Private Law Theory and Corrective Justice in Trade Secrecy

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Introduction

Trade secrecy suffers in a state of neglect. In practice, trade secrecy is central to intellectual property (“IP”). Many practitioners who expect to focus on other and better-known IP doctrines report that more than half of their practices focus on trade secrets. In IP scholarship, however, trade secrecy remains the “Cinderella” of IP doctrines, “the forgotten step-daughter who toils in the shadow of her more privileged siblings: patent, copyright, and trademark law.”

There are surely many reasons why trade secrecy suffers from such neglect. For example, because trade secrecy is not organized around a federal statute (as its privileged siblings all are), it does not satisfy the fetish many legal scholars feel for federal law. Yet trade secrecy languishes especially because it suffers from an identity crisis. Judges and scholars all intuit that trade secrecy would make more sense if it were is “founded” in some separate field of law such as tort, property, or contract. In current case law and scholarship, however, all of these foundations seem unsatisfactory. The dissatisfaction leads a few scholars to conclude that “there

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is no such thing as a normatively autonomous body of trade secret law.”³ It leads many more scholars to deplore trade secrecy’s identity crisis. It is not hard to find scholarly works complaining that trade secrecy is a “chameleon”⁴ or a “real toad[] in a conceptual garden.”⁵

From another perspective, however, these intuitions and complaints are extremely interesting: They suggest there exists a pent-up demand for scholarship applying conceptual legal philosophy to trade secrecy. When judges and scholars debate which field of law best “grounds” trade secrecy, they appeal in an inchoate way to private law theory, which applies conceptual philosophy to specify and explain the interrelations among different parts of the private law. For example, a few of the works in question have suggested that trade secrecy may be explained helpfully in relation to corrective justice.⁶ That suggestion has been percolating in private law scholarship and IP scholarship for almost two decades now.⁷ Since IP infringement or misappropriation suits constitute “property tort litigation,” other scholars have suggested, it stands to reason that trade secrecy might benefit from closer study from private law theories that explain the function and structure of property torts.⁸

This Article begins the process of applying private law theory to trade secrecy. The Article has three main purposes. One is to introduce trade secrecy scholars to the general parameters of private law theory. Another is to apply to trade secrecy specific lessons from corrective justice scholarship and several variations on it. The last, however, is to warn scholars

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⁵ Todd M. Sloan, Trade Secrets: Real Toads in a Conceptual Garden, 1 Western St. Coll. L.L. Rev. 113 (1972-73).
of the *limits* of corrective justice and those variations as applied to trade secrecy—so as to frame properly subsequent private law-theoretic scholarship on trade secrecy. Private law generally and corrective justice specifically both have important lessons to teach IP scholarship—but only if both are presented modestly and carefully. Most IP scholarship assumes instrumentalist foundations. Most IP scholars have little training in and less toleration for philosophical theories of law. If private law scholars apply corrective justice or variations on it to trade secrecy while underspecifying or overclaiming, they will confirm IP scholars’ worst suspicions about legal philosophy.

In that spirit, this Article defends two theses and develops a hypothesis for subsequent study. The first thesis: In the terms of private law theory, the ultimate foundation of trade secrecy consists of a normative interest in determining exclusively the use of a secret and competitively valuable discovery. The hypothesis: There are plausible reasons for suspecting that this normative interest is classified most appropriately as a property right, specifically an IP usufruct. The second thesis: Regardless of where that normative interest is best classified, trade secrecy misappropriation, contract, and remedy doctrine all partly specify and embody the normative interest in determining exclusively the use of a secret and competitively valuable discovery.

These theses will not answer entirely the questions judges and scholars ask about the ultimate foundations of trade secrecy law. Even so, they go a long way in clarifying *how* those questions must be asked and answered, and they teach two useful lessons. The main one is positive and conceptual: This Article rules *out* most of the possible foundations for trade secrecy. Trade secrecy *cannot* be grounded in contract, equity, confidential relations, or unjust enrichment. There are only two viable contenders, property and the domain of unfair competition.
specifying the liberty interest in competing freely, and as between those the former seems more likely than the latter. The other lesson is normative and somewhat contingent: If and to the extent that scholars seek to justify the law of trade secrecy in terms approximating current doctrine, they need to consider more carefully the contours of the normative interest in determining exclusively the use of a secret and competitively-valuable discovery. This interest seems to advance normative goods indirectly, as do the exclusive rights of possession, control, and disposition typically associated with land, chattels or patents. Since the contours for this interest differ sharply from such better-known exclusive interests, however, subsequent scholarship must explain and justify its contours and aims.