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TRADE SECRET LITIGATION AND FREE SPEECH: IS IT TIME TO RESTRAIN THE PLAINTIFFS?

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Abstract: Trade secret misappropriation litigation is often criticized for its negative effects on competition and speech. In particular, some accuse plaintiff trade secret owners of filing complaints for the purpose of running competitors out of business, or restraining individuals from discussing matters which are unfavorable. This Article enters the discussion to critically assess whether there is reason to consider restricting these actions. It concludes that trade secret litigation on the whole does not inappropriately impinge on speech rights. Even if certain cases come closer to offending defendants' free speech rights, these occasions and the concerns they raise are not unique to trade secret law. Instead, they stem from the broader issue of litigation misuse in civil and intellectual property cases. Indeed, there are particular reasons not to be overly concerned about trade secret actions because existing litigation safeguards, when properly applied, minimize the risk of free speech incursions.

INTRODUCTION

Trade secret misappropriation lawsuits are often criticized for their negative effects on competition and speech. In particular, some critics accuse plaintiff trade secret owners of filing complaints for the purposes of running competitors out of business or restraining individuals from discussing matters which are unfavorable to the plaintiff.¹ This

* © 2009, Elizabeth A. Rowe, Associate Professor of Law, University of Florida, Levin College of Law. I am very grateful to Jacqueline Lipton, Mary Jane Angelo, Lea Johnston, Lyrissa Lidsky, and Robert Milligan for comments or conversations on earlier drafts of this work. I also thank participants at the Publicity, Privacy, and Intellectual Property Meet the First Amendment Symposium at Boston College Law School, as well as the editors of the *Boston College Law Review* for their editorial work on this piece. Mi Zhou, Constance Jones, Jonathan Blocker, and Rachelle Bergeron provided excellent research assistance. Finally, thank you to the University of Florida, Levin College of Law, for its research support.

¹ See, e.g., Lyrissa Barnett Lidsky & Thomas F. Cotter, *Authorship, Audiences, and Anonymous Speech*, 82 NOTRE DAME L. REV. 1537, 1556 (2007) (noting that targets of criticism often retaliate by suing the speaker for tortious acts such as defamation or disclosure of trade secrets); Margo E.K. Reder & Christine Neylon O'Brien, *Corporate Cybersmear: Employers File John Doe Defamation Lawsuits Seeking the Identity of Anonymous Employee Internet Posters*, 8

Article assesses whether there is reason to consider restricting trade secret holders' litigation rights in light of free speech criticisms. The Article is not about application of the First Amendment in trade secret cases.² Rather, it takes on the separate question of whether trade secret litigation results in a chilling effect that so offends free speech values as to justify restricting such litigation.

The Article concludes that trade secret litigation on the whole does not inappropriately impinge on speech rights. The fundamental nature of trade secret rights, in particular the underlying proprietary and corporate privacy interests, helps illustrate why free speech issues do not pose an overriding concern sufficient to justify restrictions on trade secret litigation. Even if certain cases come closer to offending defendants' speech rights, these occasions and the concerns they raise are not unique to trade secret law. Instead, they stem from the broader issue of litigation misuse in civil and intellectual property cases. Accordingly, any modifications are best addressed in the context of general litigation reform rather than singling out trade secret cases. Indeed, there are particular reasons not to be overly concerned about trade secret actions because existing litigation safeguards, when properly applied, minimize the risk of free speech incursions.

A. *The Scientology Cases*

One set of trade secret misappropriation cases probably best represents the kind of objectionable conduct that potentially interferes with free speech. The Church of Scientology ("Scientology") has filed numerous lawsuits through the entity that owns its intellectual property, Religious Technology Center ("RTC"), to prevent revelation of unpublished writings of Scientology founder L. Ron Hubbard. Scientology has continuously fought the revelation of its trade secrets, claiming that its secret Operating Thetan or Advanced Technology documents could be misunderstood by outsiders who have not taken Scientology courses to achieve "higher consciousness."³ The Scientology cases provide snap-

MICH. TELECOMM. TECH. L. REV. 196, 201 (2002) ("In order to silence their employees and investor critics, corporations have filed lawsuits under a variety of legal theories, including . . . trade secrets . . .").

² Many scholars have already addressed this issue. See *infra* note 61 and accompanying text.

³ *Church of Scientology Protects Secrets on the Internet*, Aug. 26, 1995, <http://www.cnn.com/US/9508/scientology/>.

shots of a plaintiff using trade secret litigation⁴ in an objectionable manner.

In the *Religious Technology Center v. Lerma* litigation, the U.S. District Court for the Eastern District of Virginia determined in 1995 that “the primary motivation of RTC in suing [the defendants] is to stifle criticism of Scientology in general and to harass its critics.”⁵ The court noted that “[a]s the increasingly vitriolic rhetoric of its briefs and oral argument now demonstrate, the RTC appears far more concerned about criticism of Scientology than vindication of its secrets.”⁶ The court also concluded that RTC was attempting not just to control the expression of Scientology’s ideas, but also all comments about those ideas.⁷

When RTC first appeared before the court in *Lerma* seeking ex parte motions for a temporary restraining order and to permit seizure of Lerma’s property, the court allowed the motions.⁸ As the litigation progressed and the court became aware of RTC’s motives, however, the court expressed regret at having made those rulings.⁹ Specifically, the court found:

[T]he motivation of plaintiff in filing this lawsuit against the [Washington] Post is reprehensible. Although the RTC brought the complaint under traditional secular concepts of copyright and trade secret law, it has become clear that a much broader motivation prevailed—the stifling of criticism and dissent of the religious practices of Scientology¹⁰

Even during oral arguments, RTC’s counsel made arguments that seemed of little or no relevance to the substantive trade secret claims, but were more about objecting to criticisms of Scientology.¹¹

In the series of cases constituting the *Religious Technology Center v. Scott* litigation, the church also proceeded with aggressive litigation tactics.¹² The pretrial litigation continued for an astounding nine years and

⁴ RTC’s trade secret claims were often accompanied by copyright claims as well. See, e.g., *Religious Tech. Ctr. v. Lerma (Lerma IV)*, 40 U.S.P.Q.2d (BNA) 1569, 1572 (E.D. Va. 1996); *Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs. (Netcom II)*, 923 F. Supp. 1231, 1239 (N.D. Cal. 1995).

⁵ *Religious Tech. Ctr. v. Lerma (Lerma III)*, 908 F. Supp. 1353, 1360 (E.D. Va. 1995).

⁶ *Id.*

⁷ See *id.*

⁸ *Id.* at 1355, 1361–62.

⁹ See *id.* at 1361.

¹⁰ *Religious Tech. Ctr. v. Lerma (Lerma II)*, 908 F. Supp. 1362, 1368 (E.D. Va. 1995).

¹¹ See *Lerma III*, 908 F. Supp. at 1360.

¹² See *Religious Tech. Ctr. v. Scott*, Nos. 94-55781, 94-55920, 1996 WL 171443, at *1 (9th Cir. 1996).

involved “three discovery magistrates, a special master, the recusal of two district court judges, the denial of five petitions for writ of mandamus, three appeals, . . . and three denials of certiorari by the Supreme Court”¹³ Final judgment was eventually entered by the third district judge to sit on the case.¹⁴ The court not only found Scientology’s conduct reprehensible enough to dismiss its claim, but it also found that its conduct warranted granting one of the defendants \$2.9 million in attorney’s fees.¹⁵ Part V of this Article will revisit these cases and explain how they fit with the main arguments leading to my conclusion.¹⁶

B. *This Article’s Approach*

Although the Scientology cases serve as an interesting illustration of the problem, any solution requires a more nuanced examination of the interrelated factors at play in trade secret litigation. Accordingly, Part I explains the nature of trade secret cases and the contexts within which they commonly arise.¹⁷ In addition, Part I provides a primer on the fundamental nature of trade secret law and discusses the property and commercial privacy interests that often frame these cases.¹⁸ Part II analyzes the relevant First Amendment issues associated with trade secret litigation, including not only defendants’ right to free speech but also plaintiff trade secret owners’ right to petition the government for redress of grievances.¹⁹ Part III demonstrates that misuse of litigation is not unique to trade secret law, and that the other areas of intellectual property litigation (patent law, trademark law, and copyright law) suffer from the same concerns.²⁰

In Part IV, the Article argues that existing litigation safeguards in trade secret cases offer further measures that serve to minimize First Amendment harms.²¹ The challenge is to apply these standards with sufficient rigor to achieve the optimal balance between plaintiff trade secret holders’ rights and defendants’ free speech rights, thus reducing possible misuse. The Article also suggests that other pre-litigation considerations, such as the costs of seeking injunctions and the risks of ex-

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *See id.* at *5. The U.S. Court of Appeals for the Ninth Circuit upheld the award. *Id.* at *7.

¹⁶ *See infra* notes 146–157 and accompanying text.

¹⁷ *See infra* notes 24–38 and accompanying text.

¹⁸ *See infra* notes 39–59 and accompanying text.

¹⁹ *See infra* notes 60–83 and accompanying text.

²⁰ *See infra* notes 84–118 and accompanying text.

²¹ *See infra* notes 119–135 and accompanying text.

posing trade secrets in the litigation process, serve as a check on possible overuse of trade secret claims for illegitimate purposes.²²

After setting forth the arguments why existing procedural, substantive, and practical considerations appear adequate to curb free speech incursions, Part V applies the arguments to the most problematic scenario, the Scientology cases.²³ Finally, the Article concludes that because these free speech concerns are not more troublesome in, or unique to, trade secret litigation, and existing safeguards can minimize the problem, restrictions on trade secret misappropriation suits would not be advisable.

I. UNDERSTANDING TRADE SECRET LAWSUITS

The majority of trade secret cases are not factually similar to the Scientology cases because they are born out of business relationships between the parties, arising mostly in the employment context. Courts have consistently recognized an employer's right to protect and preserve trade secrets, as well as confidential and proprietary information.²⁴ An employer has a recognized business interest in protecting trade secrets disclosed in confidence to an employee during the course of her employment even where there is no enforceable restrictive covenant between the parties.²⁵ As one court notes, however, "[the] protection given to trade secrets is a shield . . . for the preservation of trust in confidential relationships; it is not a sword to be used by employers to retain employees by the threat of rendering them substantially unemployable"²⁶ Accordingly, careful consideration must be given to protecting trade secrets in a way that does not unreasonably impinge on employees' and other users' rights.

In addition to the employer-employee cases, many trade secret cases involve actions between competitors. One of the goals of trade secret law is "[t]he maintenance of standards of commercial ethics."²⁷ Thus, while competition is a valued part of doing business, trade secret laws establish boundaries to ensure that this competition is not done unfairly. Just as it would not be fair for a company to break into its competitor's locked safe to steal its secret formula, so it is unfair to mis-

²² See *infra* notes 136–145 and accompanying text.

²³ See *infra* notes 146–157 and accompanying text.

²⁴ See, e.g., *New England Canteen Serv., Inc. v. Ashley*, 363 N.E.2d 526, 528 (Mass. 1977); *Steens & Co. v. Stiles*, 71 A. 802, 805–06 (R.I. 1909).

²⁵ See, e.g., *Steens*, 71 A. at 805–06.

²⁶ *E.W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1112–13 (8th Cir. 1969).

²⁷ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974).

appropriate a competitor's trade secrets by hiring a former employee who will disclose those secrets. Accordingly, courts must strike the appropriate balance between anti-competitive conduct and trade secret protection in deciding trade secret cases.

A. Illustrative "Problematic" Cases

The kinds of trade secret cases that draw criticism appear to fall into two main categories. I label those "sword" cases and "shield" cases: Sword cases involve preventing others from divulging or using alleged trade secrets. Shield cases include claims made to protect trade secrets from revelation to a third party or to the public.²⁸ This paper will focus on the sword cases, because those are the cases more likely to raise free speech concerns.

The application of trade secret law as a silencing sword has been varied. Sometimes the silencing is direct, like applying a muzzle. In the 2001 Kansas Court of Appeals case, *Farmer's Group, Inc. v. Lee*, for example, an employer tried to prohibit a former employee from assisting prosecution of claims against the employer, arguing that the testimony related to the employer's trade secrets.²⁹ Similarly, in the 1994 U.S. Supreme Court case *CBS, Inc. v. Davis*, a meat-packing company sued CBS to prevent its telecast of videotape footage taken at the company's factory, alleging a violation of the Uniform Trade Secrets Act.³⁰

At other times, the silencing is more indirect, as when companies try to protect reputational or business interests. In the 2001 New Jersey Superior Court case *Dendrite International, Inc. v. Doe No. 3*, Dendrite International sought to compel disclosure of the identities of anonymous Internet users on various grounds, including defamation and trade secret misappropriation.³¹ Dendrite claimed the users posted false messages on Yahoo! message boards about management, accounting practices, and efforts to sell the company.³² There is also the more common scenario where employers sue former employees who leave to start a competing business or join a competitor. In the 2001 California Superior Court case, *Paperloop.com, Inc. v. GOW*, the plaintiff filed a trade secret misappropriation claim against former employees who started a

²⁸ In a forthcoming paper, I will analyze the shield cases and explore what might be appropriate legal rules and standards to govern compelled disclosures of trade secrets.

²⁹ 28 P.3d 413, 416 (Kan. Ct. App. 2001). The court rejected the argument. *Id.* at 420.

³⁰ 510 U.S. 1315, 1316 (1994). The court rejected the argument. *Id.* at 1318.

³¹ 775 A.2d 756, 759–60 (N.J. Super. Ct. App. Div. 2001). The case was decided primarily on the defamation claims. *See id.* at 760–61.

³² *Id.* at 762–63.

competing website, but the employees filed a motion to strike, arguing that the real purpose of the employer's lawsuit was not to protect trade secrets but to "silence its competition."³³

Many actions involve lawsuits over the alleged posting of trade secrets on the Internet.³⁴ One well-known example is the 2003 California Supreme Court case, *DVD Copy Control Ass'n, Inc. v. Bunner*, where a licensor sued under a trade secret misappropriation theory to enjoin a website operator from posting, disclosing, or distributing decryption code on a website.³⁵ These cases often reach beyond the familiar former-employee-as-defendant scenario, and are brought against third parties who do not necessarily have a relationship with the plaintiff trade secret owner. In *Bunner* the defendant was a website operator.³⁶ Similarly, in the 1999 Eastern District of Michigan case, *Ford Motor Co. v. Lane*, the defendant was an individual who operated a website about Ford Motor Company, and Ford contended that he published sensitive photographs and other materials allegedly constituting trade secret information.³⁷ Finally, the Scientology cases include many instances of the church suing to remove criticisms published on the Internet.³⁸

B. Understanding the Nature of Trade Secret Rights

The fundamental nature of trade secret rights, in particular the underlying proprietary and corporate privacy interests, has implications for how courts and plaintiff trade secret holders view, interpret, and approach these cases. Ultimately these interests also help illustrate why free speech issues do not pose an overriding concern sufficient to justify restrictions on trade secret litigation. Before delving more fully into

³³ Clay Calvert & Robert D. Richards, *Journalism Sources as Trade Secrets: Whose Source Is It Anyway?*, 23 WHITTIER L. REV. 985, 993 (2002) (internal quotations omitted) (discussing *Paperloop.com, Inc. v. Gow*, No. 322044, 2001 WL 1674804 (Cal. Super. Ct., Sept. 14, 2001)). The court denied the motion to strike, finding that the plaintiff demonstrated a sufficient probability of success. *Paperloop.com*, 2001 WL 1674804, at *3.

³⁴ The fact that many of these disclosures involve publication on the Internet is noteworthy, and I have addressed the implications and challenges arising from trade secrets on the Internet in separate papers. See generally Elizabeth A. Rowe, *Introducing a Takedown for Trade Secrets on the Internet*, 2007 WISC. L. REV. 1041 [hereinafter *Introducing a Takedown*]; Elizabeth A. Rowe, *Saving Trade Secret Disclosures on the Internet Through Sequential Preservation*, 42 WAKE FOREST L. REV. 1 (2007).

³⁵ 75 P.3d 1, 7–8 (Cal. 2003).

³⁶ *Id.* at 6.

³⁷ 67 F. Supp. 2d 745, 747 (E.D. Mich. 1999).

³⁸ See, e.g., *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs. (Netcom II)*, 923 F. Supp. 1231, 1238–39 (N.D. Cal. 1995).

that discussion, this subpart will review some relevant basics about trade secret law.

Trade secret law provides protection for facts, ideas, inventions, and information. A trade secret can be any information of value used in business that has been kept secret and provides an economic advantage over competitors.³⁹ Because companies invest millions of dollars in research, development, and other aspects of their businesses that provide their competitive edge, trade secret protection serves as an incentive to invest the resources to create trade secrets, and to share those secrets with employees.⁴⁰

Trade secret protection is attractive relative to other kinds of intellectual property protection in part because of the broad scope of information that is protectable and the relative ease with which a business can claim such protection.⁴¹ A business can, for example, protect trade secrets without complying with a government registration system.⁴² Securing trade secret information is the most critical task for any putative trade secret holder because once a trade secret has been disclosed, even inadvertently, it ceases to be a trade secret.⁴³

The Uniform Trade Secrets Act ("UTSA") codifies the basic principles of common law trade secret protection.⁴⁴ It has been adopted in

³⁹ See UNIF. TRADE SECRETS ACT § 1(4) (amended 1985), 14 U.L.A. 538 (2005); RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

⁴⁰ See JERRY COHEN & ALAN S. GUTTERMAN, TRADE SECRETS PROTECTION AND EXPLOITATION 12–13 (1998); see also PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES: CASES AND MATERIALS ON THE LAW OF INTELLECTUAL PROPERTY 114–72 (4th ed. 1997).

⁴¹ See Brooks W. Taylor, Comment, *You Can't Say That!: Enjoining Publication of Trade Secrets Despite the First Amendment*, 9 COMP. L. REV. & TECH. J. 393, 394–95 (2005) (discussing reasons why corporations rely on trade secret protection).

⁴² See *id.* at 394. Copyright protection may also attach without registration, but registration is necessary before a plaintiff files suit for infringement. Thus, prior to registration, a copyright owner is in a similar situation as a trade secret owner who does not know whether the targeted material will indeed be protectable. Registration of a copyright provides a presumption of validity. See *Bibbero Sys., Inc. v. Colwell Sys., Inc.*, 893 F.2d 1104, 1106 (9th Cir. 1990).

⁴³ While the risk of loss is one that is inherent in choosing this form of protection, it does not necessarily suggest that a trade secret owner should have instead chosen patent protection. Patent protection is not necessarily "better" than trade secret protection, especially since there is a wide range of information eligible for trade secret protection that is not eligible for patent protection. See Andrew Beckerman-Rodau, *The Choice Between Patent Protection and Trade Secret Protection: A Legal and Business Decision*, 84 J. PAT. & TRADEMARK OFF. SOC'Y 371, 377–80 (2002); see also JAMES POOLEY, TRADE SECRETS § 3.01(1)(a) (Law Journal Press 2008) (1997).

⁴⁴ See UNIF. TRADE SECRETS ACT (amended 1985), 14 U.L.A. 538 (2005).

whole or part by forty-five states and the District of Columbia.⁴⁵ The states that have not adopted the UTSA usually follow the *Restatement of Tort's* codification of trade secret law. Because the UTSA is the governing framework in the vast majority of states, and because there are no critical differences between the UTSA and non-UTSA states for the purposes of this paper, it will serve as the substantive legal framework where applicable.

1. Proprietary Interests

Trade secret rights derive, in part, from property interests.⁴⁶ The Supreme Court, for example, has found that the interest in a trade secret can be protected by the Fifth Amendment's Takings Clause.⁴⁷ This property-based pedigree of trade secret law carries legal implications that affect both the way courts approach trade secrets as well as how trade secret owners view their trade secrets.

One relevant implication is that courts tend to lend greater weight to interests that can be characterized as a property right when balancing these rights against First Amendment concerns.⁴⁸ While this does not mean that trade secrets should be categorically immune from First Amendment scrutiny, the converse is also true.⁴⁹ Rather, in each case it is important to consider such factors as the strength and context of the trade secret claim, the nature of the speech restriction, and the public interests favoring disclosure.⁵⁰

⁴⁵ See Uniform Law Commissioners, Uniform Trade Secrets Act, http://www.nccusl.org/Update/uniformact_factsheets/uniformacts-fs-utsa.asp (last visited Nov. 5, 2009). As of the writing of this paper, five states had not adopted the Act: Massachusetts, New Jersey, New York, Texas, and North Carolina. *Id.* The Act was pending before legislatures in Massachusetts, New Jersey and New York. *Id.*

⁴⁶ See Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311, 324–26 (2008). Although trade secret law also protects against breaches of confidentiality, in order to succeed on a misappropriation claim, a trade secret owner must prove that the information rises to protectable status as a trade secret. The breach alone, without the property-like protectable status, is insufficient.

⁴⁷ See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003–04 (1984).

⁴⁸ See, e.g., *Bunner*, 75 P.3d at 14 (“[P]rohibiting the disclosure of trade secrets acquired by improper means is the only way to preserve the property interest created by trade secret law.”).

⁴⁹ See Pamela Samuelson, *Principles for Resolving Conflicts Between Trade Secrets and the First Amendment*, 58 HASTINGS L.J. 777, 808–11 (2007).

⁵⁰ See *id.* at 811–23; see also Daniel J. Solove & Neil M. Richards, *Rethinking Free Speech and Civil Liability*, 109 COLUM. L. REV. 1650, 1655 (2009) (proposing that application of the First Amendment in civil cases should depend on the nature of the government power involved).

Another relevant implication is that holders of trade secrets generally regard them as property. Accordingly, trade secret holders may pursue alleged misappropriators in much the same way that one would pursue a trespasser or a thief.⁵¹ In so doing, they are supported by trade secret misappropriation doctrines that are historically grounded in theories of contract and tort.

These proprietary considerations drive many trade secret actions between employers and former employees. They also support reframing how we conceptualize the balancing of rights between trade secret owners and the users of alleged secrets. Namely, it is the defendant's use of the secret (i.e., someone else's property) that requires powerful justification rather than the plaintiff's use of litigation to vindicate its rights. Thus, just as we would not unduly restrict a business's ability to pursue claims against one who embezzles money from the company, we should be reluctant to impose similar restrictions on trade secret holders.

2. "Commercial Privacy" Interests

Trade secret rights are further supported by the public policy interest in protecting commercial privacy especially in the arena of corporate espionage. In the 1970 case, *E.I. duPont deNemours & Co. v. Christopher* before the U.S. Court of Appeals for the Fifth Circuit, the plaintiff sued for trade secret misappropriation after photographers were hired to take aerial photographs of a DuPont plant.⁵² As part of its holding that the photography constituted an improper means of obtaining another's trade secret, the Fifth Circuit noted, without further explanation, that "[c]ommercial privacy must be protected from espionage which could not have been reasonably anticipated or prevented."⁵³ Four years later, the Supreme Court, in the seminal case addressing whether trade secret law is preempted by the patent law, seemingly adopted commercial privacy as an important policy justification for trade secret law.⁵⁴ In 1974's *Kewanee Oil Co. v. Bicron Corp.*, the Court reasoned that "[a] most fundamental human right, that of privacy, is threatened when industrial espionage is condoned or is made profitable; the state interest in denying profit to such illegal ventures is

⁵¹ See Lemley, *supra* note 46, at 319. Trade secret holders may also seek remedies under contract or tort-based theories. *Id.*

⁵² 431 F.2d 1012, 1013 (5th Cir. 1970).

⁵³ *Id.* at 1015–16.

⁵⁴ See *Kewanee Oil*, 416 U.S. at 474, 487.

unchallengeable.”⁵⁵ According to the Court, “the basic decency of society” is threatened when companies steal from one another.⁵⁶

Although these two early cases appear to have laid the foundation for commercial privacy in trade secret jurisprudence, the concept has remained undefined. None of the subsequent cases, nor any scholars who discuss commercial privacy, have explored its meaning in any detail. The contextual application in the *Christopher* case suggests that commercial privacy may be something more than its individual privacy counterpart.⁵⁷ In general, trade secret laws appear to provide greater protection to corporations against surveillance by competitors than individuals receive under privacy torts for incursions by other individuals.⁵⁸ In addition, corporations’ privacy interests under trade secret law are interpreted more broadly than under the Fourth Amendment.⁵⁹ Nevertheless, for the purposes of this paper, a company’s interests in “commercial privacy” provides further justification for pursuing misappropriation actions against those suspected of committing espionage.

II. RELEVANT FIRST AMENDMENT ISSUES

As a procedural matter, the mere filing of trade secret misappropriation actions (even with weak claims) should not implicate the First Amendment. Until a court has issued an injunction or other restraint, the First Amendment rights of defendants have not been implicated. Therefore, if the debate focuses on the filing of trade secret actions, it is difficult to make a credible argument that the First Amendment limits the right to pursue redress for trade secret violations.

⁵⁵ *Id.* at 487.

⁵⁶ *Id.*

⁵⁷ See *Christopher*, 431 F.2d at 1016. Individual privacy itself, however, remains difficult to conceptualize and apply. See generally Daniel J. Solove, *A Taxonomy of Privacy*, 154 U. PA. L. REV. 477 (2006) (providing a framework for the legal system’s understanding of privacy).

⁵⁸ Compare *Christopher*, 431 F.2d at 1015–16 (citing commercial privacy concerns while finding that aerial photography of unfinished plant by competitor constituted improper trade secret misappropriation), with *Furman v. Sheppard*, 744 A.2d 583, 586 (Md. Ct. Spec. App. 2000) (finding that the defendant was not liable under intrusion of privacy tort for trespassing into a private club to engage in video surveillance of the plaintiff).

⁵⁹ Compare *Christopher*, 431 F.2d at 1015 (finding that aerial photography of unfinished plant by competitor constituted improper trade secret misappropriation), with *Dow Chem. Co. v. United States*, 476 U.S. 227, 239 (1986) (finding that aerial photography of plant taken by government was not a search under the Fourth Amendment). Although some scholars have made analogies between Fourth Amendment privacy interests and the secrecy requirement of trade secret law, the meaning and significance of this notion of commercial privacy remains unexplored.

Further, the California Supreme Court has noted that an injunction against disclosure of information that qualifies as a trade secret does not violate the First Amendment.⁶⁰ Whether information qualifies as a trade secret, admittedly, is not determined until the matter is litigated, well after the complaint has been filed. Thus, the initiation and pursuit of an action to preserve a possible trade secret, which would lose both its value and protected status once disclosed, would also seem permissible in the First Amendment sphere.

Nevertheless, recognizing that questions often arise about substantive issues or potential conflicts between trade secret law and the First Amendment, this Article briefly discusses aspects relevant to its argument. It is beyond the scope of this Article, however, to enter the larger discussion on the role of the First Amendment in trade secret law.⁶¹ Suffice it to say that my position is that the First Amendment should only have a very limited role in trade secret litigation and my reasons are summarized below.⁶²

A. *Free Speech vs. Commercial Secrets*

Trade secret misappropriation cases often involve breaches of contracts or breaches of confidence. In general, when a person disclosing information is under a duty or is bound by an agreement not to disclose that information, courts are likely to address the incident solely as a breach of confidence or a contractual issue not presenting First Amendment concerns.⁶³ Thus, one would expect that when an employee or former employee reveals her employer's trade secrets (the scenario in

⁶⁰ DVD Copy Control Ass'n v. Bunner, 75 P.3d 1, 19–20 (Cal. 2003) (upholding a preliminary injunction on the assumption that the injunction was properly issued and that plaintiff was likely to succeed on the merits).

⁶¹ See generally Andrew Beckerman-Rodau, *Prior Restraints and Intellectual Property: The Clash Between Intellectual Property and the First Amendment from an Economic Perspective*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1, 57–67 (2001); David Greene, *Trade Secrets, the First Amendment, and the Challenges of the Internet Age*, 23 HASTINGS COMM. & ENT. L.J. 537 (2001); Adam W. Johnson, *Injunctive Relief in the Internet Age: The Battle Between Free Speech and Trade Secrets*, 54 FED. COMM. L.J. 517 (2002); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 229–32 (1998); Samuelson, *supra* note 49; Franklin B. Goldberg, *Recent Development, Ford Motor Co. v. Lane*, 16 BERKELEY TECH. L.J. 271 (2001).

⁶² See *supra* notes 63–83 and accompanying text.

⁶³ See *Cohen v. Cowles Media Co.*, 501 U.S. 663, 665 (1991); *Snepp v. United States*, 444 U.S. 507, 510–13 (1980); *Am. Motors Corp. v. Huffstutler*, 575 N.E.2d 116, 120 (Ohio 1991).

most trade secret cases) the First Amendment would not sanction her conduct.⁶⁴

Where the alleged misappropriator was not bound by any such obligation, however, the potential for running afoul of the First Amendment is greater.⁶⁵ Thus, as to company outsiders who are not bound by any duty of confidentiality, First Amendment concerns may be implicated.⁶⁶ In such cases, the proprietary nature of trade secret rights⁶⁷ requires both a thoughtful analysis under the First Amendment and the same kind of deference granted to other types of intellectual property. This is not to suggest that treating trade secrets as property makes them immune to First Amendment concerns, but rather that a lower level of scrutiny might be appropriate.⁶⁸

One additional factor should be noted.⁶⁹ The speech at issue in many trade secret misappropriation cases is not speech that is fully protected by the First Amendment. Trade secret cases involve a significant

⁶⁴ See Samuelson, *supra* note 49, at 780–82 (discussing why the First Amendment is often not applicable in trade secret cases); Solove & Richards, *supra* note 50, at 1690–94 (proposing that application of the First Amendment in civil cases should depend on the nature of the government power involved).

⁶⁵ See *Ford Motor Co. v. Lane*, 67 F. Supp. 2d 745 (E.D. Mich. 1999). In the 1991 case *Ford Motor Co. v. Lane* before the U.S. District Court for the Eastern District of Michigan, the defendant, Lane, operated a website with news about Ford and its products. *Id.* at 747. Lane received confidential Ford documents from an anonymous source, and initially agreed not to disclose most of the information. *Id.* Lane eventually published some documents on his website relating to the quality of Ford's products despite knowing that the documents were confidential. *Id.* at 747–48. Ford sought a restraining order to prevent publication of the documents, claiming the documents were trade secrets. *Id.* at 748. The court acknowledged that Ford could show Lane had misappropriated its trade secrets, but reversed the order on First Amendment grounds, considering an injunction to prevent Lane from publishing trade secrets a prior restraint. *Id.* at 753.

⁶⁶ The First Amendment, however, does not protect one who tries to convert a trade secret for economic gain. See *United States v. Genovese*, 409 F. Supp. 2d 253, 256 (S.D.N.Y. 2005).

⁶⁷ See, e.g. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1000–04 (1984) (trade secrets are property interests protected by the Fifth Amendment Takings Clause); *Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 404 (9th Cir. 1982) (trade secrets are protected from improper takings like private property); *E.I. du Pont de Nemours & Co. v. United States*, 288 F.2d 904, 912 (Ct. Cl. 1961) (sale of trade secret invokes capital gains tax); *Teller v. Teller*, 53 P.3d 240, 247–49 (Haw. 2002) (trade secrets are property for division in marital estate); *Peabody v. Norfolk*, 98 Mass. 452, 458 (Mass. 1868) (endorsing business secrets as property interests); *Den-Tal-Ez, Inc. v. Siemens Capital Corp.*, 566 A.2d 1214, 1228 (Pa. Super. Ct. 1989) (endorsing trade secrets as property); see also *Bunner*, 75 P.3d at 11–16 (endorsing the property rights view of trade secret law).

⁶⁸ See Solove & Richards, *supra* note 50, at 1692–94.

⁶⁹ This paragraph is adapted from my earlier work, Rowe, *Introducing a Takedown*, *supra* note 34, at 1077–78.

amount of commercial speech.⁷⁰ Although commercial speech is afforded some First Amendment protection, it is lesser protection than that given to other kinds of speech, such as political speech.⁷¹ Therefore, any assessment of First Amendment conflicts that arise under trade secret law must account for this weaker level of protection.⁷² Ultimately, in practical terms the goal of trade secret law is to strike the proper balance between restricting disclosures to protect legitimate trade secrets while permitting disclosures that are more readily recognized as being in the public interest.⁷³ Free speech concerns should not automatically outweigh the other significant interests recognized by trade secret law.

B. *The First Amendment Right to Petition*

When considering restrictions on plaintiff trade secret owners' rights to file misappropriation actions, an often overlooked First Amendment right is the plaintiff's right to petition the government for redress of grievances. This right is protected in the Petition Clause of the First

⁷⁰ The U.S. Supreme Court has defined commercial speech as "speech which does no more than propose a commercial transaction." *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66 (1983) (internal quotations and citations omitted). Speech may be treated as commercial speech even if it both proposes a commercial transaction and addresses social or political issues. *See id.* at 66–68. Merely because speech concerns a commercial subject, however, does not necessarily make it commercial speech for First Amendment purposes. *See City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 421 (1993). The speech must be evaluated as a whole, including consideration of the purpose of the speech. *See* Margreth Barrett, *Domain Names, Trademarks and the First Amendment: Searching for Meaningful Boundaries*, 39 CONN. L. REV. 973, 988 (2007) (discussing commercial and non-commercial speech in trademark law). For more on the difficulties of defining commercial speech, see Alex Kozinski & Stuart Banner, *Who's Afraid of Commercial Speech?*, 76 VA. L. REV. 627, 638–48 (1990), and David F. McGowan, Comment, *A Critical Analysis of Commercial Speech*, 78 CAL. L. REV. 359, 381–410 (1990).

⁷¹ *See* *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of New York*, 447 U.S. 557, 562–63 (1980); *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 770–72 & n.24 (1976).

⁷² Indeed, defendants sometimes seek to dismiss trade secret actions alleging that such complaints violate state anti-SLAPP (strategic lawsuits against public participation) statutes that prohibit the filing of suits against those who exercise their right to free speech in connection with a public issue. In trade secret disputes between competitors, however, or in disputes involving former employees, this argument is likely to be unsuccessful. *See, e.g.*, *World Fin. Group, Inc. v. HBW Ins. & Fin. Servs.*, 92 Cal. Rptr. 3d 227, 233–38 (Cal. Ct. App. 2009).

⁷³ For instance, one may be privileged to disclose trade secret information "that is relevant to public health or safety, or to the commission of a crime or tort, or to other matters of substantial public concern." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (1995). Some whistleblowing statutes also privilege disclosures of information that potentially include trade secrets. *See, e.g.*, 5 U.S.C. § 2302(b)(8) (2006); N.Y. LAB. LAW § 740(2) (McKinney 2002 & Supp. 2009).

Amendment.⁷⁴ It has been described as a “fundamental right,”⁷⁵ and “among the most precious of the liberties safeguarded by the Bill of Rights.”⁷⁶ While it is not an absolute right that confers immunity on a plaintiff who files an action,⁷⁷ it is an important constitutional consideration among the other First Amendment protections.

Recognizing this essential interest in the right to petition for redress of grievances, the U.S. Supreme Court has established a two part test in the antitrust context for determining when the filing of an action constitutes “sham” litigation.⁷⁸ First, the lawsuit must be “objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits” and second, the subjective motivation “to interfere directly with the business relationships of a competitor” must be present.⁷⁹ In this two step process, one arrives at the subjective determination of the litigant’s anti-competitive motivation only after the objective component has been met.⁸⁰

Notably, this interest in protecting the right to petition for redress of grievances is already reflected in existing trade secret law. The sham litigation approach from the antitrust cases is consistent with the general approach courts have taken in deciding whether trade secret plaintiffs have filed actions in bad faith.⁸¹ In the 2002 U.S. District Court for the District of Maryland case *Contract Materials Processing, Inc. v. Katalauna GmbH Catalysts*, for example, a technology company sought millions of dollars in damages against defendants on claims including trade secret misappropriation.⁸² The court found the claims were brought in bad faith and awarded defendants their attorney’s fees in part because the plaintiff failed to keep the alleged trade secret confidential.⁸³ This “bad faith” approach respects a trade secret owner’s right to “petition” by filing an action when it believes its trade secret has been misappropriated, while also ameliorating free speech concerns by deterring the

⁷⁴ U.S. CONST. amend. I.

⁷⁵ *United Transp. Union v. State Bar of Mich.*, 401 U.S. 576, 585 (1971).

⁷⁶ *United Mine Workers, Dist. 12 v. Ill. State Bar Ass’n*, 389 U.S. 217, 222 (1967).

⁷⁷ See *McDonald v. Smith*, 472 U.S. 479, 482–85 (1985).

⁷⁸ *Prof’l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60–61 (1993).

⁷⁹ *Id.* (internal emphasis and citations omitted).

⁸⁰ *Id.* at 60.

⁸¹ See *infra* notes 127–134 and accompanying text.

⁸² See 222 F. Supp. 2d 733, 734 (D. Md. 2002).

⁸³ *Id.* at 737–38; see also *Streamline Packaging, Inc. v. Vinton Packaging Group, Inc.*, No. 1:06-CV-701, 2007 U.S. Dist. LEXIS 74451, at *7 (W.D. Mich. Oct. 3, 2007) (granting defendant attorney’s fees after finding complete lack of objective evidence to support trade secret claim filed by plaintiff).

plaintiff from filing a baseless action because it knows that it may be liable for the defendant's attorney's fees.

III. MISUSE OF LITIGATION NOT UNIQUE TO TRADE SECRET CASES

In assessing the concern that trade secret litigation encroaches on free speech rights, it is important to underscore that these issues are not unique to trade secret law, but are part of a larger problem of civil litigation misuse. When it comes to protecting commercially valuable information, patent litigation, trademark litigation, and copyright litigation are at least as problematic as trade secret litigation—particularly in the digital age. Each area of law has cases of questionable merit that cost defendants thousands or millions of dollars, and that ultimately leave observers with a troubling sense of uneasiness about the underlying substantive law and the propriety these actions. Yet these cases present the same concerns as can be found in the larger body of civil litigation, including defamation, medical malpractice, and contract disputes.⁸⁴ Overall, these problems are side effects of existing civil litigation rules and any meaningful reform must be considered in that context. Although on the surface a quick fix might appear to be adoption of the English rule, where losing parties pay prevailing parties' attorney's fees, the problem requires a more nuanced solution for the reasons outlined below.⁸⁵

In intellectual property cases, it is often difficult for a plaintiff to determine the strength of his or her case at the inception of litigation. The standards for infringement and misappropriation are not blessed with razor sharp precision, but instead are highly fact-dependant. The subjectivity of a judge or jury further adds to the uncertainty. Thus, in trade secret litigation, a putative trade secret holder may not know with any certainty whether a court will agree that the information is indeed a trade secret, or whether the court will find that the holder has made "reasonable efforts" to protect the trade secret.⁸⁶ Similarly, in patent law,

⁸⁴ See, e.g., Maxwell J. Mehlman, *The Shame of Medical Malpractice*, 27 J. LEGAL MED. 17, 18 (2006) ("[N]on-meritorious malpractice claims are asserted, and a significant number of these claims are successful."); Robert J. Rhee, *A Principled Solution for Negligent Infliction of Emotional Distress Claims*, 36 ARIZ. ST. L.J. 805, 835 (2004) ("Frivolous, fraudulent, and abusive claims are brought everyday across the wide spectrum of law for settlement value or other inappropriate reasons.").

⁸⁵ See Thomas F. Cotter, *Fair Use and Copyright Overenforcement*, 93 IOWA L. REV. 1271, 1304–05 (2008) (discussing the English and American fee-shifting rules in the context of copyright reform).

⁸⁶ See Elizabeth A. Rowe, *Contributory Negligence, Technology, and Trade Secrets* 14 (Univ. of Fla. Levin College of Law Research Paper No. 2008-06, 2009), available at <http://papers.ssrn.com/>

judges often differ on the interpretation of patent claims; in trademark law, the likelihood of confusion standard calls for consideration of about nine fact-intensive factors; and in copyright law, the fair use defense is a flexible rule-of-reason defense that can be applied in different ways by different courts.⁸⁷

This uncertainty puts most defendants, especially those defending against frivolous claims, in an almost no-win situation. Ambiguous standards and complex factual issues make it difficult to prevail on summary judgment. Even when defendants ultimately prevail on the merits at trial, it comes after out-of-pocket costs of thousands or millions of dollars.⁸⁸ Accordingly, defendants often feel pressed into settlement.⁸⁹

Thus, the sentiment that “something must be done” to restrain runaway plaintiffs is understandable. But whether the articulated concern is free speech or otherwise, and whether the field is trade secret law or any other civil area, it is important to recognize the larger interconnected complexities involved, and resist the temptation to “fix” isolated pieces such as changing the substantive law, or restricting plaintiffs’ rights to file actions.⁹⁰ Although isolated and reactive approaches may serve as short term band-aids, they do not address any larger underlying structural issues effectively. It is also worth remembering the basic principle that no system is perfect or without disadvantages. Accordingly, it may be that these issues are simply side effects of our civil process, and do not necessarily mean that the system overall is broken. Though critics may always be able to identify perceived “problems,” without careful examination of data, it is very difficult to ascertain the true magnitude and significance of areas in need of fixing and hence the most effective approaches to doing so.⁹¹

sol3/papers.cfm?abstract_id=1161166 (discussing the inconsistent approaches and outcomes that courts use to analyze the reasonable efforts requirement).

⁸⁷ See Michael J. Meurer, *Controlling Opportunistic and Anti-Competitive Intellectual Property Litigation*, 44 B.C. L. REV. 509, 513 (2003).

⁸⁸ See *id.* at 513–14.

⁸⁹ See *id.* at 515.

⁹⁰ See Cotter, *supra* note 85, at 1275 (recognizing the shortcomings of individual reform proposals and the need to include more fundamental measures in the context of perceived copyright overenforcement).

⁹¹ See, e.g., Xuan-Thao Nguyen, *Justice Scalia’s “Renegade Jurisdiction”: Lessons for Patent Law Reform*, 83 TUL. L. REV. 111, 114 (2008) (demonstrating that criticism of plaintiffs’ venue choices in patent litigation did not bear out upon empirical study of the cases).

A. Patent Litigation

Recent trends in patent litigation have been much criticized and there is a move to reform patent law, in part because of the view that patent owners file frivolous suits or use patent litigation to extract settlements from parties who cannot afford costly patent litigation.⁹² Some even characterize patent plaintiffs as legal extortionists.⁹³ One case that captured the attention of the national media and business world was the 2005 decision by the U.S. Court of Appeals for the Federal Circuit in *NTP, Inc. v. Research in Motion, Ltd.*⁹⁴ NTP filed suit against the defendant, maker of the Blackberry[®] device, claiming that the device infringed several of its patents.⁹⁵ Although the trial resulted in \$53.7 million in damages and the issuance of a permanent injunction against the defendant,⁹⁶ the damage award and the injunction were ultimately vacated on appeal, although the judgment of infringement on some of the claims was upheld.⁹⁷ Thus, as is not entirely unusual with complex civil cases, this multi-year litigation left the appeals court with mixed results for both parties and was remanded back to the district court.

The interesting and ironic twist on the story, however, is that the defendant ended up paying more to the plaintiff than the original trial court judgment, even though the patents-in-suit were of questionable validity. Indeed, on subsequent reexamination of the patents in 2006, the United States Patent and Trademark Office (“USPTO”) rejected all five of the patents involved in the case.⁹⁸ Nevertheless, Research in Motion ultimately settled with NTP for \$612.5 million.⁹⁹ Moreover, while appeal of the USPTO’s rejection of the patents is pending, NTP has continued to file patent infringement suits against other major U.S. carriers who offer mobile e-mail services such as Verizon Wireless,

⁹² See, e.g., *id.* at 118–19 (noting critics’ views that “patent litigation is out of control” and that plaintiffs “aggressively bring baseless patent infringement cases”).

⁹³ Daniel J. McFeely, Comment, *An Argument for Restricting the Patent Rights of Those Who Misuse the U.S. Patent System to Earn Money Through Litigation*, 40 ARIZ. ST. L. J. 289, 289–90 (2008) (arguing that patent “trolls” use patent litigation as “legalized extortion”).

⁹⁴ 418 F.3d 1282 (Fed. Cir. 2005).

⁹⁵ *Id.* at 1290.

⁹⁶ *Id.* at 1291–92.

⁹⁷ *Id.* at 1325–26.

⁹⁸ See Colin Gibbs, *NTP Sets Its Sights on Carriers: Patent Holder Files Suit Against Big 4*, RCR WIRELESS NEWS, Sept. 15, 2007, at 3, available at <http://www.rcrwireless.com/article/20070915/SUB/70914021/NTP-sets-its-sight-on-carriers>.

⁹⁹ See McFeely, *supra* note 93, at 296 (“RIM’s settlement may have been partially motivated by pressure from the investment community and from customers worried about RIM’s ability to continue to provide wireless messaging services given the uncertainty created by the litigation.”).

Sprint Nextel, AT&T, and T-Mobile USA.¹⁰⁰ One wonders whether this kind of plaintiff or circumstance in patent litigation is any less offensive than the Church of Scientology and its trade secret cases.

B. Trademark Litigation

Another area of intellectual property that raises troubling free speech concerns for many commentators is trademark litigation.¹⁰¹ These commentators generally focus on trademark doctrine and contradictory interpretations by the courts that may lead to overbroad rights for trademark owners vis-à-vis free speech.¹⁰² More on point for the purposes of this Article, however, are the frequent instances where trademark owners use trademark litigation, or the threat of litigation, to pursue those who reference their trademarks as part of cultural or political speech, often at great costs to the defendants.¹⁰³ As a result, trademark owners may deter speech and even control the content of material posted on the Internet and elsewhere, all in the name of protecting their goodwill.¹⁰⁴

Similar to the Scientology cases, there are also examples of plaintiffs repeatedly pursuing meritless trademark infringement suits. One example involved S Industries, a company that claimed to own the mark SENTRA, which was used on discount computer mouse pads.¹⁰⁵ It sued a company named Centra 2000 that used CENTRA on its customized, data-management software.¹⁰⁶ After four years of litigation, in the 2001 ruling *S Industries, Inc. v. Centra 2000*, the U.S. Court of Appeals for the Seventh Circuit upheld a ruling against the plaintiff and the grant of attorney's fees to the defendant.¹⁰⁷ The court found that S Industries

¹⁰⁰ See Gibbs *supra* note 98, at 3.

¹⁰¹ See, e.g., Barrett, *supra* note 70, at 976; Jacqueline D. Lipton, *Commerce Versus Commentary: Gripe Sites, Parody, and the First Amendment in Cyberspace*, 84 WASH. U. L. REV. 1327, 1332 (2006); Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. REV. 381, 451–52 (2008).

¹⁰² See, e.g., Lipton, *supra* note 101, at 1351 (discussing contradictory treatment of gripe sites between the U.S. Court of Appeals for the Ninth and Fourth circuits).

¹⁰³ See Hannibal Travis, *The Battle for Mindshare: The Emerging Consensus that the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J. L. & TECH. 3, ¶ 26 (2005) (noting that “[a] large number of rather frivolous trademark infringement claims have been litigated all the way up to the federal appellate courts”).

¹⁰⁴ See Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1839–40 (2007) (“[T]he threat of litigation alone . . . by a corporate giant is sufficient to dissuade a person from making fair use of a trademark.”).

¹⁰⁵ *S Indus., Inc. v. Centra 2000, Inc.*, 249 F.3d 625, 627 (7th Cir. 2001).

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

did not have a federally registered trademark in SENTRA, nor did it ever use the mark for any computer-related software or hardware.¹⁰⁸ The company had also engaged in a pattern of abusive litigation, filing at least thirty-three trademark infringement lawsuits (on another mark) in a two-year period in one district court, and within one year had lost on summary judgment on all six of the cases that had been decided.¹⁰⁹

C. Copyright Litigation

Copyright litigation has also been criticized for its censorship tendencies, especially when plaintiffs appear to be suing to prevent speech that criticizes them or their products. Whether it be the copyright holder of Beanie Babies allegedly seeking to enjoin negative criticism about its products,¹¹⁰ or copyright holders seeking to prevent others from publishing allegedly copyrighted materials on the Internet, these cases raise the same types of free speech and anti-competitive concerns that are present in trade secret and other intellectual property litigation. Indeed, the complaints often expressly include alleged violations of other intellectual property rights in addition to copyright claims.¹¹¹

Another facet of copyright law that allegedly has been subject to abuse is the takedown provision of the Digital Millennium Copyright Act.¹¹² Under this provision, Internet Service Providers ("ISPs") receive immunity from copyright infringement claims if they remove or disable access to material that has been identified in a takedown notice from the copyright holder.¹¹³ Since 2002, the Chilling Effects web site has invited the public and ISPs to submit cease-and-desist and takedown notices that they have received from copyright holders.¹¹⁴ Studies of these posted takedown notices have raised some concerns about the merits of the underlying copyright claims in these notices.¹¹⁵ In particular, one

¹⁰⁸ *Id.*

¹⁰⁹ *See* S Indus., Inc. v. Ecolab Inc., No. 96 C 4140, 1999 U.S. Dist. LEXIS 3484, at * 2 (N.D. Ill. March 12, 1999).

¹¹⁰ *See* Ty, Inc. v. Publ'ns Int'l Ltd., 292 F.3d 512, 515 (7th Cir. 2002).

¹¹¹ *See, e.g., id.* (involving both copyright and trademark infringement claims); Religious Tech. Ctr. v. Netcom On-line Commc'n Servs. (*Netcom III*), 907 F. Supp. 1361, 1366 (N.D. Cal. 1995) (Scientology case involving copyright and trade secret claims).

¹¹² *See* 17 U.S.C. § 512(c)-(d) (2006).

¹¹³ *Id.*

¹¹⁴ DMCA Safe Harbor, <http://www.chillingeffects.org/dmca512> (last visited Oct. 31, 2009).

¹¹⁵ *See, e.g.,* Jennifer M. Urban & Laura Quilter, *Efficient Process or "Chilling Effects"?* *Takedown Notices Under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 667-78 (2006).

study concluded that over one-fifth of the notices either represented weak claims or were subject to strong fair-use or First Amendment defenses.¹¹⁶ Despite these concerns, the majority of these takedown notices appear to state valid claims.¹¹⁷ Nevertheless, just as with trade secret litigation, copyright law is also clearly subject to misuse or abuse.¹¹⁸

IV. CLOSER ATTENTION TO EXISTING LITIGATION SAFEGUARDS

Even if the behavior or conduct of some trade secret plaintiffs may appear to impinge on defendants' First Amendment rights, there is nothing about trade secret litigation in particular that justifies a broad brush approach to restricting those cases. As the previous discussion demonstrates, the problem is not unique to trade secret litigation. Furthermore, there are reasons unique to the trade secret context that suggest we should not be overly concerned about the trade secret cases.

Secrecy is the key to creating and preserving a trade secret.¹¹⁹ This means that once a trade secret becomes public, it can no longer be a trade secret and others are free to use it. Accordingly, there are grave risks involved when a trade secret falls into the wrong hands. As a result, trade secret litigation, unlike other types of intellectual property litigation, is cloaked with a certain urgency and gravity. Moreover, there are procedural and substantive standards within trade secret litigation that, when correctly applied, serve to safeguard and balance the interests of plaintiffs and defendants and thus mitigate abuses.

A. *Preliminary Injunction Standard*

Unlike most civil cases, the majority of trade secret misappropriation cases begin in injunctive mode. Thus, in addition to filing a complaint, a trade secret plaintiff will often seek a temporary restraining order against the defendant, and a preliminary injunction hearing will be set for about ten days later. This is significant because the prelimi-

¹¹⁶ MARJORIE HEINS & TRICIA BECKLES, BRENNAN CTR. FOR JUSTICE, WILL FAIR USE SURVIVE? FREE EXPRESSION IN THE AGE OF COPYRIGHT CONTROL 32 (2005).

¹¹⁷ See *id.* at 36.

¹¹⁸ See, e.g., *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1204–05 (N.D. Cal. 2004) (suggesting that plaintiff used the takedown provision “as a sword to suppress publication of embarrassing content rather than as a shield to protect its intellectual property”).

¹¹⁹ See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002 (1984) (“Information that is public knowledge or that is generally known in an industry cannot be a trade secret.”); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1974) (“The subject of a trade secret must be secret, and must not be of public knowledge or of a general knowledge in the trade or business.”).

nary injunction hearing serves as a filter that influences not only the procedure of the case, but also the manner in which the case is evaluated by the court, thus ultimately having a large impact on the outcome. Although the availability of preliminary injunctions could itself be seen as a negative tool, the mere threat of which could silence a defendant or cause her to settle, the overall effect in trade secret litigation may instead be positive because, when properly applied, the preliminary injunction inquiry places a higher burden on the plaintiff.¹²⁰

A plaintiff seeking the drastic remedy of a preliminary injunction must demonstrate a substantial likelihood of success on the merits. The plaintiff must establish that she owns a trade secret and that the defendant misappropriated it.¹²¹ This can be a major turning point in the litigation because the plaintiff may not be able to demonstrate through discovery that she actually took the necessary precautions to earn trade secret protection.¹²² Further, the plaintiff must be able to point to an imminent threat of actual harm to succeed.¹²³ The preliminary injunction process therefore serves as a stringent filter through which many trademark litigation cases are processed. A court that applies injunctive standards rigorously, including consideration of the harm to the defendant if the injunction is granted, should weed out cases that were filed for constitutionally offensive motives relatively early in the litigation.

¹²⁰ See Meurer, *supra* note 87, at 526–27 (arguing that in the context of preliminary injunctions, the presumption of patent validity in patent cases should be eliminated in order to place a higher burden on the plaintiff to show likelihood of success). There is no such presumption of validity in trade secret law.

¹²¹ See, e.g., *Campbell Soup Co. v. Giles*, 47 F.3d 467, 469–70 (1st Cir. 1995); *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 314–16 (S.D.N.Y. 1999).

¹²² See, e.g., *Carboline Co. v. Lebeck*, 990 F. Supp. 762, 767–68 (E.D. Mo. 1997) (finding that employer did not take sufficient measures to guard the secrecy of its allegedly trade secret information).

¹²³ See *Cont'l Group, Inc. v. Amoco Chems. Corp.*, 614 F.2d 351, 358–59 (3d Cir. 1980) (requiring “an imminent threat of allegedly harmful disclosure” to justify an injunction); see also *Regan v. Vinick & Young*, 862 F.2d 896, 902 (1st Cir. 1988) (“speculation or unsubstantiated fears of what may happen in the future cannot provide the basis for preliminary injunction”); *Sprint Corp. v. DeAngelo*, 12 F. Supp. 2d 1188, 1194 (D. Kan. 1998) (“The injury complained of must be of such imminence that there is a clear and present need for equitable relief to prevent irreparable harm.”); *Int'l Bus. Mach. Corp. v. Seagate Tech., Inc.*, 941 F. Supp. 98, 101 (D. Minn. 1992) (“A trade secret will not be protected by the extraordinary remedy of injunction on mere suspicion or apprehension of injury.”); *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966) (“There must be a substantial threat of impending injury before an injunction will issue.”).

B. Substantive Legal Standard

Trade secret law permits a putative trade secret holder to establish its trade secret rights for the first time in litigation. As a threshold matter, the trade secret owner bears the burden of establishing that the information in question was entitled to trade secret protection before it was allegedly misappropriated.¹²⁴ This substantive determination is at the heart of every trade secret case. As an evidentiary matter, the biggest challenges for most plaintiffs lie in identifying the trade secret with specificity, and showing reasonable efforts to preserve the secrecy of the alleged trade secret.

Just as a plaintiff in patent litigation must own the patent which it alleges has been infringed, a trade secret plaintiff must identify the specific information that it claims is a trade secret. This is especially important in trade secret law because, unlike in patent law, there is no government registration or certification of a trade secret prior to litigation, nor is there a presumption of validity.¹²⁵ Often, however, one reads an opinion in a misappropriation case and finds that the court devotes very little, if any, discussion to this critical issue.¹²⁶ Defense counsel and the court should insist that the plaintiff meet its burden. Too often, the burden effectively shifts to the defendant to prove that the information is *not* a trade secret, either because the alleged trade secret is generally known or because the plaintiff did not take steps to protect it.¹²⁷ A thorough understanding and proper application of the substantive legal standards that determine whether a protectable trade secret exists in conjunction with the procedural hurdles of the injunctive process should provide a double-layered protection against frivolous cases.

¹²⁴ The standard utilized for this inquiry should be akin to the likelihood of success on the merits standard used in preliminary injunction cases. Most trade secret cases, particularly in the context of the problem presented here, will be decided at a preliminary injunction hearing. Thus, use of this standard should present no further difficulty and may very well fold into the injunction test.

¹²⁵ See Charles Tait Graves & Brian D. Range, *Identification of Trade Secret Claims in Litigation: Solutions for a Ubiquitous Dispute*, 5 NW. J. TECH. & INTELL. PROP. 68, 70–71 (2006) (discussing the importance of precise identification of alleged trade secrets and proposing standards to guide the process).

¹²⁶ See, e.g., *Rohm & Haas Co. v. Adco Chem. Co.*, 689 F.2d 424 (3d Cir. 1982); *Smith v. Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953); *U.S. Sporting Prods., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214 (Tex. Ct. App. 1993).

¹²⁷ See Tait Graves, *Bad Faith and the Public Domain: Requiring a Pre-Lawsuit Investigation of Potential Trade Secret Claims*, 8 VA. J.L. & TECH. 12, ¶ 10 (2003).

C. *Bad Faith Claims*

When a plaintiff files an action knowing, for instance, that it does not have a protectable trade secret, it can be subject to liability on a bad faith claim by the defendant. Indeed, the UTSA expressly provides that “[i]f . . . a claim of misappropriation is made in bad faith . . . the court may award reasonable attorney’s fees to the prevailing party.”¹²⁸ These findings are generally made when plaintiffs have failed to produce sufficient evidence of the existence of a trade secret, and it was apparent that plaintiff had this knowledge prior to initiating the lawsuit. Accordingly, the claims would frequently fail any objective test of whether a reasonable litigant would have expected success on the merits.¹²⁹

More specifically, this often means that the key elements necessary to establishing trade secret protection (i.e., demonstrating that the information is in fact secret and that the owner has taken steps to protect that secrecy) are missing. In the 1989 case, *Stilwell Development, Inc. v. Chen*, for example, the plaintiff presented no evidence of a trade secret or of misappropriation.¹³⁰ The U.S. District Court for the Central District of California held that the plaintiff had knowingly and intentionally brought a bad faith claim and awarded the defendant attorney’s fees.¹³¹ Similarly, in the 1998 case *VSL Corp. v. General Technologies, Inc.*, the U.S. District Court for the Northern District of California found a plaintiff’s claim to be objectively specious when the plaintiff had been careless about guarding the alleged trade secret, including distributing the information to others without promises of confidentiality.¹³²

Thus, the bad faith provision provides a similar kind of protection and penalty as the misuse doctrine that exists in both patent law and copyright law.¹³³ Although the misuse doctrine does not appear to be available in trade secret law, the principle is further reflected in claims against trade secret plaintiffs for antitrust violations. In the 1985 case,

¹²⁸ UNIF. TRADE SECRETS ACT § 4 (amended 1985), 14 U.L.A. 538 (2005).

¹²⁹ See, e.g., *FAS Techs. Ltd. v. Dainippon Screen Mfg., Co.*, No. C 00-01879 CRB, 2001 U.S. Dist. LEXIS 15444, at *11–12 (N.D. Cal. Sept. 21, 2001) (finding that plaintiff’s continued assertion of misappropriation, without any showing of damage, lacked any objective or subjective basis and thus the claims were pursued in bad faith).

¹³⁰ See *Stilwell Dev., Inc. v. Chen*, No. CV86-4487-GHK, 1989 U.S. Dist. LEXIS 5971, at *13–14 (C.D. Cal. Apr. 25, 1989).

¹³¹ See *id.* at *13–14, *22; see also *Degussa Admixtures, Inc. v. Burnett*, 277 F. App’x 530, 534 (6th Cir. 2008) (finding trade secret claim filed in bad faith where plaintiff had no direct evidence to support claim).

¹³² 46 U.S.P.Q.2d (BNA) 1356, 1360 (N.D. Cal. 1998).

¹³³ See *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990) (discussing copyright and patent misuse).

CVD, Inc. v. Raytheon Co., for instance, the U.S. Court of Appeals for the First Circuit found that a party acquiring a licensing agreement through the bad faith assertion of trade secrets violated antitrust laws.¹³⁴ More courts and defendants should follow the lead of these cases and make use of this provision as a tool to deter unfounded trade secret claims.¹³⁵

D. Practical Pre-Litigation Considerations

Beyond the procedural and substantive standards that govern the litigation process, there are also practical considerations for plaintiffs that may serve as a check on possible misuse of trade secret claims. If trade secret holders contemplating the filing of trade secret litigation are rational actors, they should undertake a cost-benefit analysis that includes assessment of the direct and indirect costs associated with the initiation of an action. This risk assessment, if based on the practical reality of the potential consequences of litigation as well as the procedural and substantive guidelines discussed above, should lead to more sound decisions about whether to file a suit. Ultimately, these realities, in conjunction with oversight from courts and counsel, may constitute the most effective tools to stem the kinds of litigation that cause concern.

That being said, trade secret actions tend to be characterized by emotional undertones, especially where the parties had a prior relationship such as in the employment context. It is not unusual for trade secret plaintiffs to be motivated, at least in part, by the need to send a message to defendants and others that they will not tolerate what they perceive as betrayal or disloyalty. Where, for instance, a former employee has left to start a new competing company, a plaintiff may view one “benefit” of the litigation as the potential to “cause excruciating pain to the start-up enterprise.”¹³⁶ It is therefore especially important

¹³⁴ 769 F.2d 842, 858 (1st Cir. 1985). Although cases addressing antitrust violations for trade secret claims are scant and are probably of use only to a narrow set of defendants, general allegations of anticompetitive motive are more common as part of bad-faith counterclaims. See, e.g., *Dentsply Int'l v. New Tech. Co.*, No. 96-272 MMS, 1996 U.S. Dist. LEXIS 19846, at *6 (D. Del. Dec. 19, 1996) (alleging that plaintiff filed trade secret claim in bad faith for purpose of hindering competition).

¹³⁵ See Graves, *supra* note 127, ¶¶ 3, 6 (proposing that courts find bad faith when plaintiffs file trade secret lawsuits without first determining that the alleged secret is not in the public domain). In non-UTSA jurisdictions, there may be analogous provisions under state law that could be used to penalize bad faith or frivolous claims. Rule 11 sanctions, for instance, may be one option available in federal courts or in state courts that have adopted a similar rule. Note, however, that Rule 11 sanctions have not been widely applied in trade secret cases. See *id.* ¶ 33, n.39 (citing trade secret cases that have applied Rule 11).

¹³⁶ POOLEY, *supra* note 43, § 10.01[1].

that counsel for both sides identify these emotional incentives and serve as the voice of reason, exercising sound judgment that ethically and professionally avoids inappropriate litigation tactics.

Nonetheless, the fact that most trade secret lawsuits occur between employers and former employees¹³⁷ bears significance for the free speech concerns examined in this Article. It suggests that if many of the cases are about business and employment relationships between individuals with hurt feelings, then the information in question is not likely the kind of information protected by the First Amendment.¹³⁸

1. Encouraging Disclosure by Threatening to Sue

When a company threatens to sue a defendant for trade secret misappropriation, it takes the risk that the defendant may respond to the threat by disclosing the trade secret.¹³⁹ In 1999, the U.S. District Court for the Eastern District of Michigan case *Ford Motor Co. v. Lane*, for example, the defendant published trade secret materials about the plaintiff company on his web site after the trade secret owner threatened the defendant with litigation.¹⁴⁰ Further, if the trade secret is disclosed on the Internet, it could mean that the trade secret status of the information will be destroyed and the owner will be powerless to save it. To make matters worse, there may be very little satisfactory recourse against the defendant. Even if, at the conclusion of the litigation, the court finds that the defendant committed misappropriation, such a holding may be of little comfort to the plaintiff. This is especially so in the majority of cases where defendants cannot afford to pay damages. Indeed, the fact that the person threatening to disclose the information is placed in a more powerful position relative to the trade secret holder who is relatively powerless to stop him may also weigh against concerns that trade secret litigation encroaches into the First Amendment.¹⁴¹

¹³⁷ See Graves, *supra* note 127, ¶ 2.

¹³⁸ See *supra* notes 63–64 and accompanying text.

¹³⁹ Litigation may also draw attention to the trade secret. Depending on the nature of the trade secret, news reports about the litigation or the threat of litigation may raise awareness about and generate greater interest in discovering the secret.

¹⁴⁰ 67 F. Supp. 2d 745, 747–48 (E.D. Mich. 1999). The plaintiff also accused the defendant of soliciting misappropriated trade secrets. *Id.* at 748.

¹⁴¹ See generally Solove & Richards, *supra* note 50.

2. Exposing the Trade Secret

Another major concern for plaintiffs is the protection of their confidential information during discovery and litigation.¹⁴² Without reasonable safeguards to protect confidentiality, trade secret status of the information may be lost in the litigation process. The public nature of the court system can be dangerous when information needs to be kept secret. To that end, the parties may agree to protect the information or the court may issue a protective order. Depending on the arrangement, there may be varying levels of protection, such as designating the information for “attorneys’ eyes only,” or ordering that it be sealed. In some cases, the court could also appoint a special master or disinterested expert to hear secret information and report conclusions to the court. Despite these various precautions, however, the risk of loss does not disappear. In the end, the potential for loss of the trade secret is another practical way in which trade secret plaintiffs may be discouraged from filing the kinds of actions that would concern free speech advocates.

3. Costs of Litigation

In addition to the possible risks to a trade secret described above, the actual cost of filing and maintaining a trade secret misappropriation action is very high. On average it costs more than \$700,000 to litigate a trade secret case through trial, and that average can easily climb to \$1 million in larger stakes cases.¹⁴³ The fact-intensive nature of these cases requires thorough investigation during both pre-litigation and discovery. Moreover, because of the injunctive process, the initial cost to a trade secret misappropriation plaintiff is greater than the mere cost of filing a complaint. Instead, plaintiffs must bear the costs associated with temporary restraining order hearings and briefs, expedited discovery, and preliminary injunction hearings and briefs. Accordingly, the decision to proceed with this kind of action is not one to be made lightly, especially if the value of the information does not warrant it.

There are also a variety of indirect litigation costs that may detract from the plaintiff’s business activities. Key employees with relevant

¹⁴² POOLEY, *supra* note 43, § 10.01[4] (“An irony of trade secret litigation is that the process itself may cause a further or different loss of trade secrets.”).

¹⁴³ A 2001 survey of the American Intellectual Property Law Association calculated that litigation costs for claims between \$1 million and \$25 million average \$699,000 and “when more than \$25 million dollars is at risk, the average litigation costs reach . . . \$1.01 million.” Kevin M. Lemley, *I’ll Make Him an Offer He Can’t Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes*, 37 AKRON L. REV. 287, 311 & n.164 (2004).

knowledge and information will likely need to devote a substantial amount of time to the investigation and discovery process as the litigation continues. Other employees may also be distracted by litigation, whether through casual discussions in the hallways or by conflicts over possible support for the former-coworker-turned-defendant. This kind of sideline participation by employees can negatively affect employee morale and productivity. In addition, companies who sue for trade secret theft may have difficulty recruiting employees.¹⁴⁴ Similarly, an even greater concern for plaintiffs may be jeopardizing their relationships with third parties who are important to their business. Customers, vendors, or even investors may need to become involved in the litigation as reluctant witnesses, and the mere mention of the trade secret misappropriation may cause the company to suffer a loss in stock value.¹⁴⁵

V. APPLICATION TO THE SCIENTOLOGY CASES

Having laid out arguments why existing procedural, substantive, and practical considerations appear adequate to curtail encroachment on free speech values, I will now apply the arguments to the most problematic kind of scenario—the Scientology cases presented at the beginning of this Article.¹⁴⁶ On the one hand, the Scientology cases are extreme in many ways, making them poster cases for why something may need to be done to fix the many flaws and areas vulnerable to abuse in trade secret litigation. On the other hand, the fact that they are unusual makes them anomalous and not representative of the majority of trade secret misappropriation cases. It is atypical, for example, that a plaintiff's express purpose, and indeed its business and legal strategy, is to engage in these kinds of litigation tactics.¹⁴⁷

As this Article suggests, and as some of the Scientology cases themselves illustrate, proper application of procedural and substantive rules should weed out this type of abusive trade secret litigation. Early on in

¹⁴⁴ Alan Hyde, Professor, Rutgers School of Law, Economic Analysis of Labor and Employment Law in the New Economy: Proceedings of the 2008 Annual Meeting, Association of American Law Schools, Section on Law and Economics (Jan. 5, 2008), in 12 EMP. RTS. & EMP. POL'Y J. 327, 330 (2008).

¹⁴⁵ *Id.* at n.10 (citing Chris Carr & Larry Gorman, *The Revictimization of Companies by the Stock Market Who Report Trade Secret Theft Under the Economic Espionage Act*, 57 BUS. LAW. 25 (2001)).

¹⁴⁶ See *supra* notes 3–16 and accompanying text.

¹⁴⁷ Scientology's approach to its trade secret misappropriation claims can be traced to its founder, L. Ron Hubbard, who believed that the law should be used to "harass and discourage rather than to win." See *Religious Tech. Ctr. v. Lerma (Lerma II)*, 908 F. Supp. 1362, 1368 (E.D. Va. 1995).

the Scientology cases, courts granted the plaintiff the benefit of the doubt, issuing temporary restraining orders and holding preliminary injunction hearings.¹⁴⁸ But most of the temporary restraining orders were later dismissed, and most preliminary injunctions were either denied or overturned on appeal.¹⁴⁹ Scientology was also granted initial writs of seizure in several of its trade secret misappropriation claims.¹⁵⁰ This allowed the plaintiff to enter the defendant's home with the force of the police and the courts, and seize books, computers, and other documents.¹⁵¹ These writs of seizure were all later vacated by the courts.¹⁵²

It is troubling that it costs the accused time and money to arrive at the correct and just result. This may call for greater efficiency in how these cases are handled. As the *Scott* litigation demonstrates, the numerous appeals and motions which are part of our broader system of civil procedure may result in a nine-year litigation saga.¹⁵³ In the end, however, the court not only found Scientology's conduct reprehensible enough to dismiss its claim, but it also granted one of the defendants \$2.9 million in attorney's fees.¹⁵⁴

The Scientology experience also supports my arguments about the effect of practical pre-litigation considerations. Though litigants generally attempt to maintain their credibility and legitimacy before the court, Scientology chose to assert its trade secret misappropriation claims using vexatious litigation tactics. By using these tactics, Scientology created controversy over its trade secret misappropriation claims and called attention to its use of the legal system. If these claims were filed in an attempt to silence critics and protect trade secrets, the church was not necessarily successful in achieving these objectives. In-

¹⁴⁸ See, e.g., *Religious Tech. Ctr. v. Wollersheim*, 796 F.2d 1076, 1077 (9th Cir. 1986); *Religious Tech. Ctr. v. F.A.C.T.NET, Inc.*, 901 F. Supp. 1519, 1522–23 (D. Colo. 1995); *Religious Tech. Ctr. v. Lerma (Lerma I)*, 897 F. Supp. 260, 261 (E.D. Va. 1995); *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs. (Netcom I)*, No. C-95-20091 RMW, 1995 WL 86532, at *1 (N.D. Cal. Feb. 23, 1995); *Bridge Publ'ns, Inc. v. Vien*, 827 F. Supp. 629, 632 (S.D. Cal. 1993).

¹⁴⁹ See *Wollersheim*, 796 F.2d at 1077; *F.A.C.T.NET*, 901 F. Supp. at 1527; *Lerma I*, 897 F. Supp. at 267; *Netcom I*, 1995 WL 86532 at *1. But see *Bridge Publ'ns*, 827 F. Supp. at 636.

¹⁵⁰ See, e.g., *Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs. (Netcom II)*, 923 F. Supp. 1231, 1240 (N.D. Cal. 1995); *F.A.C.T.NET*, 901 F. Supp. at 1522; *Lerma I*, 897 F. Supp. at 261.

¹⁵¹ See *Lerma II*, 908 F. Supp. at 1364; *Netcom II*, 923 F. Supp. at 1240; *F.A.C.T.NET*, 901 F. Supp. at 1522.

¹⁵² *Religious Tech. Ctr. v. Lerma (Lerma III)*, 908 F. Supp. 1353, 1362 (E.D. Va. 1995); *Netcom II*, 923 F. Supp. at 1238; *F.A.C.T.NET*, 901 F. Supp. at 1523.

¹⁵³ See *supra* notes 12–16 and accompanying text.

¹⁵⁴ See *Religious Tech. Ctr. v. Scott*, Nos. 94-55781, 94-55920, 1996 WL 171443, *5, 9 (9th Cir. 1996).

deed, their litigation tactics may have done more damage than benefit to the cloak of secrecy that Scientology fought so hard to protect.

Rather, the ultimate effect was to encourage Scientology's critics to continue telling their stories about their interactions with the church. Despite being sued for trade secret misappropriation, having a temporary restraining order issued against him, and having his property seized, defendant Arnaldo Lerma revolted against these efforts to silence him by speaking to a reporter from the *Washington Post*.¹⁵⁵ After Scientology's motion for attorney's fees against Lerma was denied, Lerma stated "[t]he Court has declared that facts about the inner workings of Scientology are not trade secrets, it supported my right to expose the Church to the Washington Post and, today, it denied the Church's attempt to crush me financially. I will continue my opposition to the Church."¹⁵⁶ In the end, the church appears to have lost not only the cases against the defendants, but its trade secrets as well.¹⁵⁷

CONCLUSION

Although plaintiffs sometimes appear to use trade secret claims to disguise cases that are meant to silence others or to achieve anti-competitive purposes, this Article takes the position that restrictions on trade secret misappropriation litigation would not be advisable. Abuse of the litigation process is a problem with civil litigation in general, and is not unique to trade secret misappropriation cases. Accordingly, if one were to set out to fix this problem, it would be necessary to address the larger backdrop, revamping the civil litigation process rather than singling out trade secret law.

In the meantime, an immediate, concrete, and practical step toward ameliorating free speech concerns in trade secret litigation is to encourage all of the players in the game, namely courts and counsel, to understand and apply current standards and procedures with rigor and consistency. Courts need to: (a) ensure that plaintiffs meet their burdens of proof in establishing the existence of protectible trade secrets and proving misappropriation; (b) tailor appropriate injunctive remedies; and (c) assess penalties against plaintiffs who assert claims in bad faith. Defense counsel must understand substantive trade secret law

¹⁵⁵ See Richard Leiby, *Scientology Fiction: The Church's War Against Its Critics—and Truth*, WASH. POST, Dec. 25, 1994, at C1.

¹⁵⁶ David Masselli, *Scientology Fee Request Denied in Internet Case*, <http://www.lermanet.com/cos/press.html> (last visited Nov. 5, 2009).

¹⁵⁷ See *Lerma II*, 908 F. Supp. at 1368; *Netcom II*, 923 F. Supp. at 1257; *F.A.C.T.NET*, 901 F. Supp. at 1526.

requirements and press plaintiffs to meet their burdens, especially in the discovery process. Proving the existence of specific trade secrets, particularly the steps taken to protect these alleged secrets, are often challenges for plaintiffs, even when their motives are legitimate. Finally, plaintiff's counsel must exercise his obligations to his client and the court in a reasoned and informed manner. By advising clients about the costs and risks of trade secret litigation, conducting thorough investigations prior to filing suit, and managing the emotional objectives of their clients, attorneys can go a long way toward reducing the kinds of problematic cases that cause concern.

