

FORD MOTOR CO. V. LANE  
*by Franklin Goldberg*

The Internet provides an unprecedented outlet for rapid and widespread dissemination of information. By operating a website with searchable content, even a novice homepage designer can channel considerable traffic to her site. As she begins to post more interesting information (e.g., information on a musical artist or links to corporate sites), the operator may inadvertently trigger an intellectual property violation through the unauthorized use of copyrighted or trademarked material. Even more troublesome, though, the website's facilitator can intentionally publish confidential information, thereby jeopardizing viable trade secrets.

A court may grant the trade secret holder injunctive relief should a misappropriator threaten such action. However, this remedy seemingly is available only if the trade secret misappropriator breaches a fiduciary duty to the trade secret holder when disseminating the confidential information. Absent such a duty, the trade secret holder may pursue monetary or criminal sanctions only *after* the trade secret's public disclosure. The Eastern District of Michigan applied this standard in *Ford Motor Co. v. Lane*,<sup>1</sup> denying Ford injunctive relief because Robert Lane was never a Ford employee, and therefore did not breach a fiduciary duty to Ford. This result seems peculiar, however, as Ford would no doubt find it difficult to recover the combined value of its research, blueprints, and fuel economy statistics from a thirty-two-year-old nursing student.

Although squarely within the limits of standard prior restraint doctrine,<sup>2</sup> the court's holding in *Ford v. Lane* was improper. Because the scope and character of public dissemination available through the Internet differs substantially from standard forums for of protected

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<sup>1</sup> 67 F. Supp. 2d 745 (E.D. Mich. 1999).

expression—e.g., newspapers, periodicals, and television programs—the law needs to change. General trade secret principles, related notions in other legal fields, and practical considerations demonstrate that the court in *Lane* should have crafted a more effective remedy.

## I. CASE SUMMARY

### A. FACTS

Robert Lane operated a website with the domain name fordworldnews.com, later renamed blueovalnews.com.<sup>3</sup> With prior approval from Ford Motor Company, Lane accessed and utilized information from Ford's press release website.<sup>4</sup> Upon learning that his domain name incorporated the name "Ford", however, Ford blocked Lane's access to the press releases.<sup>5</sup> Lane responded to this action by threatening to publish "sensitive" photographs and materials that Ford would find "disturbing," and to solicit the additional disclosure of confidential information from Ford employees.<sup>6</sup> Within a few months he posted classified information relating to engine design and fuel economy strategies, along with a Ford engineering blueprint.<sup>7</sup> When Ford threatened legal action, Lane released approximately forty more documents "including materials with high competitive sensitivity" onto his website.<sup>8</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>9</sup>

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<sup>2</sup> Prior restraint doctrine, grounded in the First Amendment's protections of pure speech, "imposes a special bar on attempts to suppress speech prior to publication." LAURENCE H. TRIBE, AMERICAN CONSTITUTIONAL LAW § 12-34, at 1040 (2d ed. 1988).

<sup>3</sup> *Lane*, 67 F. Supp. 2d at 747.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* Upon Ford's instruction, Robert Lane then changed fordworldnews.com to blueovalnews.com.

<sup>6</sup> *Id.* After meeting with Ford, however, Lane agreed to obtain Ford's approval before using any other Ford documents.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 748.

## B. PROCEDURAL HISTORY

In response to Lane's actions, Ford filed a complaint and a motion for a temporary restraining order ("TRO"), alleging copyright infringement, statutory conversion, intentional interference with contractual relations, misappropriation of trade secrets, misappropriation, trademark infringement, and unfair competition.<sup>10</sup> Ford also alleged that Lane misappropriated trade secrets by soliciting and receiving information from Ford employees that he knew or had reason to know was confidential.<sup>11</sup>

The court granted the TRO, enjoining Lane from "destroying, despoiling or electronically deleting or erasing" the information obtained from Ford and ordering him to provide the court with all such documents within his possession (along with their source and details pertaining to their acquisition).<sup>12</sup> Furthermore, the court restrained 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 information."<sup>13</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.<sup>14</sup> Lane filed a motion to show cause for this provision.<sup>15</sup>

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.* Robert Lane counterclaimed, alleging a Sherman Antitrust Act violation. *See Ford Motor Co. v. Lane*, 86 F. Supp. 2d 711 (E.D. Mich. 2000). Specifically, Lane claimed that "Ford had the capability to produce higher-mileage, lower emissions cars and trucks but chose not to because of their 'gentlemen's agreement' with other auto makers." *Id.* at 713. The District Court for the Eastern District of Michigan dismissed this suit. *Id.*

<sup>12</sup> *Lane*, 67 F. Supp. 2d at 748.

<sup>13</sup> *Id.* at 748-49.

<sup>14</sup> *See id.* at 749.

<sup>15</sup> *Id.* As a practical matter, the operator hosting Lane's site removed its content soon after the court issued the TRO, as mandated by the Digital Millennium Copyright Act. *See Kurt A. Wimmer, Secrets on the Net*, 22 NAT'L L.J., Dec. 6, 1999, at A12; *see also* Digital Millennium Copyright Act, Pub. L. No. 105-304, § 512, 112 Stat. 2860, 2878-79 (1998) ("A service provider shall not be liable... [if] the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement... only if...")

### C. DISTRICT COURT'S DECISION

The district court dissolved the TRO, holding that the First Amendment provides an affirmative defense to trade secret misappropriation when the moving party seeks a prior restraint on speech.<sup>16</sup> While finding that "Ford has presented evidence to establish that Lane is likely to have violated the Michigan Uniform Trade Secrets Act," the court nonetheless concluded that "the Act's authorization of an injunction violates the prior restraint doctrine and the First Amendment as applied under these circumstances."<sup>17</sup> Accordingly, the court held that "[i]n the absence of a confidentiality agreement or 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>18</sup> In its decision, the court cited significant Supreme Court and circuit court precedent<sup>19</sup> and refused to expand the law to allow Ford an equitable remedy under the Michigan Uniform Trade Secrets Act ("Michigan Act"). It did not foreclose the possibility of a legal remedy, however, due to Lane's unauthorized dissemination of confidential information.

## II. LEGAL BACKGROUND

### A. TRADE SECRET LAW

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a court has ordered that the material be removed from the originating site... and the party giving the notification includes in the notification... that a court has ordered that the material be removed from the originating site...")

<sup>16</sup> See *Lane*, 67 F. Supp. 2d at 746, 754.

<sup>17</sup> *Id.* at 750.

<sup>18</sup> *Id.* at 753.

<sup>19</sup> *E.g.*, *Near v. Minnesota*, 283 U.S. 697, 701 (1931) (holding that freedom of the press prevents prior restraints on "malicious, scandalous, and defamatory" publication); *In re Providence Journal Co.*, 820 F.2d 1342, 1351 (1st Cir.1986) (holding that even if a temporary restraining order "was to last only a short period and merely [preserve] the status quo," this action is nonetheless improper "absent the most compelling circumstances"); *Procter & Gamble Co. v. Bankers Trust Co.*, 78 F.3d 219, 225 (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."). See generally *Reno v. American Civil Liberties Union*, 521 U.S. 844 (1997) (holding that the First Amendment protects speech on the Internet). Unlike the cited cases, though, the *Lane* court did not categorize Lane's disclosures as contributions to the public dialogue, thereby justifying Lane's acts. Rather, without further explanation, the court held that "[a]lthough there are distinctions one can draw between the case brought by

Trade secret law operates on the theory that innovators will lack the incentive to devote energy to projects without a legal framework protecting their endeavors.<sup>20</sup> Trade secret law also fosters a standard of business ethics, promoting good-faith transactions while punishing wrongdoing through criminal or civil sanctions.<sup>21</sup>

Trade secret law in the United States does not exist in a single doctrine. Rather, states rely on their own legislative acts and common law that generally apply either the principles reflected in the Restatement (First) of Torts or those from the more recent Uniform Trade Secrets Act ("UTSA").<sup>22</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>23</sup> Moreover, should a trade secret be lost due to an improper disclosure, the trade secret holder may pursue monetary damages to compensate for past harm, or seek an injunction against future harm that may result from further disclosures.<sup>24</sup>

In recent years, most states have shifted away from the Restatement and have adopted the slightly broader protections afforded by the UTSA.<sup>25</sup> The UTSA defines a trade secret as any

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Ford and the existing precedent on prior restraint, those distinctions are defeated by the strength of the First Amendment." *Lane*, 67 F. Supp. 2d. at 752.

<sup>20</sup> See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974); see also JERRY COHEN AND ALAN S. GUTTERMAN, *TRADE SECRET PROTECTION AND EXPLOITATION* 13 (1998).

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

<sup>22</sup> RESTATEMENT (FIRST) OF TORTS § 757 (1939); UNIF. TRADE SECRETS ACT, 14 U.L.A. 437 (1985 & Supp. 1990); see also COHEN *supra* note 20, at 13-14.

<sup>23</sup> See RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939). The Supreme Court echoed this formulation in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), affirming a district court's permanent injunction on the disclosure or use of trade secret related to the manufacture of synthetic crystals. See *id.* at 473-74. In sum, the Restatement and subsequent cases establish that information qualifies 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." COHEN, *supra* note 20, at 14.

<sup>24</sup> See RESTATEMENT (FIRST) OF TORTS § 757 cmt. e (1939).

<sup>25</sup> As of this publication, forty-two states and the District of Columbia have adopted the UTSA. See UNIF. TRADE SECRETS ACT, 14 U.L.A. 163 (Supp. 2000). Notably, the UTSA states that any information that "derives independent economic value" from its secrecy might qualify as a trade secret, whereas the Restatement offers

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>26</sup>

Similar to the Restatement, this Act holds that the "[a]ctual or threatened misappropriation [of a trade secret] may be enjoined."<sup>27</sup> The Michigan Act,<sup>28</sup> at issue in this case, is modeled after the UTSA.<sup>29</sup>

The Restatement, UTSA, and Michigan Uniform Trade Secrets Act are similar, in that they all allow 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 it must not be generally known to all."<sup>30</sup> Most importantly, this criterion assures that the information is both a secret valuable enough to warrant legal protection and is generally unknown in a trade or industry.<sup>31</sup> Second, the information must have been wrongfully obtained or used, i.e. misappropriated.<sup>32</sup> Plaintiffs must prove this element so as not to thwart the proper acquisition and utilization of information. Finally, the plaintiff must prove that she took

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protection only upon the trade secret's use in a business setting. UNIF. TRADE SECRETS ACT § 1(4), 14 U.L.A. 438 (1985 & Supp. 1990); RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

<sup>26</sup> UNIF. TRADE SECRETS ACT § 1(4), 14 U.L.A. 438 (1985 & Supp. 1990).

<sup>27</sup> *Id.* §2(a) at 449. "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," *id.* § 1(1) at 437] to acquire knowledge of the trade secret; or (B) at the time of disclosure or use, knew or had reason to know that his 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 seeking relief 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.* § 1(2) at 438. For similar language, see MICH. COMP. LAWS ANN. § 445.1902 (1998).

<sup>28</sup> MICH. COMP. LAWS ANN. § 445.1901-10.

<sup>29</sup> Michigan adopted the UTSA in 1998, subject to several modifications. *See* UNIF. TRADE SECRETS ACT § 1(4), 14 U.L.A. 163 (Supp. 2000).

<sup>30</sup> ROBERT P. MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 35 (2d ed. 2000).

<sup>31</sup> *See id.*

<sup>32</sup> *Id.*

reasonable precautions to prevent disclosure of the information.<sup>33</sup> Although often left to the subjective evaluation of the courts,<sup>34</sup> this standard requires trade secret owners to take adequate precautions against unwarranted disclosure rather than merely relying on the courts to police the maintenance of their secrets.<sup>35</sup>

## **B. THE FIRST AMENDMENT AND PRIOR RESTRAINTS**

The First Amendment provides that "Congress shall make no law... abridging the freedom of speech, or of the press."<sup>36</sup> In interpreting the First Amendment, courts 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>37</sup> It is through this lens that courts view prior restraints, and it therefore follows that a court will question *any* limitation on free speech.

This notion has ample support in case law. For example, in *Near v. Minnesota*<sup>38</sup> the Supreme Court held a Minnesota statute unconstitutional because it condoned state censorship of malicious, scandalous, and defamatory speech intended for publication.<sup>39</sup> Quoting 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>40</sup> Forty years later, the Supreme

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<sup>33</sup> *Id.* at 36.

<sup>34</sup> *See* *Rockwell Graphics Systems, Inc. v. DEV Indus.*, 925 F.2d 174, 179 (7th 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>35</sup> There is no single accepted rationale for this requirement, however. *See* *MERGES ET AL.*, *supra* note 30, at 36.

<sup>36</sup> U.S. CONST. amend. I. Under the Fourteenth Amendment, First Amendment protections extend to the individual states. *See* U.S. CONST. amend. XIV.

<sup>37</sup> *Lambrecht*, *supra* note 21, at 326. *See infra* Parts II.B. and III.B. for relevant Supreme Court and circuit court holdings.

<sup>38</sup> 283 U.S. 697 (1931).

<sup>39</sup> *Id.* at 701-02.

<sup>40</sup> *Id.* at 713.

Court reaffirmed this doctrine. Citing *Bantam Books v. Sullivan*,<sup>41</sup> the Court in *New York Times Co. v. United States*<sup>42</sup> held that "[a]ny system of prior restraints of expression comes to this Court bearing a heavy presumption against its constitutional validity."<sup>43</sup> Once again restating its reservations regarding speech restrictions, in *CBS v. Davis*,<sup>44</sup> the Supreme Court added that a court may only enjoin speech "only where the evil that would result from the reportage is both great and certain and cannot be militated by less intrusive measures."<sup>45</sup>

Circuit courts similarly recognize the nearly universal prohibition of prior restraints on speech.<sup>46</sup> The First Circuit, for example, in deciding *In re Providence Journal Co.*,<sup>47</sup> observed 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."<sup>48</sup> Similarly, the Sixth Circuit, in *Procter & Gamble v. Bankers Trust Co.*,<sup>49</sup> held that prior restraints on speech were permissible only when absolutely necessary to advance a substantial government interest and where the plaintiff faces irreparable harm that cannot be prevented by less severe means.<sup>50</sup> Therefore, courts have uniformly noted their reservations about issuing prior restraints, as they seemingly run counter to the First Amendment. In theory, unless one'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**

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<sup>41</sup> 372 U.S. 58, 70 (1963).

<sup>42</sup> 403 U.S. 713 (1971).

<sup>43</sup> *Id.* at 714.

<sup>44</sup> 510 U.S. 1315 (Blackmun, Circuit Justice 1994).

<sup>45</sup> *Id.* at 1317-18 (holding that Federal Beef Processors, Inc. did not meet this burden, as the harm caused by broadcasting footage of its meat-packing facilities was based on merely "speculative predictions" and "factors unknown and unknowable").

<sup>46</sup> These opinions are relevant to this discussion for purposes of comparison with the Supreme Court's application of prior restraint doctrine.

<sup>47</sup> 820 F.2d 1342 (1st Cir. 1986).

<sup>48</sup> *Id.* at 1345.

<sup>49</sup> 78 F.3d 219 (6th Cir. 1996)

<sup>50</sup> *See id.* at 225 (citing *CBS v. Davis*, 510 U.S. 1315, 1317 (1994)).



## TRADE SECRET LAWS

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

Given the judicial hesitance in permitting prior restraints on speech, one might expect the First Amendment to trump trade secret protections when the two doctrines conflict. Nonetheless, prior restraints—in the form of preliminary injunctions—are somewhat common in trade secret cases so long as the movant establishes 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>51</sup> For example, in *Cherne Industrial, Inc. v. Grounds & Assoc., Inc.*,<sup>52</sup> the Minnesota Supreme Court held that the moving party satisfied the requisite conditions and granted a preliminary injunction to prevent the future use of confidential customer lists.<sup>53</sup> The Third Circuit issued a similar ruling in *SI Handling Systems, Inc. v. Heisley*,<sup>54</sup> holding that an employer could enjoin a former employee's disclosure of a coefficient of friction used in making calculations for "material handling system" designs.<sup>55</sup> Courts have likewise permitted injunctions for unwarranted disclosures of accounting records<sup>56</sup> and supply agreements.<sup>57</sup>

Although courts may occasionally preempt trade secret disclosures, many courts have

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<sup>51</sup> 3 MILGRIM ON TRADE SECRETS §14.01[1], 14-17 (Supp. 2000). *See also* Ford Motor Co. v. Lane, 67 F. Supp. 2d 745, 749 (E.D. Mich. 1999).

<sup>52</sup> 278 N.W.2d 81 (Minn. 1979).

<sup>53</sup> *See id.* at 92-94.

<sup>54</sup> 753 F.2d 1244 (3rd Cir. 1985).

<sup>55</sup> *Id.* at 1248-49, 1263-64.

<sup>56</sup> *See* KLM Royal Dutch Airlines, N.V. v. deWit, 415 N.Y.S.2d 190 (N.Y. Sup. Ct. 1979).

added a fifth requirement to the test for preliminary injunctions—a breach of a fiduciary duty between the trade secret holder and the misappropriator. *Cherne* and *SI Handling*, and indeed, *Lane* explicitly rely on this criterion.<sup>58</sup> As mentioned above, the court in *Lane* expressly precluded injunctive relief because there was no confidentiality agreement or a fiduciary duty between Ford and Lane, and therefore held that "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>59</sup> This result is questionable, however, as the insertion of this fifth requirement runs counter to the strict wording of the UTSA and Michigan Act. On their faces, these statutes permit a court to enjoin improper disclosures<sup>60</sup> merely if the trade secret was acquired "by a person who knows or has reason to know that the trade secret was acquired by improper means," or was disclosed or used "without express or implied consent."<sup>61</sup>

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

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.<sup>62</sup> Nonetheless, this need not be the result. First, precedent within trade secret law clearly authorizes prior restraints, regardless of the presence of a fiduciary relationship between the parties. Second, prior restraints are

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<sup>57</sup> See *Merck & Co. v. Lyon*, 941 F. Supp. 1443 (M.D.N.C. 1996).

<sup>58</sup> The court in *Lane* expressed its general hesitance at issuing prior restraints, holding that "[t]he Michigan Uniform Trade Secrets Act is not unconstitutional on its face, as an injunction may issue against one who plans to reveal a trade secret in violation of an employment contract or in breach of a fiduciary duty." *Ford Motor Co. v. Lane*, 67 F. Supp. 2d 745, 750 n.6 (E.D. Mich. 1999); see also *Cherne*, 278 N.W.2d at 94. See generally *SI Handling Systems*, 753 F.2d 1244.

<sup>59</sup> *Lane*, 67 F. Supp. 2d at 753.

<sup>60</sup> MICH. COMP. LAWS ANN. § 445.1903(1) (1998); UNIF. TRADE SECRETS ACT § 2(a), 14 U.L.A. 449 (1985 & Supp. 1990).

<sup>61</sup> MICH. COMP. LAWS ANN. § 445.1902(b) (1998); UNIF. TRADE SECRETS ACT § 1(2), 14 U.L.A. 438 (1985 & Supp. 1990).

<sup>62</sup> See *Lane*, 67 F. Supp. 2d at 753.

permitted in a variety of contexts analogous to trade secret law, further suggesting that denying an injunction in the present case was improper. Third, the district court relied upon precedent that may not apply to trade secret disclosures on the Internet. Finally, there are practical arguments against reading the Michigan Act (and the UTSA) to preclude preliminary injunctions in trade secret cases such as *Lane*.

#### **A. PRECEDENT SUPPORTS PRELIMINARY INJUNCTIONS**

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

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

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

When courts require a party facing litigation to identify its trade secrets with particularity during discovery or trial, these courts afford the trade secret holder some procedural protections against public dissemination.<sup>63</sup> As already witnessed in *Lane*, a court may grant a temporary injunction if the defendant has misappropriated confidential information from the plaintiff.<sup>64</sup> Courts additionally permit more substantial restrictions, by issuing protective orders during discovery and trial proceedings.<sup>65</sup> One leading commentator on trade secrets notes 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

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<sup>63</sup> See generally 3 MILGRIM, *supra* note 51, § 14.02[1], at 14-60.

<sup>64</sup> See *Lane*, 67 F. Supp. 2d at 746 n.1.

<sup>65</sup> See FED. R. CIV. P. 26(c):

"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."

incident of litigation. Another basic tension is the desire of the plaintiff to not further educate an allegedly errant defendant in the intricacies of plaintiff's trade secrets.<sup>66</sup>

As such, it is unnecessary to identify the nature of a trade secret in a publicly filed document such as a complaint.<sup>67</sup> Indeed, in some situations, a plaintiff may successfully convince a court that no trade secret disclosures are permissible, or at worst only certain aspects of them are.<sup>68</sup> In those cases in which a court deems the disclosure necessary, the court will often employ *in camera* hearings and the use of sealed records to prevent public dissemination of the confidential information.<sup>69</sup>

Aside from judicial protection, the United States Congress has instituted its own safeguards with respect to trade secrets. The Freedom of Information Act<sup>70</sup> generally allows public access to all documents within the public record.<sup>71</sup> However, the statute exempts "trade secrets and commercial or financial information obtained from a person and privileged or confidential."<sup>72</sup> The federal government, 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

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<sup>66</sup> 3 MILGRIM, *supra* note 51, § 14.02[1], at 14-60.

<sup>67</sup> *Id.* § 14.02, at 14-60.

<sup>68</sup> *See Gate-Way, Inc. v. Wilson*, 94 Cal. App. 2d 706, 713-14 (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>69</sup> 3 MILGRIM, *supra* note 51, § 14.02[6], at 14-199, 14-201. The same holds true when an administrative agency hears a case. *Id.* § 14.02[4][c], at 14-116-17, 14-202. The Supreme Court has limited the right to publish certain confidential information obtained pursuant to additional types of litigation, outside of the trade secret arena, as well. In *Seattle Times Co. v. Rhinehart*, 467 U.S. 20 (1984), for example, 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. *See id.* at 32-33. Put simply, "restraints placed 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. *Id.* For a more thorough discussion, see 1 SMOLLA AND NIMMER ON FREE SPEECH § 15:51, 15-81 (1999).

<sup>70</sup> 5 U.S.C. § 552 (1994 & Supp. IV 1998).

<sup>71</sup> *See id.* § 552(a).

<sup>72</sup> *Id.* § 552(b)(4).

applying the standards set forth above, courts and administrative agencies acknowledge the value in holding a trade secret. Moreover, courts do not qualify these safeguards by conditioning trade secret protection on the presence of a fiduciary relationship, as required in *Ford v. Lane*.

### **b. Inevitable disclosures**

The doctrine of inevitable disclosures also imposes prior restraints. 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>73</sup> for example, the Seventh Circuit held that PepsiCo's former general manager could not accept a position with Quaker, PepsiCo's competitor.<sup>74</sup> PepsiCo argued successfully that in the course of his new employment, Redmond would inevitably rely upon and disclose PepsiCo's trade secrets, including beverage pricing, marketing, and distribution information.<sup>75</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>76</sup>

This doctrine is particularly important to the analysis of *Ford v. Lane*, and to trade secret law in general. Initially, the general legal trend grants trade secrets only narrow protections, as

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<sup>73</sup> 54 F.3d 1262 (7th Cir. 1995).

<sup>74</sup> *See id.* at 1272.

<sup>75</sup> *See id.* at 1269-72.

<sup>76</sup> *See also* *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353, 355, 356 (1989) (suggesting that "[t]hreatened misappropriation can be enjoined under the Illinois law" [where there is a] "high degree of probability of inevitable and immediate disclosure and use of... trade secrets"); *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405, 1433 n.17 (N.D. Iowa 1996) (holding that a bagel manufacturer may enjoin a former employee from working for a competitor "in order to protect a former employer from disclosure of trade secrets where disclosure appears inevitable from the nature of the former employee's employment with the competitor"). Misappropriation claims as a result of inevitable disclosures rarely succeed, however. *See, 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 plaintiff 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, 1479 (W.D.N.C. 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).

evidenced by the "fiduciary duty" requirement. In contrast, inevitable disclosure claims broaden trade secret protections by restricting not only free speech, but actions as well. Further, and as a corollary to the latter, the inevitable disclosure doctrine questions the internal logic of the *Lane* decision. Specifically, 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, regardless of a fiduciary duty between the parties. In *Lane*, however, the court followed standard prior restraint precedent. In so doing, not only did it unnecessarily narrow a field somewhat conducive to expansion, it additionally perpetuated a legal inconsistency.<sup>77</sup>

## **2. Precedent in Other Areas of the Law Supports Preliminary Injunctions**

### **a. 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 provides such speech restrictions, stating that "[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> The Eleventh Circuit Court of Appeals, in *Cable/Home Communication Corp. v. Network Productions, Inc.*,<sup>80</sup> offered a clear application of this rule along with its policy justifications. It noted that "[s]ince the Copyright Act is the congressional implementation of a constitutional directive to encourage inventors by protecting their exclusive rights in their

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<sup>77</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>78</sup> See Mark A. Lemley and Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 150 (1998); see also *MERGES ET AL.*, *supra* note 30, at 554 ("[P]reliminary injunctions are generally granted as a matter of course where a plaintiff can convince the court that a finding of infringement is likely.")

<sup>79</sup> 17 U.S.C. § 502(a) (1994). (emphasis added). Moreover, copyright law allows injunctive relief against "[a]nyone who violates the exclusive rights of the copyright owner," not merely parties who breach a fiduciary duty to the rights holder. *Id.* at § 501 (1994). (emphasis added).

<sup>80</sup> 902 F.2d 829 (11th Cir. 1990).

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

State legislatures enacted trade secret laws to protect inventors' rights to their discoveries, just as Congress passed the Copyright Act of 1976 to protect artists' rights to their creations. Further, a trade secret holder, like a copyright holder, faces substantial economic loss if a misappropriator wrongfully uses or discloses her work. It therefore seems inconsistent for courts to allow prior restraints within one arena of intellectual property law, but disallow it in another—even though the legal and policy justifications behind the laws are similar—merely because the misappropriator herself did not breach a fiduciary duty.<sup>83</sup>

#### **b. Defamation and Libel**

The First Amendment and common law generally preclude prior restraints on the publication of defamatory or libelous material.<sup>84</sup> Indeed, such remedies are not only extraordinary, but presumptively invalid,<sup>85</sup> even if the disseminated speech is false or injurious to someone's character.<sup>86</sup> Moreover, some courts completely bar injunctive relief because

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

<sup>82</sup> Yet, "[e]ven when a copyright violation may occur... the issuance of a prior restraint should by no means be a routine matter." SMOLLA AND NIMMER, *supra* note 69, § 15:60, at 15-103.

<sup>83</sup> Copyright law, in contrast with trade secret law, may allow such speech restrictions because of the limitations and exceptions afforded to non-copyright holders within the Copyright Act of 1976. *See* Copyright Act of 1976, 17 U.S.C. § 107 (1994). However, because the basis of trade secrets protection is *secrecy*, similar limitations and exceptions within trade secret law would prove impractical.

<sup>84</sup> *See* RODNEY A. SMOLLA, LAW OF DEFAMATION § 9.13[1][a], at 9-37 (1988).

<sup>85</sup> *See supra* Part II.B.

<sup>86</sup> *See* Parker v. Columbia Broadcasting Systems, Inc., 320 F.2d 937, 939 (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); Konigsberg v. Time, Inc., 288 F. Supp. 989, 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.")

defamation and libel actions often allow an adequate legal remedy.<sup>87</sup>

Nonetheless, several courts have veered from this strict position, suggesting that they might enjoin defamatory speech, particularly if the speech injures business-related interests.<sup>88</sup> For example, the Third Circuit, in *System Operations v. Scientific Games Development Corporation*,<sup>89</sup> suggested that defamation may warrant injunctive relief.<sup>90</sup> Although the court reversed an injunction that restrained the defendant from disparaging the plaintiff's products and interfering with his contractual relationships, it indicated that a prior restraint would have been proper had the moving party satisfied a four-pronged test.<sup>91</sup> Further, the Court of Appeals of Texas, in *Karamchandani v. Ground Technology, Inc.*,<sup>92</sup> upheld an injunction preventing the appellant from sending letters to the appellee'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.<sup>93</sup> Finally, within a concurring opinion in *Lothscheutz v. Carpenter*,<sup>94</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>95</sup> Moreover, the concurrence maintained that a

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<sup>87</sup> See, e.g., *Community for Creative Non-Violence v. Pierce*, 814 F.2d 663, 672 (D.C. Cir. 1987); *Alberti v. Cruise*, 383 F.2d 268, 272 (4th Cir. 1967); *McLaughlin v. New York*, 784 F. Supp. 961, 978 (N.D.N.Y. 1992).

<sup>88</sup> See generally *Vondran v. McLinn*, 1995 WL 415153 (N.D. Cal. 1995) (reviewing cases enjoining defamatory business-related speech).

<sup>89</sup> 555 F.2d 1131 (3d Cir. 1977).

<sup>90</sup> See *id.* at 1141. This court chose not to hold that "a preliminary injunction against a competitor's product disparagement necessarily violate[s] the constitutional prohibition against prior restraints on speech," instead leaving the issue unanswered. *Id.* at 1146.

<sup>91</sup> "[T]he moving party must generally show (1) a 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 interested 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)). This test is similar to the standard courts apply when allowing injunctions in trade secret cases. See *supra* Part II.C; 3 MILGRIM, *supra* note 51, §14.01[1], at 14-17.

<sup>92</sup> 678 S.W.2d 580 (Tex. App. 1984).

<sup>93</sup> See *id.* at 582.

<sup>94</sup> 898 F.2d 1200 (6th Cir. 1990).

<sup>95</sup> See *id.* at 1208 (Wellford, J., concurring in part and dissenting in part).



permanent injunction might also be proper if necessary to protect the injured party's personal reputation and business relations.<sup>96</sup>

These cases, therefore, demonstrate that courts might compromise their standard prohibitions of prior restraints on speech. In *System Operations* and *Karamchandani*, the courts suggested that a prior restraint on statements that defame a product, interfere with contractual relationships, or harm other business interests may be proper. If a court is willing to enjoin someone's libelous or defamatory speech in these cases, no logical leap is needed to allow a prior restraint of Lane's dissemination of Ford's economically valuable trade secrets. Further, in *Lothscheutz*, the concurrence held that a party's speech, which merely perpetuates defamatory statements made prior to the suit, may properly be enjoined. Therefore, the *Lothscheutz* standard clearly would have allowed an injunction in *Lane*, preventing Lane from perpetuating his unwarranted disclosures. Equally important, these cases all permit injunctive relief from a harm caused by wrongful conduct, regardless of a breach of a fiduciary duty between the parties. Because Ford's injuries arose from Lane's misappropriations of trade secrets, themselves wrongful acts, *System Operations*, *Karamchandani*, and *Lothscheutz* indicate that an alternative holding in *Lane* would have had judicial, albeit merely persuasive, support.

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

In its decision in *Ford v. Lane*, the district court relied upon hallmark Supreme Court and circuit court cases within First Amendment law to preclude a prior restraint on Robert Lane's disclosures. These cases all demonstrate the Judiciary's unwillingness to chill the free exchange of expression within newspapers, magazines, or nationally broadcast television shows. As the following section demonstrates, however, these cases can be distinguished from *Lane*, suggesting

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<sup>96</sup> See *id.* at 1208-09.

that they do not apply to trade secret disclosures on the Internet.

### *1. Near v. Minnesota*

In *Near v. Minnesota*, the defendant published "The Saturday Press," a newspaper which regularly printed editions "largely devoted to malicious, scandalous and defamatory articles" concerning public figures, the Jewish Race, and local and national organizations.<sup>97</sup> The Minnesota Supreme Court initially upheld a statute that permitted a prior restraint on the newspaper's publication because its acts fell within the definition of a public nuisance.<sup>98</sup> The U.S. Supreme Court reversed, however, noting that because the "administration of government has become more complex" and open to malfeasance and corruption, there is a "primary need [for] a vigilant and courageous press."<sup>99</sup> As such, "liberty of the press, historically considered and taken up by the Federal Constitution... [grants] principally although not exclusively, immunity from previous restraints or censorship."<sup>100</sup>

Although at first glance *Near* seems to support the district court's holding in *Lane*, this is not necessarily the case. On a practical level, "The Saturday Press" was a publicly disseminated periodical that frequently commented on public figures, the Minneapolis press, Jews, and members of grand juries.<sup>101</sup> By contrast, blueovalnews.com was a personal website that disclosed confidential information without public commentary on issues of social concern.<sup>102</sup>

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<sup>97</sup> 283 U.S. 687, 703 (1931).

<sup>98</sup> *Id.* at 706-07.

<sup>99</sup> *Id.* at 719-20.

<sup>100</sup> *Id.* at 716.

<sup>101</sup> *Id.* at 703.

<sup>102</sup> Although Robert Lane initially used his website to disseminate information of public interest, Lane altered the site's content to include "sensitive" trade secrets when Ford requested that fordworldnews.com be changed to blueovalnews.com. *Ford Motor Co. v. Lane*, 67 F. Supp. 2d, 745 747 (E.D. Mich. 1999). One might nonetheless argue that because Ford is a large corporation, any information regarding its business (including its trade secrets) is of public concern, or that because some of Lane's postings referenced problems with Mustang engines and Ford's approach to emission standards, this too was of public interest and was thus protected by the First Amendment. However, on the whole, "the documents published more recently appear to be design and product information more useful to Ford's competitors—published for the purpose of flexing First Amendment muscle." *Lane*, 67 F. Supp. 2d

The potential economic consequences of the prior restraints also distinguish their holdings. If the Supreme Court had upheld the Minnesota statute in *Near*, thereby allowing the censorship of public speech, the publishers might have lost a few subscriptions. The result would have been quite different had the Eastern District of Michigan allowed a prior restraint on Robert Lane's disclosures. In this scenario, Ford would have retained—rather than lost—the value of its trade secrets (potentially millions of dollars).<sup>103</sup> Further, any financial harm would have only befallen the web server, as it might have lost Lane's business. Because Lane's speech added little to public discourse, and because its main effect was substantial economic harm, the propositions advanced in *Near* therefore prove inapplicable.

## 2. *New York Times Co. v. United States*

The majority opinion in *New York Times Co. v. United States* quickly dismissed the United States' 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>104</sup> In its ruling, the Court reviewed well-established precedent on prior restraints and concluded that the government did not meet the substantial burden necessary to authorize such an act.<sup>105</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>106</sup> This opinion then turned to the role of the press in the United States:

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at 753. This point takes on additional importance in the discussion of *CBS, Inc. v. Davis*, 510 U.S. 1315 (1994), *infra* Part III.B.3.

<sup>103</sup> As mentioned in *supra* note 15, the website host of blueovalnews.com removed the site's content as mandated by the Digital Millennium Copyright Act, and therefore mitigated some of Ford's harm. Nonetheless, in foreclosing the availability of equitable relief in cases such as *Lane*, the court opened the door for subsequent trade secret violations via unauthorized Internet disclosures.

<sup>104</sup> 403 U.S. 713, 714 (1971).

<sup>105</sup> *See id.*

<sup>106</sup> *Id.* at 714-15. (Black, J., concurring).

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 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>107</sup>

This reasoning indicates that *New York Times* is inapplicable to *Lane*. Once again, it seems inappropriate to compare blueovalnews.com, a personal website that disseminates 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.<sup>108</sup> Further, the concurring opinion insists that a democracy should ensure that its participants have free access to criticize the government. Does this necessarily mean that a democracy's participants have the right to harm a corporation's economic interests by publishing confidential trade secrets? Probably not. When we add to this the fact that the district court presumably *would* have restrained Lane's disclosures had he breached a fiduciary duty to Ford,<sup>109</sup> in direct opposition to the free speech values espoused in *New York Times*, the district court's application of the latter ruling becomes even more questionable.

### 3. *CBS Inc. v. Davis*

*CBS Inc. v. Davis*,<sup>110</sup> also cited by the district court, 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

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<sup>107</sup> *Id.* at 717.

<sup>108</sup> Moreover, newspapers rely on editorial boards to weigh liability concerns and public interest values when deciding what to print. However, because "it may be true that publication on the Internet is subject to fewer editorial restraints than The New York Times, Business Week, or The Washington Post," the district court in *Lane* took this editorial function upon itself. *Ford Motor Co. v. Lane*, 67 F. Supp. 2d 745, 752-53 (E.D. Mich. 1999). One could argue, therefore, that a prior restraint is not only permissible, but necessary in the absence of effective self-regulation.

<sup>109</sup> *Id.* at 753.

Federal, as a significant portion of national chains might thereafter refuse to purchase beef processed at its facilities.<sup>111</sup> Nonetheless, 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>112</sup> Importantly, Blackmun 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>113</sup>

The Eastern District of Michigan's reliance on *CBS* to deny a prior restraint against Robert Lane is misplaced. First, a nationally broadcast program seeking to expose unsanitary practices within the beef industry appears starkly different from a student's disclosure of trade secrets.<sup>114</sup> Second, unlike restraining "48 Hours," enjoining Lane's disclosures probably would not have caused him irreparable harm. Rather, he could have maintained his website and posted *non*-confidential information about Ford. Third, disclosing the unsanitary conditions within the Federal plant would have—at most—*indirectly* benefited its competitors, as distributors and consumers might have opted for different sources of meat upon viewing the exposé. In contrast, Ford's competitors could *directly* benefit from Lane's disclosures, as they could 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 that airing the tape would certainly cause it substantial

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<sup>110</sup> 510 U.S. 1315 (Blackmun, Circuit Justice 1994).

<sup>111</sup> *See id.* at 1316.

<sup>112</sup> *Id.* at 1318.

<sup>113</sup> *Id.* (citing *Nebraska Press Assn. v. Stuart*, 427 U.S. 539, 563 (1976)).

<sup>114</sup> *CBS* would only prove applicable to *Ford v. Lane* if Lane disclosed the trade secrets solely to expose unsafe manufacturing designs. Although Lane's public dissemination may have had this effect, his motive was apparently retaliation—rather than public concern—thereby proving *CBS* inapplicable. *See Lane*, 67 F. Supp. 2d at 747-48.

economic hardship, the Court might not have stayed the injunction.<sup>115</sup> In *Lane*, however, the court recognized that Lane's continued publication of trade secrets would undoubtedly harm Ford's economic interests.<sup>116</sup> Nonetheless, it disallowed a restriction of Lane's speech that would have conclusively insulated Ford from certain economic loss.

#### 4. *Procter & Gamble Company v. Bankers Trust Company*

*Procter & Gamble Co. v. Bankers Trust Co.*<sup>117</sup> is also distinguishable from *Lane*. In this case, McGraw-Hill, the publishers of "Business Week," sought to reverse an injunction prohibiting publication of confidential information regarding a legal suit.<sup>118</sup> The Court of Appeals for the Sixth Circuit, in applying the aforementioned Supreme Court precedent, ruled that the permanent injunction was an unconstitutional prior restraint on speech.<sup>119</sup> In reversing the lower court, it held that "[f]ar 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... [t]he private litigants' interests in protecting...their commercial self-interest simply does not qualify as grounds for imposing a prior restraint."<sup>120</sup>

At first glance, this case apparently suggests that economic harm is not a factor when considering the constitutionality of a prior restraint. Like *Near*, *New York Times*, or *CBS*,

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<sup>115</sup> See *CBS*, 510 U.S. at 1318. Indeed, Blackmun found the equivocal language in lower court's opinion dispositive in precluding a prior restraint (the lower court held that airing the tape "could result" in economic harm and would "likely cause irreparable injury to Federal"). (emphasis added). *Id.*

<sup>116</sup> *Lane*, 67 F. Supp. 2d at 753 ("the documents published more recently appear to be design and product information... useful to Ford's competitors").

<sup>117</sup> 78 F.3d 219 (6th Cir. 1996).

<sup>118</sup> See *id.* at 221. The court maintained this prior restraint through successive injunctive orders, the last of which "was open-ended in duration and did not set a date for a hearing." *Id.* at 222. McGraw-Hill immediately appealed to the Court of Appeals for Sixth Circuit, which held that the district court's injunction "could best be characterized as a temporary restraining order, and was therefore not a final order and not appealable." *Id.* McGraw-Hill then unsuccessfully petitioned Supreme Court Justice Stevens for an emergency stay. See *id.* At Stevens' suggestion, the district court commenced a factual hearing to determine how the documents had been acquired. The next day, the court again extended the injunction. See *id.* at 222-23. Three weeks after initially enjoining its publication, the district court permanently enjoined Business Week from using "the confidential materials that it obtained unlawfully." *Id.* at 223.

<sup>119</sup> See *id.* at 225.

however, *Procter and Gamble* cannot be applied to a decision concerning trade secret disclosures on the Internet. The court in *Procter and Gamble* tacitly supported this proposition by noting that Business Week sought to publish a "news story" which was of "public concern," and that Business Week followed "journalistic protocol" by seeking commentary from the parties.<sup>121</sup> In *Lane*, 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. Quite the contrary, he disclosed much of the information in retaliation to Ford's commencing a legal action against him.<sup>122</sup> *Procter & Gamble*, therefore, cannot squarely support a holding that the First Amendment protects Lane from a prior restraint.

### **5. Summary of Case Law**

The Supreme Court and circuit courts clearly view prior restraints of speech with a cautious eye. However, in supporting its decision, the Eastern District of Michigan cited cases that were clearly distinguishable from *Ford Motor Co. v. Lane*. First, the cases concerned speech couched in nationally distributed and widely known media, not on an Internet user's personal website. Second, although they indicated that speculative economic harm might not weigh into a judge's calculations when issuing prior restraints, the cases did not necessarily prohibit prior restraints if the harm was certain. Finally, the opinions strongly espoused the value of public discourse on issues of societal interest. 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

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<sup>120</sup> *Id.* at 224 (citing *New York Times Co. v. United States*, 403 U.S. 713, 726 (1971) (Brennan, J., concurring)).

<sup>121</sup> *Id.* at 224-25.

<sup>122</sup> *See Lane*, 67 F. Supp. 2d at 747.

misappropriated confidential information at the expense of Ford.<sup>123</sup>

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

As discussed above,<sup>124</sup> the UTSA and Michigan Act do not condition a prior restraint in trade secret cases on the breach of a fiduciary duty. Yet, introducing such a requirement may leave Ford without adequate legal recourse. Indeed, holding Robert Lane liable at law, thus requiring Ford to extract damages from a potentially judgment-proof defendant,<sup>125</sup> may be no recourse at all. Moreover, criminal sanctions, although perhaps a deterrent, would not restore Ford to its position before the misappropriation.

Further, and as a corollary to the latter concern, broadly applying the principles in *Lane* may provide competing businesses incentives to misappropriate trade secret if such acts prove "efficient."<sup>126</sup> For example, 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, the trade secrets are lost because the court will not restrain Y's disclosures, as demonstrated in *Lane*. Now imagine X is really a large corporation. Having enticed one of C's employees (who necessarily has a fiduciary duty to C) to breach a confidentiality agreement with C, it can easily misappropriate C's trade secrets. X can give them to Y, assuring Y that it would pay any legal damages in a misappropriation suit. To allay Y's concerns of criminal penalties, X need only raise its offer to make the gamble more attractive. Under *Lane*, as long as X stands to gain more

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<sup>123</sup> This analysis is necessarily case-specific. One might argue that had Lane's disclosures revealed issues of substantial public concern—labor conditions within the factories, workers' rights, etc.—a court might justifiably have issued a prior restraint. Similarly, if the content and readership of blueovalnews.com were similar to that of msnbc.com (which like the New York Times or Washington Post discusses current events, social policy concerns, and other issues of public interest through a widely accessed news medium), it might warrant First Amendment protection. However, blueovalnews.com avoids such classification, as discussed above. Therefore, one cannot comfortably fit *Ford v. Lane* within the scope of the relied upon precedent.

<sup>124</sup> See *supra* Part. II.C.

<sup>125</sup> It is very unlikely that someone in Robert Lane's position could pay a huge cash award to a harmed trade secret holder.



than it spends on the exchange, i.e., as long as the misappropriation is "efficient," there seems to be little that the law can do to prevent the trade secret disclosure.

#### **IV. CONCLUSION**

In *Lane*, the Eastern District of Michigan relied upon standard First Amendment precedent in precluding a prior restraint of Robert Lane's trade secret disclosures. This holding, however, contradicts the literal reading of the Michigan Act. Moreover, it diverges from analogous treatment both within and outside of trade secret law, and improperly applies First Amendment precedent to a personal website that not only lacks public commentary but also guarantees economic harm to the trade secret holder. If universally applied, it may even encourage trade secret disclosures.

Because anyone can access and utilize the Internet, conditioning injunctive relief on the breach of a fiduciary duty between a trade secret holder and misappropriator places valuable secrets needlessly at risk. *Ford Motor Co. v. Lane* makes it clear, therefore, that a court should not permit the Internet, which greatly enhances one's ability to search, retrieve, and transfer information, to become a vehicle for unchecked trade secret misappropriations.

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<sup>126</sup> Just as a breach of contract is efficient if "the party contemplating breach will gain enough from the breach to have a net benefit even though he compensates the other party for his resulting loss," RESTATEMENT (SECOND) OF CONTRACTS reporter's note, ch.16 (1981), the same may hold true in trade secret cases.