

[Wis. Stat. § 134.90.]

§ 134.90. Uniform trade secrets act: Miscellaneous Trade Regulations

1) Definitions. In this section:

(a) "Improper means" includes espionage, theft, bribery, misrepresentation and breach or inducement of a breach of duty to maintain secrecy.

(b) "Readily ascertainable" information does not include information accessible through a license agreement or by an employee under a confidentiality agreement with his or her employer.

(c) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply:

1. The information 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.

2. The information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) Misappropriation. No person, including the state, may misappropriate or threaten to misappropriate a trade secret by doing any of the following:

(a) Acquiring the trade secret of another by means which the person knows or has reason to know constitute improper means.

(b) Disclosing or using without express or implied consent a trade secret of another if the person did any of the following:

1. Used improper means to acquire knowledge of the trade secret.

2. At the time of disclosure or use, knew or had reason to know that he or she obtained knowledge of the trade secret through any of the following means:

a. Deriving it from or through a person who utilized improper means to acquire it.

b. Acquiring it under circumstances giving rise to a duty to maintain its secrecy or limit its use.

c. Deriving it from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use.

d. Acquiring it by accident or mistake.

(3) Injunctive relief.

(a)

1. A court may grant an injunction against a person who violates sub. (2). Chapter 813 governs any temporary or interlocutory injunction or ex parte restraining order in an action under this section, except that no court may issue such an injunction or restraining order unless the complainant makes an application which includes

a description of each alleged trade secret in sufficient detail to inform the party to be enjoined or restrained of the nature of the complaint against that party or, if the court so orders, includes written disclosure of the trade secret. The complainant shall serve this application upon the party to be enjoined or restrained at the time the motion for the injunction is made or the restraining order is served, whichever is earlier.

2. Except as provided in subd. 3., upon application to the court, the court shall terminate an injunction when a trade secret ceases to exist.

3. The court may continue an injunction for a reasonable period of time to eliminate commercial advantage which the person who violated sub. (2) otherwise would derive from the violation.

(b) In exceptional circumstances, an injunction granted under par. (a) may condition future use of a trade secret by the person who violated sub. (2) upon payment of a reasonable royalty by that person to the owner of the trade secret for no longer than the period of time for which the court may enjoin or restrain the use of the trade secret under par. (a). Exceptional circumstances include a material and prejudicial change of position, prior to acquiring knowledge or reason to know of a violation of sub. (2), that renders an injunction inequitable.

(c) In appropriate circumstances, the court may order affirmative acts to protect a trade secret.

(4) Damages.

(a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of a violation of sub. (2) renders a monetary recovery inequitable, a court may award damages to the complainant for a violation of sub. (2). A court may award damages in addition to, or in lieu of, injunctive relief under sub. (3). Damages may include both the actual loss caused by the violation and unjust enrichment caused by the violation that is not taken into account in computing actual loss. Damages may be measured exclusively by the imposition of liability for a reasonable royalty for a violation of sub. (2) if the complainant cannot by any other method of measurement prove an amount of damages which exceeds the reasonable royalty.

(b) If a violation of sub. (2) is willful and malicious, the court may award punitive damages in an amount not exceeding twice any award under par. (a).

(c) If a claim that sub. (2) has been violated is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or a violation of sub. (2) is willful and deliberate, the court may award reasonable attorney fees to the prevailing party.

(5) Preservation of secrecy. In an action under this section, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting a protective order in a discovery proceeding, holding an in-camera hearing, sealing the record of the action and ordering any person involved in the action not to disclose an alleged trade secret without prior court approval.

(6) Effect on other laws.

(a) Except as provided in par. (b), this section displaces conflicting tort law, restitutionary law and any other law of this state providing a civil remedy for misappropriation of a trade secret.

(b) This section does not affect any of the following:

1. Any contractual remedy, whether or not based upon misappropriation of a trade secret.

2. Any civil remedy not based upon misappropriation of a trade secret.

3. Any criminal remedy, whether or not based upon misappropriation of a trade secret.

(7) Uniformity of application and construction. This section shall be applied and construed to make uniform the law relating to misappropriation of trade secrets among states enacting substantially identical laws.

History: 1985 a. 236.

NOTE: 1985 Wis. Act 236, which created this section, contains extensive notes describing this section and other sections affected by Act 236.

Some factors to be considered in determining whether given information is one's trade secret are: 1) the extent to which the information is known outside of his or her business; 2) the extent to which it is known by employees and others involved in his or her business; 3) the extent of measures taken by him or her to guard the secrecy of the information; 4) the value of the information to him or her and to his competitors; 5) the amount of effort or money expended by him or her in developing the information; 6) the ease or difficulty with which the information could be properly acquired or duplicated by others. *Minuteman, Inc. v. Alexander*, 147 Wis. 2d 842, 434 N.W.2d 773 (1989).

A party asserting a trade secret need not spell out details that would destroy what the party seeks to protect, but the party must include with some specificity the nature of the trade secret that is more than a generalized allegation that there is a trade secret. *ECT International, Inc. v. Zwerlein*, 228 Wis. 2d 343, 597 N.W.2d 479 (Ct. App. 1999), 98-2041.

By limiting the period in which an employee agrees not to divulge trade secrets, an employer manifests its intent that there is no need to maintain the secrecy after the specified period. *ECT International, Inc. v. Zwerlein*, 228 Wis. 2d 343, 597 N.W.2d 479 (Ct. App. 1999), 98-2041.

Under sub. (4), "actual loss caused by the violation" may include losses that result when a misappropriator uses a trade secret unsuccessfully and produces and sells a defective product that causes the plaintiff's business to suffer. *World Wide Prosthetic Supply, Inc. v. Mikulsky*, 2002 WI 26, 251 Wis. 2d 45, 640 N.W.2d 764, 00-1751.

Subs. (6) (a) and (b) 2. together do the following: 1) replace all pre-existing definitions of trade secret and remedies for tort claims dependent solely on the existence of a specific class of information statutorily defined as trade secrets; and 2) leave available all other types of civil actions that do not depend on information that meets the statutory definition of a trade secret. Therefore, any civil tort claim not grounded in a trade secret, as defined in the statute, remains available. *Burbank Grease Services, LLC v. Sokolowski*, 2006 WI 103, 294 Wis. 2d 274, 717 N.W.2d 781, 04-0468.

Although a court may grant injunctive relief against a person who misappropriated a trade secret, the injunction should only be for a period reasonable to eliminate commercial advantage that the person who misappropriated the secret would otherwise derive from the violation. Once the defendant would have discovered the trade secret without the misappropriation, any lost profits from that time forward are not caused by the defendant's wrongful act. *Minnesota Mining and Manufacturing Company v. Pribyl*, 259 F.3d 587 (2001).

Nondisclosure agreements under sub. (6) between suppliers and users of intellectual property are not subject to rules that govern noncompete agreements between employers and employees. A much greater scope of

restraint is allowed in contracts between vendors and vendees than between employers and employees. *IDX Systems Corp. v. Epic Systems Corp.* 285 F.3d 581 (2002).

An independent contractor presumptively owns his or her work product. In the absence of an agreement, non-exclusivity is the norm. The law of trade secrets follows the same approach to ownership. Wisconsin does not require an express, written contract of confidentiality. An independent contractor does not acquire any rights in his or client's trade-secret data just because he or she used those data in the performance of his or her duties. Breach of an implicit promise to hold information for the client's sole benefit in turn violates sub. (2) (a). *Hicklin Engineering, L.C. v. Bartell*, 439 F.3d 346 (2006).

This section does not require absolute secrecy, but one who claims a trade secret must exercise eternal vigilance in protecting its confidentiality. In determining whether companies have fulfilled this requirement, Wisconsin courts consider whether the company negotiated confidentiality agreements, kept documents locked up, limited access to information, restricted building access, denoted documents as confidential, informed individuals that information was confidential, and allowed individuals to keep information after the business relationship had ended. *Starsurgical Inc. v. Aperta, LLC*, 40 F. Supp. 3d 1069 (2014).

It is perfectly lawful to "steal" a firm's trade secret by reverse engineering. In this case, the plaintiff failed to rebut the defendants' contention that the plaintiff's designs may be reverse engineered, so the plaintiff did not meet its burden of showing its product designs are trade secrets. *Kuryakyn Holdings, LLC v. Ciro, LLC*, 242 F. Supp. 3d 789 (2017).

Revisions to the law of trade secrets. Whitesel and Sklansky. WBB Aug. 1986.