

FIRST DRAFT:  
FORD MOTOR CO. V. LANE  
*by Franklin Goldberg (box 706)*

Robert Lane swears that he did not know who gave him the Ford trade secrets. He simply found them in the back of his pickup truck, in his mailbox, and on his doorstep. Maybe he was telling the truth, maybe not. It did not matter to a Michigan District Court in 1999, which reasoned that because Lane did not breach a fiduciary duty with Ford, Ford could not prevent Lane from publicly disclosing them on his website. Ford's only recourse, the court implied, would be monetary or criminal sanctions potentially available after a successful trade secret misappropriation suit against Lane. This result seems peculiar, as Ford would no doubt find it difficult to collect the combined value of its research, fuel economy statistics and strategies, and blueprints from a 32-year-old nursing student.

**I. CASE SUMMARY**

**A. FACTS**

Robert Lane operated a website with the domain name "fordworldnews.com." With prior approval from Ford Motor Company, Lane accessed and utilized information from Ford's press release website. Upon learning that his domain name incorporated the name "Ford", however, Ford blocked Lane's access to the press releases.<sup>1</sup> Lane responded to this action by threatening to publish "sensitive" photographs and materials that Ford would find "disturbing," while additionally threatening to solicit the disclosure of confidential information from Ford employees.<sup>2</sup> After meeting with Ford, however, Lane agreed to obtain Ford's approval before

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<sup>1</sup> Lane subsequently changes the domain name to "blueovalnew.com." *See Ford Motor Company v. Lane*, 67 F.Supp 745, 747 (1999).

<sup>2</sup> *See Ford* at 747.

using any other Ford documents. Nonetheless, within a few months he posted classified information relating to engine design and strategies within the fuel economy, along with a Ford engineering blueprint. When Ford threatened legal action, Lane released approximately forty more documents "including materials with high competitive sensitivity" onto his website.<sup>3</sup> Throughout these exchanges, Lane was aware that the documents were confidential, that Ford employees were bound by a confidentiality agreement, and that in providing him with these documents the employees were violating their agreements with Ford.<sup>4</sup>

## **B. PROCEDURAL HISTORY**

In response to Lane's actions, Ford filed a Complaint and a Motion for a Temporary Restraining Order, alleging copyright infringement, statutory conversion, intentional interference with contractual relations, misappropriation of trade secrets, misappropriation, trademark infringement, and unfair competition. Ford alleged that Lane additionally misappropriated trade secrets by soliciting and receiving information from Ford employees that he knew or had reason to know were confidential.<sup>5</sup>

The Court granted the TRO, enjoining Lane from "destroying, despoiling or electronically deleting or erasing" the information obtained from Ford, ordering him to provide the Court with all such documents within his possession (along with their source and details pertaining to their acquisition), and restraining him from "(1) using, copying or disclosing any internal document of Ford Motor Company..., (2) committing any acts of infringement of Ford Motor Company's copyrights..., [and] (3) interfering with Ford's contractual relationship with its employees by soliciting Ford employees to provide Ford trade secrets or other confidential

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<sup>3</sup> Id.

<sup>4</sup> Id. at 748.

<sup>5</sup> Id.

information."<sup>6</sup> Lane acquiesced to the stipulations in the TRO, with the exception of the provision restricting his use, copying, and disclosing of Ford's internal documents (to which he filed a motion to show cause).

### **C. DISTRICT COURT'S DECISION**

This case forced the District Court to attempt to reconcile the tensions between the First Amendment, implicated by an injunction that would restrict Lane's free speech, and trade secret principles, established to protect the exchange of intellectual property.

In its decision, the United States District Court ruled that the First Amendment provides an affirmative defense to trade secret misappropriation when the moving party seeks a prior restraint on speech. While holding that "the Act's authorization of an injunction violates the prior restraint doctrine and the First Amendment as applied under these circumstances," the Court did recognize that "Ford has presented evidence to establish that Lane is likely to have violated the Michigan Uniform Trade Secrets Act."<sup>7</sup> Nonetheless, in dissolving the TRO, the Court cited significant Supreme Court and Circuit Court precedent and refused to expand the law to allow Ford an equitable remedy under the Michigan Act.<sup>8</sup> The court did not foreclose the possibility of a legal remedy, however, due to Lane's unauthorized dissemination of confidential information.

## **II. LEGAL BACKGROUND**

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<sup>6</sup> Id. at 748-49.

<sup>7</sup> See id. at 748.

<sup>8</sup> The Court cited *Near v. Minnesota*, 283 U.S. 844 (1931) (holding that freedom of the press prevents prior restraints on publication); *In the matter of Providence Journal Co.*, 820 F.2d 1342 (1st Cir.1986) (holding that "even a temporary restraint on pure speech is improper absent the 'most compelling circumstances' "); *Proctor & Gamble Co. v. Bankers Trust Co.*, 78 F.3d 219 (6th Cir.1996) (holding that Business Week's planned publications of trade secrets "did not constitute a grave threat to a critical government interest or to a constitutional right sufficient to justify a prior restraint."); and *Reno v. American Civil Liberties Union*, 521 U.S. 844 (1997) (holding that the First Amendment protects speech on the Internet). See *Ford* at 751-52.

## A. TRADE SECRET LAW

Trade secret law operates on the theory that innovators will lack the incentive to devote energy into projects without a legal framework to protect their endeavors.<sup>9</sup> Public policy supports this notion, as trade secret law helps maintain a standard of business ethics by promoting good-faith transactions, while punishing wrongdoing through criminal or civil sanctions.<sup>10</sup>

Trade secret law in the United States does not exist in a single doctrine. Rather, states rely on their own legislative acts that generally apply either the early regulations advanced in the Restatement (First) of Torts or those from the more recent Uniform Trade Secrets Act [hereinafter "UTSA"].<sup>11</sup> The Restatement provides trade secret protection for "any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."<sup>12</sup> The Supreme Court echoed this formulation in *Kewanee Oil Co. v. Bicron Corp.*,<sup>13</sup> affirming a district court's permanent injunction on the disclosure or use of trade secret related to the manufacture of synthetic crystals.<sup>14</sup> In sum, the Restatement and subsequent cases established that information qualified as a trade secret if it "(1) was used in one's business, (2) provided a competitive advantage, and (3) was secret, with the secrecy requirement ultimately being the most important of the three."<sup>15</sup>

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<sup>9</sup> See *Kewanee Oil Co. v. Bocron Corp.*, 416 U.S. 470, 481-82 (1974).

<sup>10</sup> See Ryan Lembrecht, *Trade Secrets and the Internet: What Remedies Exist for Disclosure in the Information Age?* 18 REV. LITIG. 317, 320-21 (1999).

<sup>11</sup> See JERRY COHEN AND ALAN S. GUTTERMAN, TRADE SECRET PROTECTION AND EXPLOITATION 13 (1998).

<sup>12</sup> RESTATEMENT (FIRST) OF TORTS §757, cmt. b (1939).

<sup>13</sup> 416 U.S. 470 (1974)

<sup>14</sup> *Id.* at 473.

<sup>15</sup> COHEN at 14.

In recent years, however, most states have moved away from the Restatement and have adopted the protections afforded in the UTSA,<sup>16</sup> which defines a trade secret as any

information, including a formula, pattern, compilation, program, device method, technique, or process, that (i) 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 (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.<sup>17</sup>

This Act additionally holds that the "[a]ctual or threatened misappropriation"<sup>18</sup> [of a trade secret] may be enjoined.<sup>19</sup> The Michigan Uniform Trade Secrets Act<sup>20</sup>, at issue in this case, is modeled after the UTSA.<sup>21</sup>

The Restatement, UTSA, and Michigan Uniform Trade Secrets Act are similar, however, in that they all allow for a trade secret claim only if three conditions are met. First, the protected subject matter must be "the type of knowledge or information that trade secret law was meant to protect, and must not be generally known to all."<sup>22</sup> Most importantly, this criterion assures that the information is a secret valuable enough to warrant legal protection, and is generally unknown in a trade or industry.<sup>23</sup> Second, the information must have been wrongfully obtained and/or used, i.e. misappropriated.<sup>24</sup> Plaintiffs must prove the latter so as not to thwart the proper

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<sup>16</sup> SEE ROBERT MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE (2<sup>nd</sup> ed. 2000).

<sup>17</sup> UNIFORM TRADE SECRETS ACT §1(4), 14 U.L.A. 402-03 (1985 & Supp. 1990).

<sup>18</sup> "Misappropriation" means either the "(i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of the trade secret of another without express or implied consent by a person who (A) used improper means [e.g. "theft, bribery, misrepresentation, breach, or inducement of a breach of a duty to maintain secrecy or espionage through electronic or other means", *See id.* at §1(1)] to acquire knowledge of the trade secret; or (B) at the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was (I) derived from or through a person who had utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person to maintain its secrecy or limit its use; or (C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake." *Id.* at §1(2). For similar language, see also MICH. COMP. LAWS ANN. §445.1902.

<sup>19</sup> *Id.* at §2(a). This point will take on greater relevance in a later discussion.

<sup>20</sup> MICH. COMP. LAWS ANN. §445.1901-10.

<sup>21</sup> Michigan adopted the UTSA in 1998, subject to several modifications. **FIND CITE.**

<sup>22</sup> MERGES at 35.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* See *supra* note 12.

acquisition and utilization of information. Finally, the plaintiff must prove that he or she took reasonable precautions to prevent its disclosure.<sup>25</sup> Although often left to the subjective evaluation of the courts,<sup>26</sup> holding trade secret owners to this standard assures that they take adequate precautions against unwarranted disclosure rather than merely relying on the courts to police the maintenance of their secrets.

## **B. THE FIRST AMENDMENT AND PRIOR RESTRAINTS -- NEEDS SOME BEEF**

The First Amendment to the United States Constitution maintains that "Congress shall make no law... abridging the freedom of speech, or of the press."<sup>27</sup> In interpreting the First Amendment, courts regularly hold that "speech should be regulated only in the most rare and extreme circumstances, for the freedom to speak one's mind is essential in discovering the truth on matters of public interest, enriching the intellectual vitality of society, and fulfilling the potential of the individual."<sup>28</sup> It is through this lens that courts view prior restraints, and it necessarily follows that a court would question *any* limitation on free speech.

This notion has ample support in case law. For example, in *Near v. Minnesota*<sup>29</sup> the Supreme Court held a Minnesota statute unconstitutional because it condoned state censorship of malicious, scandalous, and defamatory speech intended for publication.<sup>30</sup> Citing Blackstone, the Court noted that "[t]he liberty of the press is indeed essential to the nature of a free state; but this consists in laying no previous restraint upon publications..."<sup>31</sup> Forty years later, the Supreme

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<sup>25</sup> Id. at 36.

<sup>26</sup> *E.g.*, *Rockwell Graphics Systems, Inc. v. DEV Industries, Inc.*, 925 F.2d 174, \_\_\_ (7<sup>th</sup> Cir. 1991) (holding that what is a "reasonable precaution... depends on a balancing of costs and benefits that will vary from case to case and so require an estimation and measurement by persons knowledgeable in the particular field of endeavor involved").

<sup>27</sup> U.S. CONST. amend. I. **I need to also add stuff about the 14<sup>th</sup> Amendment.**

<sup>28</sup> *Lembrecht* at 326.

<sup>29</sup> 283 U.S. 697 (1931).

<sup>30</sup> Id. at 701-02.

<sup>31</sup> Id. at 713.

Court maintained a similar position. Citing *Bantam Books v. Sullivan*,<sup>32</sup> the Court in *New York Times v. United States*<sup>33</sup> held that "[a]ny system of prior restraints of expression comes to this Court bearing a heavy presumption against its constitutional validity." (**needs cite**) Once again restating its concern over the effect of suppressing speech in *CBS v. Davis*, the Supreme Court additionally remarked that a court may only enjoin speech if the possible harm from the speech is certain<sup>34</sup> and if there are no less drastic means available that accomplish the same goals. (**needs cite**)

Circuit courts similarly recognize the nearly universal prohibition of prior restraints on speech. The First Circuit, for example, in deciding *In the matter of Providence Journal Co.*<sup>35</sup>, maintained that "[o]f all the constitutional imperatives protecting a free press under the First Amendment, the most significant is the restriction against prior restraint upon publication." Similarly, the Sixth Circuit, in *Proctor & Gamble v. Bankers Trust Co.*<sup>36</sup> held that prior restraints on speech were permissible only when absolutely necessary to advance a substantial government interest and "where the evil that would result from the reportage is both great and certain and cannot be mitigated by less intrusive measures."<sup>37</sup> It seems that courts uniformly have reservations over allowing any prior restraints, therefore, as they seemingly run counter to the First Amendment. In theory, unless someone's speech falls within a limited number of exceptions, one should be at liberty to disseminate information on any subject matter and in any public medium.

### **C. FIRST AMENDMENT PROHIBITIONS ON PRIOR RESTRAINTS ARE IN TENSION WITH TRADE SECRET LAWS**

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<sup>32</sup> 372 U.S. 58, 70 (1963).

<sup>33</sup> 403 U.S. 713, 714 (1971).

<sup>34</sup> See *CBS v. Davis*, 510 U.S. 1315, 1318 (1994) (holding that Federal Beef Processors, Inc. did not meet its burden of showing that the evil that would result from showing a videotape was both great and certain.)

<sup>35</sup> 820 F.2d 1342, 1345 (1<sup>st</sup> Cir. 1986).

<sup>36</sup> 78 F.3d 219 (6<sup>th</sup> Cir. 1996).

<sup>37</sup> *Id.* at 225.

Contrary to general principles advancing the value of and protections extended to free speech, trade secret statutes explicitly preclude certain public disclosures. In short, one *may not* disseminate confidential information in *any* public medium. Consequently, there is a natural tension between the First Amendment and trade secret law.

When in conflict, one might expect the First Amendment prohibition on prior restraints to trump trade secret protections.<sup>38</sup> Nonetheless, prior restraints--in the form of preliminary injunctions--are somewhat common in trade secret cases, assuming the moving party can fulfill certain necessary conditions. Specifically, the movant needs to prove that "1) it will suffer irreparable injury if this injunction is not granted, 2) that such injury outweighs the likely harm which would be inflicted on the defendant by the requested relief, 3) the likelihood of success by the plaintiff on the merits [is substantial], and 4) that the requested relief will not adversely affect the public interest."<sup>39</sup> For example, in *Cherne Industrial, Inc. v. Grounds & Assoc., Inc.*,<sup>40</sup> the Minnesota Supreme Court held that the moving party satisfied the requisite conditions, thereby granting a preliminary injunction to prevent the future use of confidential customer lists. The Third Circuit issued a similar ruling in *SI Handling Systems, Inc. v. Heisley*,<sup>41</sup> holding that an employer could enjoin a former employee's disclosure of information regarding the nonstandard coefficient of friction used in making calculations for "material handling system" designs.<sup>42</sup> The

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<sup>38</sup> First, lawmakers and judges generally espouse the value of the First Amendment, regarding it as fundamental to the American democracy. (**need cite**). Second, one might reason that the First Amendment to the Federal Constitution would trump trade secret laws that are merely state regulations.

<sup>39</sup> 3 MILGRIM ON TRADE SECRETS §14.01[1], 14-17 (1967-).

<sup>40</sup> 278 N.W.2d 81 (Minn. 1979).

<sup>41</sup> 753 F.2d 1244 (3<sup>rd</sup> Cir. 1985).

<sup>42</sup> *Id.* at 1248-49, 1263-64.



courts have likewise permitted injunctions for unwarranted disclosures of accounting records<sup>43</sup> and supply agreements,<sup>44</sup> as well.

Although courts allow prior restraints in trade secret cases, precedent indicates that courts--through apparent judicial legislation--have added a fifth requirement to the test for preliminary injunctions in trade secret cases, i.e., a breach of a fiduciary duty between the trade secret holder and the misappropriator. *Cherne* and *SI Handling*, and indeed, *Ford* explicitly rely on this criterion.<sup>45</sup> In fact, the court in *Ford* explicitly states that "[i]n the absence of a confidentiality agreement or a fiduciary duty between the parties, Ford's commercial interest in its trade secrets and Lane's alleged improper conduct in obtaining the trade secrets are not grounds for issuing a prior restraint."<sup>46</sup>

This analysis is troubling because the insertion of this fifth requirement through judicial decree seems to run counter to the wording of the UTSA and Michigan Uniform Trade Secrets Act, which themselves do not condition liability on the breach of a fiduciary duty. Rather, these statutes allow a court to enjoin improper disclosures merely if the trade secret was acquired "by a person who knows or had reason to know that the trade secret was acquired by improper means," or was disclosed or used "without express or implied consent."<sup>47</sup> Moreover, misappropriation includes disclosure or use by a person who

knew or had reason to know that his or her knowledge of the trade secret was derived from or through a person who had utilized improper means to acquire it, acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use, or derived from or through a person who owed a duty to the person to maintain its secrecy or limit its use.<sup>48</sup>

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<sup>43</sup> See *KLM Royal Dutch Airlines, N.V. v. deWit*, 415 N.Y.S.2d 190 (Sup.Ct. 1979).

<sup>44</sup> See *Merck & Co., Inc. v. Lyon*, 941 F.Supp. 1443 (M.D.N.C. 1996).

<sup>45</sup> The same is true in *KLM Royal Dutch Airlines*, and *Merck & Co.*

<sup>46</sup> *Ford Motor Co.* at 753. (emphasis added).

<sup>47</sup> MICH. COMP. LAWS ANN. §445.1902(b). See also UTSA \_\_\_\_.

<sup>48</sup> Id. at §445.1902(b)(ii)(B).

Clearly, Robert Lane, although a third party to Ford and its employees, would be liable under the strict language of the statute. Indeed, he was aware that Ford employees breached their duties to Ford in giving the documents to him.<sup>49</sup> Nonetheless, the District Court ignored such a strict interpretation and denied the injunction.<sup>50</sup> Ford could only pursue criminal or civil liability *after* it loses the value of the very secret it tried to protect.

### **III. THE DISTRICT COURT'S HOLDING IN *FORD* WAS IMPROPER**

#### **A. INTRODUCTION**

Although perhaps counterintuitive, the ruling of the Michigan District Court merely applied well-established precedent regarding the limitations on prior restraints to a case regarding trade secrets on the internet. Starting with the proposition that prior restraints on speech should be allowed in only the most narrowly tailored and exceptional circumstances, the Court held that the First Amendment provided a partial defense to trade secret misappropriation. Robert Lane may still face criminal or civil sanctions, but Ford may not enjoin his disclosures. It is my contention, however, that this need not be the result. In Section B, I argue that precedent both within and outside of trade secret law may permit a prior restraint on Lane's publications, regardless of the presence of a fiduciary relationship between the parties. Section C sets forth practical arguments against reading the Michigan Act (and correlatively the UTSA) to preclude preliminary injunctions in trade secret cases like *Ford*. In Section D, I offer possible solutions which may resolve the tension between the First Amendment prohibition on prior restraints and trade secret laws, by offering differing interpretations of the legal protections afforded trade secrets.

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<sup>49</sup> *Ford* at 748.

## **B. PRECEDENT SUPPORTS PRELIMINARY INJUNCTIONS**

Restraints on speech, and sometimes action, are common throughout the law. Within trade secret, defamation and libel, copyright, procedure, and even constitutional law, a court may restrict a party's right to disseminate information in a public medium.

### **1. Precedent in Trade Secret Law Supports Preliminary Injunctions**

#### **a. Protective Orders and the Freedom of Information Act**

Although courts may require a party facing litigation to identify with particularity its trade secrets through discovery or during trial, the courts nonetheless afford trade secret holders some procedural protections against public dissemination.<sup>51</sup> As already witnessed in *Ford*, a court may grant a temporary injunction if the defendant has misappropriated confidential information from the plaintiff.<sup>52</sup> Courts permit more substantial restrictions, in addition, by issuing protective orders during discovery and trial proceedings.<sup>53</sup> The courts recognize that

one fundamental tension in trade secret litigation is the trade secret plaintiff's need to litigate to protect its trade secrets without forfeiting the secrecy of the matter as an incident to litigation. Another basic tension is the desire of the plaintiff to not further educate an allegedly errant defendant of the intricacies of the plaintiff's trade secrets.<sup>54</sup>

As such, it is not necessary to identify the nature of a trade secret in a publicly filed document such as a complaint.<sup>55</sup> Indeed, in some situations, a plaintiff may successfully convince a court

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<sup>50</sup> As demonstrated above, this is the approach accepted nationally. See supra note \_\_\_. (the one that talks about fiduciary relationships)

<sup>51</sup> Milgrim on Trade Secrets

<sup>52</sup> See *Ford*, at \_\_\_; see also 3 MILGRIM ON TRADE SECRETS §14.01[5], 14-44 (1967-). Indeed, the court issued a temporary restraining order against Robert Lane on August 25, 1999, which inevitably gave rise to the present case.

<sup>53</sup> See also the FEDERAL RULES OF CIVIL PROCEDURE 26(c)(7): "Protective orders. Upon motion by a party or by the person from whom discovery is sought, accompanied by a certification that the movant has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute without court action, and for good cause shown, the court in which the action is pending or alternatively, on matter relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including... that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a designated way."

<sup>54</sup> See MILGRIM, §14.02[1], 14-60.

<sup>55</sup> See *id.*

that no trade secret disclosures are permissible, or at worst only certain aspects of them are.<sup>56</sup> In those cases in which a court nonetheless deems the disclosure of trade secrets necessary, the court will often employ *in camera* hearings and the use of sealed records to prevent the public dissemination of the confidential information.<sup>57</sup> The same holds true when an administrative agency hears a case. Simply, "the party affected can procure and have the benefit of a court-provided protective order prohibiting the disclosure save pursuant to procedures intended to safeguard the private party's interests."<sup>58</sup>

Aside from judicial protection of trade secrets, the federal legislature instituted its own internal safeguard. The Freedom of Information Act,<sup>59</sup> established in 1994, generally allows public access to all documents within the public record.<sup>60</sup> However, the statute explicitly exempts "trade secrets and commercial or financial information obtained from a person and privileged or confidential."<sup>61</sup> The legislature, therefore, recognizes that although the public's interest is best served by its ability to search through public documents, this right is not absolute.

These judicial and legislative protections demonstrate that within some areas of trade secret doctrine, courts permit a restraint on public dissemination of confidential information. In applying the standards set forth above, courts and administrative agencies initially demonstrate

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<sup>56</sup> See *Gate-Way, Inc. v. Wilson*, 94 Cal.App.2d 706 (2d Dist. 1949); *Hartman v. Remington Arms Co.*, 143 F.R.D. 673, 674-78 (D.Mo. 1992) (completely prohibiting the discovery of highly valuable product-development trade secrets of the defendant).

<sup>57</sup> See MILGRIM, §14.02[6], 14-201.

<sup>58</sup> MILGRIM, §14.02[4][c], 14-117. Note also that administrative agencies, like courts, may seal records and hear matters *in camera* to maintain the value of a trade secret. See *id.* at 14-202. Similar to the precedent established in trade secret law, the Supreme Court has also limited the right to publish certain confidential information obtained pursuant to additional types of litigation. In *Seattle Times Co. v. Rhinehart*, 467 U.S. 20 (1984), the Supreme Court affirmed an injunction which prevented a newspaper from publishing the names of members in a religious organization. The court reasoned that because the Seattle Times obtained the names through a compulsory legal process, restricting this disclosure did not violate the First Amendment. For a more thorough discussion, see 1 SMOLLER AND NIMMER ON FREE SPEECH §15:51, 15-81 (1999); FEDERAL RULES OF CIVIL PROCEDURE 26(c); see *Rhinehart*, 467 U.S. at 33. Put simply, "restraints place on discovered, but not yet admitted, information are not a restriction on a traditionally public source of information," assuming this prior restraint advanced other substantial interests. See *id.* at 33; see also SMOLLER AND NIMMER ON FREE SPEECH at §15:51, 15-81.

<sup>59</sup> 5 U.S.C. § 552 (1992).

their awareness of the value in holding a trade secret. As such, TROs, protective orders, *in camera* hearings, and statutory restrictions provide constitutionally sanctioned protections against their public disclosures and inevitable loss of their values. Moreover, courts do not qualify these protections by requiring the breach of a fiduciary duty, or any similar restrictions that may compromise trade secret protections, as conditions precedent to their enforcement.

#### **b. Inevitable disclosures**

Additionally couched within trade secret law is the doctrine of inevitable disclosures. In certain situations, an employer may successfully prevent a former employee from beginning work at a different company within the same field, maintaining that such action would most likely result in the improper dissemination of trade secrets. In *PepsiCo., Inc. v. Redmond*,<sup>62</sup> for example, the Seventh Circuit held that a PepsiCo's former general manager could not accept a position with Redmond. Simply, PepsiCo successfully argued that through the course of his new employment, the employee would inevitably rely upon and disclose PepsiCo.'s trade secrets.<sup>63</sup> In this case (and indeed in all successful inevitable disclosure cases), the court allowed a prior restraint on not only the employee's oral or written expression, but on the employee's *actions*, as well.<sup>64</sup>

This doctrine is particularly important to analysis of *Ford Motor Co. v. Lane*, and trade secret law in general. First, the general legal trend grants trade secret protections narrow

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<sup>60</sup> See *id.* at §552(a).

<sup>61</sup> *Id.* at §552(b)(4).

<sup>62</sup> 54 F.3d 1262 (7<sup>th</sup> Cir. 1995).

<sup>63</sup> See *id.* at 1269-72.

<sup>64</sup> Misappropriation claims as a result of inevitable disclosures rarely succeed, however. *E.g., Campbell Soup Co. v. Giles*, 47 F.3d 467, 471-72 (1<sup>st</sup> Cir. 1995) (denying an inevitable disclosure claim because the employer failed to convince the court that a former employee would inevitably disclose trade secrets to his new employer, and even if he did, Campbell would not have been irreparably harmed); *FMC Corp. v. Cyprus Foote Mineral Co.*, 899 F.Supp. 1477 (W.D.N.Y. 1995) (holding that an inevitable disclosure claim cannot prevent a former employee's future employment even though the employee's past and future employers are the only two producers of battery-quality lithium products in the United States).

protections, as evidenced by the "fiduciary duty" requirement and general concern over patent preemption.<sup>65</sup> In contrast, inevitable disclosure claims broaden trade secret protections. Second, and of notable significance, it questions the internal logic of the *Ford* decision. In short, if a court is willing to restrict a party's actions *and* speech by limiting her employment opportunities, it seems that a court would necessarily allow for a restriction on *only* speech. In *Ford*, however, the court followed standard prior restraint precedent. In doing so, not only did it unnecessarily narrow a field somewhat conducive to expansion, it additionally perpetuated a legal inconsistency.<sup>66</sup>

## **2. PRECEDENT IN OTHER AREAS OF THE LAW SUPPORT PRELIMINARY INJUNCTIONS**

### **a. Defamation and Libel.**

The First Amendment and common law generally preclude prior restraints on the publication of defamatory or libelous material.<sup>67</sup> Indeed, the preliminary discussion on prior restraints in Section II.B.,<sup>68</sup> noting that such remedies are not only extraordinary but presumptively invalid, holds true even when the disseminated speech is false or injurious to

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<sup>65</sup> See also *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) (determining whether federal patent laws preempt an Ohio trade secret statute).

<sup>66</sup> Although illustrative, *PepsiCo., Inc. v. Redmond* may nonetheless prove distinguishable from *Ford Motor Co. v. Lane*. In the former, there was a fiduciary relationship between the parties; in the latter there was not.

<sup>67</sup> See Rodney A. Smolla, *Law of Defamation* §9.13[1][a] (1986).

<sup>68</sup> See *supra* notes \_\_\_ and \_\_\_ discussion *Near*; see also *Organization for a Better Austin v. Keefe*, 402 U.S. 415, 419 (1971).

someone's character.<sup>69</sup> Moreover, some courts have held that because defamation and libel actions often allow an adequate legal remedy, injunctive relief is completely preempted.<sup>70</sup>

Nonetheless, several courts have veered from this general proposition, suggesting that they might enjoin defamatory speech, particularly if the speech injures business-related interests.<sup>71</sup> The Third Circuit Court of Appeals, for example, in *System Operations v. Scientific Games Dec. Corp.*,<sup>72</sup> hinted that defamation may warrant injunctive relief. Although this court reversed an injunction that restrained the defendant from disparaging the movant's products and interfering with his contractual relationships, it nonetheless indicated that a prior restraint would have been proper had the moving party satisfied a four-pronged test.<sup>73</sup> Further, in a concurring opinion in *Lothscheutz v. Carpenter*,<sup>74</sup> the Sixth Circuit Court of Appeals posited that a court can temporarily enjoin future speech if the offending party reiterates the same libelous and defamatory charges made prior to the suit.<sup>75</sup> Moreover, the concurrence averred that a permanent injunction might also be proper if necessary to the injured party's personal reputation and business relations.<sup>76</sup> Finally, the Court of Appeals of Texas, in *Karamchandani v. Ground*

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<sup>69</sup> See *Parker v. Columbia Broadcasting Systems, Inc.*, 320 F.2d 937, 938 (2d Cir. 1963) (holding that an order enjoining appellant from communicating with any person with regard to any 'matters contained' in a stockholder's memorandum, including allegations of fraud and misconduct on the part of appellees and their counsel, violates the First Amendment of the Constitution.); *Konigsberg v. Time, Inc.*, 288 F.Supp. 989 (S.D.N.Y. 1968) (holding that "[a] court of equity will not, except in special circumstances, issue an injunctive order restraining libel or slander or otherwise restricting free speech." Moreover, [t]o enjoin any publication, no matter how libelous, would be repugnant to the First Amendment to the Constitution, and to historic principles of equity.")

<sup>70</sup> E.g., *Community for Create Non Violence v. Pierce*, 814 F.2d 663, 672 (D.C. Cir. 1987); *Alberti v. Cruise*, 383 F.2d 268, 272 (4<sup>th</sup> Cir. 1967); *McLaughlin v. New York*, 784 F.Supp. 961, 978 (N.D.N.Y. 1992).

<sup>71</sup> For a good general discussion on this issue, see *Vondran v. McLinn*, 1995 WL 415153 (N.D.Cal. 1995).

<sup>72</sup> 555 F.2d 1131 (3d Cir. 1997).

<sup>73</sup> "[T]he moving party must generally show (1) reasonable probability of eventual success in the litigation and (2) that the movant will be irreparably injured pendente lite if relief is not granted. Moreover, while the burden rests upon the moving party to make these two requisite showings, the district court 'should take into account, when they are relevant, (3) the possibility of harm to other interest persons from the grant or denial of the injunction, and (4) the public interest.'" *Id.* at 1141 (citing *Oburn v. Shapp*, 521 F.2d 142, 147 (3d Cir. 1975).

<sup>74</sup> 898 F.2d 1200 (6<sup>th</sup> Cir. 1990).

<sup>75</sup> See *id.* at 1208.

<sup>76</sup> See *id.* at 1209.

*Technology, Inc.*,<sup>77</sup> upheld an injunction preventing the appellant from sending letters to the moving party's clients. The Court of Appeals averred that because appellant's communication attempted to coerce these clients to discontinue business with appellee, the trial court acted within its discretion by granting the injunction.

This precedent, therefore, again indicates courts' willingness to compromise its traditional position prohibiting prior restraints on speech. First, in *System Operations*, the court suggested that a prior restraint on statements that defame a product and interfere with contractual relationships may be proper. If a court is willing to enjoin someone's libelous or defamatory speech, it does not require a logical leap to allow prior restraints on the disseminations of trade secrets. In *Lothscheutz*, the court held that a party's speech, which merely perpetuates defamatory statements made prior to the suit, may be properly enjoined. The *Lothscheutz* standard would clearly allow an injunction in *Ford*, therefore, as Lane merely perpetuated his unwarranted disclosures. *Karamchandani* solidifies these points, because just as the appellant's letters attempted to harm the appellee's business interests, Lane's disclosures harmed Ford's.

Most important to this discussion is that within defamation and libel, the availability of injunctive relief as a remedy does not hinge on the breach of a fiduciary duty. Such a relationship between the trade secret holder and its misappropriator, therefore, should similarly not concern a court.

#### **b. Copyright.**

Within the confines of intellectual property law itself, the courts, via statutory and constitutional applications, have established an arena in which prior restraints are par for the course.<sup>78</sup> The Copyright Act of 1976 explicitly provides such speech restrictions, stating that

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<sup>77</sup> 678 S.W.2d 580 (Tex.Court.App. 1984).

<sup>78</sup> See generally Lemley and Volokh... 48 Duke L.J. 147, 150 (1998); see also (§15:60 of Smolla and Nimmer)



"[a]ny court having jurisdiction of a civil action arising under this title may... grant temporary *and* final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright."<sup>79</sup> *Cable/Home Communication Corp. v. Network Productions, Inc.*,<sup>80</sup> decided by the Eleventh Circuit Court of Appeals, provided a clear statement of this rule along with its policy justifications:

Since the Copyright Act is the congressional implementation of a constitutional directive to encourage inventors by protecting their exclusive rights in their discoveries, copyright interests also must be guarded under the Constitution, and injunctive relief is a common judicial response to infringement of a valid copyright.<sup>81</sup>

To protect the economic and creative interests of the copyright holder, therefore, the courts regularly enjoin the speech of infringing parties.<sup>82</sup>

Given that Congress and the courts have held copyright law to be a constitutional restriction on speech, why should such protection fail in the trade secret arena when there is no fiduciary duty between the parties in the suit?<sup>83</sup> Clearly, state legislatures have enacted trade secret laws to protect inventors' rights to their discoveries, just as Congress has passed the Copyright Act of 1976 to protect the values within copyrights. Further, a trade secret holder faces substantial economic loss if a misappropriator wrongfully discloses her idea. It therefore seems inconsistent for courts to allow prior restraints within one arena of intellectual property law itself, but disallow it in another--even if the legal and policy justifications behind the laws are consistent--merely because the misappropriator did not herself breach a fiduciary duty.

### **3. UNFAVORABLE FIRST AMENDMENT PRECEDENT SHOULD NOT BE APPLIED TO TRADE SECRET CASES**

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<sup>79</sup> 17 U.S.C. §502(a) (1976).

<sup>80</sup> 902 F.2d. 929 (11<sup>th</sup> Cir. 1990).

<sup>81</sup> *Id.* at 849.

<sup>82</sup> However, "[e]ven when a copyright violation may occur, however, the issuance of a prior restraint should by no means be a routine matter." SMOLLER AND NIMMER ON FREE SPEECH at §15:60, 15-103.

<sup>83</sup> *See* Lemley and Volokh... at 150.

In its decision in *Ford Motor Co. v. Lane*, the Court relied upon hallmark Supreme Court and Circuit Court cases in First Amendment law to preclude a prior restraint on Robert Lane's disclosures. These cases all demonstrate the judiciaries' unwillingness to chill the free exchange of expression within newspapers, magazines, nationally broadcasted television shows, etc. However, as the following section demonstrates, one might distinguish each of these cases from *Ford*. They may not, therefore, refute the viability of a prior restraint doctrine when applied to trade secret misappropriations.

**a. *Near v. Minnesota***

In *Near v. Minnesota*,<sup>84</sup> the defendant published "The Saturday Press," a newspaper which regularly printed editions "largely devoted to malicious, scandalous and defamatory articles" concerning several local figures, the Jewish race, and other local and national groups.<sup>85</sup> The Minnesota Supreme Court initially upheld a statute that permitted a prior restraint on this periodical. The Supreme Court, reversed, however, declaring that the Minnesota statute violated the First Amendment because "liberty of the press, historically considered and taken up by the Federal Constitution, has meant, principally although not exclusively, immunity from previous restraints or censorship."<sup>86</sup>

At first glance *Near* seems to support the district court's holding in *Ford*. However, this is not necessarily the case. On a practical level, "The Saturday Press" was a publicly disseminated periodical that concerned issues of public relevance. "blueovalnews.com," on the contrary, was a website that merely disclosed confidential information without public

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<sup>84</sup> 283 U.S. 697 (1931). See also *supra* note \_\_\_\_.

<sup>85</sup> *Id.* at 703.

<sup>86</sup> *Id.* at 716.

commentary on issues of social importance.<sup>87</sup> Although precedent does indicate that First Amendment protections generally apply to speech on the internet,<sup>88</sup> a personal website clearly is not a newspaper, especially if it adds nothing to public discourse. The economic consequences to the injured parties, had each case been decided differently, additionally distinguish these cases. If the Supreme Court upheld the Minnesota statute in *Near*, thereby allowing the censorship of public speech disseminated in a public medium, the publishers might have lost the value of a few subscriptions. The result would have been quite different had the Eastern District of Michigan allowed a prior restraint on Robert Lane's "speech." In this scenario, Ford would have retained--rather than lost--the value of its trade secrets, a figure worth potentially hundreds of millions of dollars.<sup>89</sup> Further, any financial harm would have only befallen the webserver, as it would presumably lost Lane's business.<sup>90</sup> Because Lane's speech added nothing to the public discourse, and because its only effect was economic harm, the propositions advanced in *Near* therefore prove inapplicable.

**b. *New York Times Co. v. United States***

*New York Times v. United States*<sup>91</sup> further guides an analysis of the prior restraint doctrine. In a terse opinion, the majority quickly dismissed the United State's attempt to prevent the New York Times and Washington Post from publishing a classified study entitled "History of U.S. Decision-Making Process on Viet Nam Policy."<sup>92</sup> In its ruling, the court merely repeated the well-established precedent on prior restraints, inevitably concluding that the government did

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<sup>87</sup> One may argue that the mere disclosure of information concerning a large automobile manufacturer necessarily becomes part of the public dialogue. However, comparing a newspaper that discusses issues of social importance with a website that negated the value of a trade secret seems improper.

<sup>88</sup> See *Reno v. ACLU*, 521 U.S. 844 (1997).

<sup>89</sup> I need to mention somewhere that the server took the site down anyway, as is allowed by statute. This point does not refute the underlying concern regarding trade secrets and prior restraints, however.

<sup>90</sup> I need to check the validity of this statement.

<sup>91</sup> 403 U.S. 713 (1971).

<sup>92</sup> See *id.* at 714.

not meet the substantial burden necessary to authorize such an act.<sup>93</sup> Justice Black's concurrence further grounded the Court's reasoning, positing that "every moment's continuance of the injunctions against these newspapers amounts to a flagrant, indefensible, and continuing violation of the First Amendment."<sup>94</sup> This opinion then turned to the role of the press in the United States:

The press was to serve the governed, not the governors. The Government's power to censor the press was abolished so that the press would remain forever free to censure the Government. The press was protected so that it could bare the secrets of the government and inform the people... the New York Times, the Washington Post, and other newspapers should be commended for serving the purpose that the Founding Fathers saw so clearly.<sup>95</sup>

This reasoning indicates that, similar to *Near v. Minnesota*, *New York Times Co. v. United States* is inapplicable to our present case. Once again, comparing "blueovalnews.com," a personal website that promulgates misappropriated trade secrets while adding little to the public discourse, to the New York Times or Washington Post, globally disseminated newspapers that facilitate the free exchange of ideas, may be inappropriate. Further, the concurring opinion relies on the premise that a democracy should ensure that its participants have free access to criticize the government. Does this necessarily mean that a democracy's participants ought to have free access to threaten a viable corporation with potential economic ruin through publishing confidential trade secrets? Would the founding fathers have granted Robert Lane the permission to do so? Probably not. When we add to this the fact that a court would have presumably restrained Lane's speech had he breached a fiduciary duty to Ford, the district court's application of *New York Times, Co.* becomes even more questionable. After all, if it is okay to restrain

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<sup>93</sup> *See id.*

<sup>94</sup> *Id.* at 714-15.

<sup>95</sup> *Id.* at 717.

speech upon breaching a confidential relationship, it seems logical to do so when the nonmoving party *knew* she was in breach of such a relationship, as well.

**c. *CBS Inc. v. Davis***

*CBS Inc. v. Davis*,<sup>96</sup> also cited by the district court, supports the concepts thus presented, and adds an additional dimension to the analysis. In this case, CBS sought to televise footage taken at the factory of Federal Beef Processors, Inc. ("Federal"). The South Dakota Circuit Court granted a temporary restraining order, holding that a broadcast of this tape would likely cause irreparable economic injury to Federal as a significant portion of national chains might thereafter refuse to purchase beef processed at its facilities.<sup>97</sup> Nonetheless, Supreme Court Justice Blackmun stayed this injunction, maintaining that an "indefinite delay of the broadcast will cause irreparable harm to the news media [rather than to Federal] that is intolerable under the First Amendment."<sup>98</sup> Importantly, Blackmun additionally noted that because Federal could not prove that it would suffer significant economic harm upon broadcast, the Supreme Court could not "rely on such speculative predictions as based on 'factors unknown and unknowable'" in allowing a prior restraint.<sup>99</sup>

The Eastern District of Michigan's use of this case to deny a prior restraint against Robert Lane is again improper. First, a nationally broadcast video seeking to expose unsanitary practices within the beef industry appears starkly different from a student's disclosure of trade secrets. Simply, the former directly comments on issues of public concern through a nationally televised program, while the latter adds little to a dialogue on Ford's products and is not aired in a regularly accessible medium. Second, unlike restraining "48 Hours," enjoining Lane's

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<sup>96</sup> 510 U.S. 1315 (1994).

<sup>97</sup> *See id.* at 913-14.

<sup>98</sup> *Id.* at 915.

<sup>99</sup> *Id.* at 914.

disclosures may not cause irreparable harm to him. Rather, he may still operate his website and discuss non-confidential information about Ford. Third, disclosing the unsanitary conditions within the Federal plant would indirectly benefit its competitors, as distributors and consumers might opt for different sources of meat upon viewing the footage in question. In contrast, Ford's competitors would directly benefit from Lane's disclosures, as they could merely usurp the information and incorporate the statistics and blueprints into their business plans and production designs. Finally, and perhaps most fundamental to this discussion, Justice Blackmun tacitly implied that if Federal could prove with certainty that airing the tape would cause it substantial economic hardship, the Court may not have stayed the injunction.<sup>100</sup> Indeed, Blackmun found the equivocal language in lower court's opinion dispositive in precluding a prior restraint (the lower court argued that airing the tape "could result"<sup>101</sup> in economic harm and would "likely cause irreparable injury to Federal."<sup>102</sup>) By contrast, in *Ford* the court recognized that Lane's continued publication of trade secrets would irrefutably harm Ford's economic interests.<sup>103</sup> Nonetheless, it disallowed a restriction of Lane's speech that would have conclusively secured Ford's economic interests contained within the trade secrets.

**d. *Proctor & Gamble Company v. Bankers Trust Company, BT***

*Proctor & Gamble Company v. Bankers Trust, BT*<sup>104</sup> resonates with the latter precedent and again proves distinguishable from *Ford*. In this case, McGraw-Hill, the publishers of "Business Week," sought to reverse an injunction prohibiting the publication of confidential information regarding the legal action commenced between the above-mentioned parties. The district court initially granted an injunction, and the Sixth Circuit denied a stay. The Court of

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<sup>100</sup> *See id.*

<sup>101</sup> *Id.* at 913.

<sup>102</sup> *Id.* at 913-14.

<sup>103</sup> Needs cite, I know.

Appeals, in applying the latter Supreme Court precedent, nonetheless held that the permanent injunction was an unconstitutional prior restraint on speech. It determined that "far from falling into that 'single, extremely narrow class of cases' where publication would be so dangerous to fundamental government interests as to justify a prior restraint... the private litigants' interests in protecting their vanity or their commercial self interest simply does not qualify as grounds for imposing a prior restraint."<sup>105</sup> Accordingly, the Court of Appeals lifted the injunction.

At first glance, this case may question whether economic viability might be a factor when considering the constitutionality of a prior restraint. However, no different than *Near, New York Times, Co.*, or *CBS, Inc., Proctor and Gamble* cannot be applied to a decision concerning trade secrets. The court indirectly supported this proposition by noting that Business Week sought to public a "news story" which was of "public concern," and that Business Week followed "journalistic protocol" by seeking commentary from the parties.<sup>106</sup> In *Ford*, however, Lane did not post a news story and the trade secret disclosures were of questionable public concern. Further, Lane did not follow any journalistic protocol as he never sought commentary from Ford before posting the trade secrets.<sup>107</sup> Quite the contrary, he disclosed much of the information in retaliation to Ford's commencing a legal action.<sup>108</sup> *Proctor & Gamble Company*, therefore, like the above-mentioned precedent, cannot support a holding that Lane's speech is afforded First Amendment protections against prior restraints.

#### **e. Summary of Case Law**

The Supreme Court and Circuit Courts clearly view prior restraints on speech with a cautious eye. However, in supporting its decision in *Ford Motor Co. v. Lane*, the district court

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<sup>104</sup> 78 F. 3d 219 (6<sup>th</sup> Cir. 1996).

<sup>105</sup> *Id.* at 224 (citing *New York Times Co. v. United States*, 403 U.S. 713, 726 (1971) (Brennan, J. concurring)).

<sup>106</sup> *See id.* at 24-25.

cites cases that are clearly distinguishable from *Ford*. First, the cited precedent concerns speech couched in nationally distributed and widely known media, not on an internet user's personal website. Second, they indicate that great and certain economic damage upon disclosure may weigh into a judge's calculations when deciding these cases. Finally, the cases note that the value of public discourse on issues of societal interest greatly weigh in favor of unhindered speech. Robert Lane, however, did not criticize public figures, a widely practiced religion, or American foreign policy. Nor did he expose conditions inside a meat factory or attempt to publish journalistic works. Rather, he misappropriated confidential information at the sole expense of Ford.

### **C. A PRELIMINARY INJUNCTION IS PRACTICAL IN *FORD MOTOR CO. V. LANE***

As discussed at the beginning of this analysis, trade secret law aims to protect innovators from the unwarranted disclosures of their innovations. As such, trade secret statutes provide that a rights holder may restrict not only another's speech, but in some limited circumstances her actions as well.<sup>109</sup> Traditionally, however, courts permit such prior restraints only when an offending party breaches a fiduciary duty. As the latter section argued, however, prior restraints in cases like *Ford Motor Co. v. Lane* may nonetheless coexist within this realm of legal precedent. In fact, prior restraints on speech are commonplace in specific legal arenas.

As discussed in section II.C., the UTSA and Michigan Trade Secret statutes do not themselves require a breach of a fiduciary duty for there to be a prior restraint on disseminating trade secrets. Importantly, this judicial legislation has practical repercussions to trade secret holders such as Ford. First, it leaves them without adequate legal recourse. Clearly, holding a

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<sup>107</sup> It is also difficult to compare a restraint on publishing an article "Business Week" with a restraint on the content of a student's personal website.

<sup>108</sup> Needs cite.

<sup>109</sup> *See supra* note \_\_\_\_.



misappropriator liable at law, thus trying to extract damages from a potentially judgment-proof defendant,<sup>110</sup> may be no recourse at all. Moreover, criminal sanctions, although perhaps a deterrent, do not restore the trade secret holder to her position before the misappropriation.<sup>111</sup>

Second, and as a corollary to the latter, broadly applying the principles in *Ford* runs the risk of the proverbial "parade of horrors." Using facts similar to those in *Ford* proves illustrative. Assume employee X steals corporation C's trade secrets. X then gives them to her friend, Y, who posts them on the Internet. As long as no one catches X, because the court will not restrain the friend's disclosures, the trade secrets are lost. Here, however, a court may nonetheless hold Y criminally or civilly liable. Now imagine X is really a large corporation. Having "bought-off" one of C's employees, it misappropriates C's trade secrets. X then gives them to Y, assuring Y that it would pay any legal damages for misappropriation. To allay Y's concerns of criminal penalties, X need only raise its offer to make the gamble more attractive. Under *Ford*, as long as X stands to gain more than it loses on the exchange, i.e., as long as the misappropriation is "efficient," there seems to be little that the law may do to prevent a disclosure of the trade secrets.

In short, the courts have needlessly added the "fiduciary duty" requirement to trade secret law. In doing so, they have opened the trade secret holders to potentially crippling economic harm, and have created the possibility of "efficient misappropriations." But the remedy to this problem is clear--a court need only read the trade secret statutes as written.

#### **IV. POSSIBLE SOLUTIONS<sup>112</sup>**

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<sup>110</sup> Clearly, someone in Robert Lane's position could never pay a huge cash award to the trade secret holder.

<sup>111</sup> This concern is especially relevant in trade secret cases, as much of trade secret law is based upon contract principles (as seen with non-disclosure and confidentiality agreements). NEEDS CITE.

<sup>112</sup> This section particularly needs work.

The district court in *Ford Motor Co. v. Lane* applied long-standing precedent to preclude a prior restraint on Robert Lane's trade secrets postings. Under its limited analysis, such a prior restraint was inevitable. However, the latter discussion on *Ford* reveals that the time to reassess trade secret law is ripe. As such, I present below several alternatives to the legal premises used in *Ford*, which may allow a court to issue prior restraints on such disclosures without violating well-established First Amendment principles.

#### **A. TREAT TRADE SECRETS AS PROPERTY RIGHTS**

If we classify the disclosure of confidential information as an act against the trade secret holder's property, rather than speech, a prior restraint would amount to nothing more than injunctive relief, a remedy common in property law.<sup>113</sup> Moreover, applying property law principles would allow a court to rely on the favorable treatment afforded injunctive relief already present within certain trade secret, procedure-focussed, and copyright cases.<sup>114</sup> Turning to the First Amendment for guidance in these cases would therefore be improper.

#### **B. TREAT TRADE SECRETS ARE BUSINESS--NOT SPEECH--RELATED**

Correlatively, classifying trade secrets as business-related, and not speech-related, would yield a similar result. As discussed above, a court may properly enjoin defamatory speech that harms a party's business interests. Supreme Court precedent additionally implies that if a party will experience definite economic harm upon disclosure of confidential information, outside the defamation context, the speech might properly be enjoined.<sup>115</sup> Similarly, courts have permitted

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<sup>113</sup> NEEDS CITE. Here, I will also mention issues of privacy, I think.

<sup>114</sup> *E.g.*, *Ruckelshaus v. Monsanto*, 467 U.S. 986 (1984) (holding that trade secrets constitute property and therefore cannot be taken from their owners without just compensation.); and *Carpenter v. United States*, 484 U.S. 19 (1987) (holding that confidential business information gathered by the Wall Street Journal was the newspaper's property). Smolla and Nimmer additionally note that "[p]roperly understood, in camera hearings and sealed records [i.e., procedural safeguards against unwarranted disclosures] are part of the judicial mechanism designed to assure a trade secret owner's property interests." MILGRIM ON TRADE SECRETS at §14.02[7] at 14-202.

<sup>115</sup> *See generally* *CBS, Inc. v. Davis*, 510 U.S. 1315 (1994).

the prior restraint on publishing an individual's income tax,<sup>116</sup> broadcasting false or misleading advertisements,<sup>117</sup> and disseminating information regarding illegal services.<sup>118</sup> Extending the principles advanced in these cases to trade secret misappropriations, therefore, seems natural.

### C. REINTERPRET SPEECH WITHIN THE INTELLECTUAL PROPERTY ARENA.

Reclassifying speech within the intellectual property arena is perhaps the most pragmatic answer to the problem in *Ford*. Just as courts afford commercial speech a limited protection under the First Amendment,<sup>119</sup> courts could hold trade secret disclosures in similar regard and therefore allow prior restraints. Additionally, if a court is already willing to engage in judicial legislation, as evinced by its adding a requirement to the UTSA and Michigan Act, one can only hope that it would be willing to break from *stare decisis* to advance a statute's intent. Whether a court is willing to implement any of these solutions, however, remains to be seen.

## V. CONCLUSION

Trade secret law allows for prior restraints in certain situations. So do cases based upon procedural questions, defamation, and copyright violations. To preclude an injunction merely because the misappropriator never worked for the rights holder, although she knew that the disseminated information was confidential, is worrisome. It simply ignores the practical effects

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<sup>116</sup> See *United States v. Richey*, 924 F.2d 857 (9<sup>th</sup> Cir. 1991).

<sup>117</sup> E.g. *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C.Cir. 1990 ); and *United States v. Buttorff*, 761 F.2d 1056 (5<sup>th</sup> Cir. 1985).

<sup>118</sup> See *Collection Center, Inc. v. State Collection Agency Bd.*, 809 P.2d 278, 280 (Wyo. 1991) (holding that "[t]here is no constitutional right to advertise a willingness to engage in illegal activity, and the government may ban commercial speech related to illegal activity.)

<sup>119</sup> In *Virginia State Board Pharmacy v. Virginia Citizens Consumer Council, Inc.*, the Supreme Court defined "commercial speech" as "speech which does no more than propose a commercial transaction." 425 U.S. 748, 762 (1976). Moreover, if the speech consists of "mere proposals to engage in commercial transactions," refers to a specific product, and is motivated by economic interests of the speaker, there is "strong support" for such a categorization, and consequently, lessened First Amendment protections. *Bolger v. Youngs Drug Product Corp.*, 462 U.S. 60, 66, 67 (1983).

of such a blanket rule. Nonetheless, courts repeatedly adhere to these bedrock principles in First Amendment law although inapplicable within the realm of intellectual property law.

*Ford Motor Co. v. Lane* therefore demonstrates that the law needs to change to remain viable within a society consistently confronted with new legal issues. When the courts decided *Near v. Minnesota*, *New York Times Co.*, *CBS Inc. v. Davis* and *Proctor & Gamble Company v. Bankers Trust Company*, trade secret disclosures on the Internet were not yet possible. Now, as long as the party breaches no fiduciary duty when misappropriating the information, a court will not restrain trade secret disclosures. This is the case regardless of such an act's contribution to the public dialogue. To ensure the economic viability of corporations and protect innovation, therefore, courts must either extend current trade secret principles or rule according to analogous principles in alternative legal or philosophical arenas. Although one may rely upon prior restraint precedent for standard expression in standard media, its applicability to cases like *Ford* is questionable at best.