Under the Act, if the information is not a trade secret, the defendant is not liable even if the defendant obtained access to the information as a result of a confidential relationship.⁹⁶ Thus, the defendant is not liable where it could have obtained the information without substantial effort or expense.

The second reason *Amoco Production* does not support the relationship view is that, as shown above, the Act adopts the property view. The court was interpreting the Act in *Amoco Production*, and it is unlikely the court would intentionally depart from the scheme adopted by the legislature. It is even less likely that it would do so *sub silentio*. The third reason is related. The majority of states follow the property view.⁹⁷ In *Amoco Production*, the court expressly recognized that “Indiana legislators, adopting the UTSA, sought the uniform application of UTSA definitions of trade secret consistent with the application of the act in other adopting jurisdictions.”⁹⁸ It is highly unlikely that the court would depart from the law in a majority of states in an opinion which acknowledges that the Indiana General Assembly wanted to adhere to a uniform view.

A fourth reason that *Amoco Production* did not endorse the relationship view is that the court did not discuss the relationship and property views and did not even cite any of the federal cases discussed above, which applied the property view, as the law of Indiana. It is unlikely the court would have adopted the relationship view, and rejected the property view, without citing any of these cases.

A final reason that *Amoco Production* should not be read to adopt the relationship view is that the quotation above,⁹⁹ which arguably endorses that view, was simply part of the court’s review of the law of other states on the meaning of “not readily ascertainable.”¹⁰⁰ The court did not necessarily approve

95. See *supra* note 91 and accompanying text.

96. IND. CODE § 24-2-3-1 (1993).

97. See, e.g., MILGRIM, *supra* note 24, § 1.01[2]. Some of the cases cited by Milgrim include *National Surety Corp. v. Applied Sys., Inc.*, 418 So. 2d 847 (Ala. 1982); *State Dep’t Natural Resources v. Arctic Slope Reg’l Corp.*, 834 P.2d 134 (Alaska 1991); *Greenly v. Cooper*, 143 Cal. Rptr. 514 (Cal. Ct. App. 1978); *Thomas v. Best Mfg. Corp.*, 218 S.E.2d 68 (Ga. 1975); *Murphy v. Murphy*, 328 N.E.2d 642 (Ill. App. Ct. 1975); *Mann v. Tatge Chem. Co.*, 440 P.2d 640 (Kan. 1968); *Vigitron, Inc. v. Ferguson*, 419 A.2d 1115 (N.H. 1980); *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.*, 492 N.E.2d 814 (Ohio 1986).

98. *Amoco Prod.*, 622 N.E.2d at 917 (footnote omitted).

99. See *supra* note 93 and accompanying text.

100. See *Amoco Prod.*, 622 N.E.2d at 918-19.

of any of the decisions by other courts that it reviewed. Indeed, the only conclusion the court drew from the review is that no other jurisdiction had adopted the “economically infeasible” standard applied by the Indiana Court of Appeals.¹⁰¹ The supreme court rejected this standard in part because it would have been “unique to Indiana.”¹⁰² Thus, the court’s reference to an Illinois case cannot be removed from its context and asserted as the law of Indiana.

For these reasons, Indiana appears to follow the property view of trade secrets. If the product, method, or information alleged to be a trade secret is not in fact secret, the defendant cannot be liable for misappropriation of a trade secret regardless of how it obtained the product, method or information from the plaintiff.¹⁰³ Furthermore, Indiana courts should follow the property view. Most importantly, the Indiana General Assembly enacted the property view into law when it passed the Act. The property view is also consistent with the Patent Act.¹⁰⁴ A person who receives a patent obtains a statutory right to exclude others from making or practicing his or her invention for the statutory period.¹⁰⁵ Subject to that limited right, however, the information in the patent becomes part of the public domain. All are free to use it, even if they first learned it through a confidential relationship with the patentee.¹⁰⁶ Thus, the property view of trade secrets is the better view, which no doubt accounts for its current status as the majority view among the states, including Indiana.

101. *Id.* at 919.

102. *Id.*

103. The defendant may be liable for some other tort, such as conversion, but other possible grounds of liability are beyond the scope of this article.

104. 35 U.S.C. §§ 1-376 (1994).

105. *Id.* §§ 271, 281.

106. *See, e.g.,* Conmar Prods. Corp. v. Universal Slide Fastener Co., 172 F.2d 150, 155 (2d Cir. 1949).