The Role of "Commercial Morality" in Trade Secret Doctrine

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THE ROLE OF “COMMERCIAL MORALITY” IN
TRADE SECRET DOCTRINE

Lynda J. Oswald*

The approaching anniversary of E.I. duPont deNemours & Co. v. Christopher is the impetus for this exploration and evaluation of the role of “commercial morality” in trade secret misappropriation doctrine. Christopher is the well-known industrial espionage case in which the U.S. Court of Appeals for the Fifth Circuit held that flying an airplane over an under-construction manufacturing facility to take photos of briefly-but-inevitably exposed trade secrets was an “improper means” of accessing a trade secret and was contrary to standards of “commercial morality.”

Commercial morality has played a significant but shifting role in trade secret law over the past seven decades and has become an important part of the contemporary trade secret doctrine lexicon, yet courts and commentators have not explored the meaning of this term. This study fills that gap in the literature by analyzing the origins of the commercial morality doctrine and its proper application in trade secret law. The development of U.S. commercial morality doctrine breaks down into four distinct time periods that illustrate the evolution of the doctrine in trade secret law over time, including the shift from the doctrine’s initial use as a way to justify nascent trade secret law and its liability expansion to the doctrine’s modern equitable role in structuring injunctive relief for misappropriation.

The analysis also shows that while courts invoke commercial morality when adjudicating misappropriation claims, they do not define the meaning of the term or provide reasoned analysis of its application. This is problematic when courts use the term in lieu of careful analysis of the facts and reasoning underlying their decision. Explicit recognition of the equitable nature of commercial morality doctrine would facilitate judicial application of the concept in a principled and effective manner.

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Introduction

Milestone anniversaries often trigger reflection and analysis. The fiftieth anniversary of E.I. duPont deNemours & Co. v. Christopher1 provides just such a prompt to explore and evaluate the role of “commercial morality” in trade secret misappropriation doctrine. Christopher is the well-known industrial espionage case in which, as the court so colorfully phrased it, “an airplane [was] the cloak and a camera the dagger.”2 In addressing the legality of flying an airplane over a partially constructed manufacturing facility to take photos of the briefly-but-inevitably exposed trade secrets contained therein, the U.S. Court of Appeals for the Fifth Circuit sought to draw a firm line in the soft sand of trade secret doctrine by declaring such actions illegitimate. It grounded its decision in the ill-defined constraints of “commercial morality,” asserting: “Our tolerance of the espionage game must cease when the protections required to prevent another’s spying cost so much that the spirit of inventiveness is dampened.”3

1 431 F.2d 1012 (5th Cir. 1970).
2 Id. at 1013.
3 Id. at 1016.
Christopher is routinely featured in textbooks, and treatises, and generations of law and business students have debated the outer boundaries of commercial misbehavior and trade secret misappropriation using the intriguing facts and compelling language of this surprisingly short opinion. Modern technological developments allow for interesting hypothetical twists, e.g., how might the use of unmanned drones or satellite images from Google Earth change the outcome?

But what makes Christopher the landmark case that commentators suggest? Despite being half a century old, Christopher has been cited in a mere sixty published court opinions. The bulk of these opinions address acquisition of trade secrets through “improper means”; indeed, Christopher is the quintessential example of wrongful acquisition of trade secrets. In stark contrast to this relative paucity of judicial attention, Christopher has been cited


5 See, e.g., The Law and Theory of Trade Secrecy: A Handbook of Contemporary Research 120–21 (Rochelle C. Dreyfuss & Katherine J. Stramburg eds., 2011); Dan Hunter, The Oxford Introductions to U.S. Law: Intellectual Property 185 (Dennis Patterson ed., 2012); Magdalena Kolasa, Trade Secrets and Employee Mobility: In Search of an Equilibrium 32 (Lionel Bently et al. eds., 2018); Gary Myers, Principles of Intellectual Property Law 452 (3d ed. 2017); see also infra note 10 and accompanying text (noting that there are over 250 law review articles that cite Christopher).


7 A Lexis Advance Shepard’s search of decisions that have cited E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012 (5th Cir. 1970), run on February 22, 2020, yielded sixty cases.

8 Id. Forty of the sixty opinions address “improper means” of trade secret acquisition. Id.

over 250 times by law review commentators (and over 350 times in all by secondary sources), and appears as a prominent example of trade secret misappropriation through “improper means” of access in the Restatement (Second) of Torts and the Restatement (Third) of Unfair Competition. The significance of the case to scholarly analysis and understanding of trade secret doctrine is revealed by the superlative terms commentators use to describe it: “famous,” “classic,” “well-known,” “notable,” “celebrated,” “leading,” and “canonical.”

The court also based its holding in part upon the amorphous concept of “commercial morality.” This aspect of has received decidedly less attention than its discussion of “improper means” of trade secret misappropriation: its invocation of commercial morality has been cited a mere thirteen times in court opinions. Yet, the term “commercial moral-

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Law, 16 Yale L. & Pol’y Rev. 195, 196 & n.9 (1997). No other case since has involved such extraordinary facts, however. See infra note 267 and accompanying text.

10 A Lexis Advance Shepard’s search of secondary sources that have cited , run on February 22, 2020, revealed that has been cited over 250 times by law review commentators and over 350 times in all by secondary sources.

11 Restatement (Third) of Unfair Competition § 43 cmt. c, illus. 3 (Am. L. Inst. 1995). See infra Section III.D.


15 Victoria A. Cundiff, Reasonable Measures to Protect Trade Secrets in a Digital Environment, 49 IDEA 359, 363 n.7 (2009).


“COMMERCIAL MORALITY” IN TRADE SECRET DOCTRINE

“commercial morality” had a long history in commentary and in general business law cases prior to Christopher, including appearing in twenty-one trade secret cases in the seventeen years preceding Christopher. Indeed, commercial morality has played a significant, albeit shifting, role in trade secret doctrine over the past seven decades and has become an important part of the contemporary trade secret doctrine lexicon, yet courts and commentators have not explored the meaning of this term. This study fills a gap in the literature by examining the origins of the commercial morality doctrine and its proper application in modern trade secret doctrine.

Part I provides a refresher on the provocative facts of Christopher and the short but powerful opinion of the Fifth Circuit. Although we tend to perceive commercial morality notions as being closely linked to Christopher in modern trade secret analysis, the concept has a long history in English and American legal thought. Part II analyzes the origins and historical development of the commercial morality standard in business law. While commercial morality concerns can be traced to medieval England, commentators seized upon the concept during the nineteenth century, galvanized by the financial and commercial misdeeds flowing from the swelling business activity of the Industrial Revolution in both Britain and the United States. The term appeared for the first time in U.S. caselaw in 1852 in a non-trade-secret case and was followed by the use of the term in many other business law settings over the next eight decades.

As Part III demonstrates, trade secret protection grew in importance at the turn of the twentieth century, propelled by the twin engines of growth in economic activity that outpaced regulation and growth in inventive activity that exceeded patent law’s ability to adequately protect. Commercial morality first emerged in trade secret doctrine as a result of this increased activity. The development of commercial morality doctrine in trade secret law breaks down into four timespans: (1) from the emergence of the term in the trade secret setting in 1939 in the Restatement of Torts to the decision in Christopher (1938–1970); (2) from Christopher to the Restatement (Second) of Torts (1970–1979); (3) from the Restatement (Second) of Torts to the Restatement (Third) of Unfair Competition (1980–1994); and (4) from the Restatement (Third) of Unfair Competition to the present. Part III traces the evolution of the commercial morality doctrine in trade secret law over time, including the shift from its initial use as a way to justify nascent trade secret law to structuring injunctive relief for misappropriation today.

Part IV considers the implications of commercial morality doctrine in trade secret cases. Courts invoke commercial morality when adjudicating misappropriation claims, but they do not define the meaning of the term or provide reasoned analysis of its application. Nonetheless, commercial morality is an important concept in trade secret misappropriation doctrine because


20 See infra notes 143–75 and accompanying text.
it provides a means by which courts can shift the focus from the nature of the alleged trade secret to the nature of the behavior of the defendant.\textsuperscript{21} Moreover, commercial morality operates in practice as a shorthand mechanism allowing courts to exercise fairness between the parties. In that sense, the term furthers very salient societal and legal objectives—ensuring that unethical business behavior is constrained and commercial standards maintained—despite doing so in an ill-defined and seemingly ad hoc manner.

I. CLOAKS AND DAGGERS: E.I. DUPTON DE NEMOURS & CO. V. CHRISTOPHER

\textit{E.I. duPont deNemours & Co. v. Christopher}\textsuperscript{22} is the quintessential example of misappropriation of a trade secret through industrial espionage. An “unknown third party” hired Rolfe and Gary Christopher to fly over a DuPont chemical plant under construction in Beaumont, Texas, to take aerial photographs.\textsuperscript{23} The Christophers refused to reveal their client’s name, and so DuPont sued them for trade secret misappropriation, claiming they had photographed a highly confidential and valuable unpatented process for producing methanol.\textsuperscript{24}

The case came before the Fifth Circuit on diversity jurisdiction,\textsuperscript{25} where the court had to apply Texas law in a case of first impression.\textsuperscript{26} The Christophers maintained that their actions were lawful as they had “conducted all of their activities in public airspace, violated no government aviation standard, did not breach any confidential relation, and did not engage in any fraudulent or illegal conduct.”\textsuperscript{27} In the absence of illegal conduct or a contractual breach, they contended, there could be no misappropriation of a trade secret.\textsuperscript{28}

The Fifth Circuit disagreed. While previous trade secrets had indeed contained at least one of these elements of wrongful behavior, the court did not believe that Texas law would limit trade secret misappropriation solely to these instances. Rather, the Fifth Circuit noted, the Texas courts had adopted section 757 of the \textit{Restatement of Torts}, which prohibited acquisition of a trade secret by “improper means,”\textsuperscript{29} defined, “[i]n general,” as “means

\begin{itemize}
\item \textsuperscript{21} See \textit{Classic Instruments, Inc. v. VDO-Argo Instruments, Inc.}, 700 P.2d 677, 694 (Or. Ct. App. 1985).
\item \textsuperscript{22} 431 F.2d 1012 (5th Cir. 1970).
\item \textsuperscript{23} \textit{Id.} at 1013.
\item \textsuperscript{24} \textit{Id.}
\item \textsuperscript{25} \textit{Id.} at 1014.
\item \textsuperscript{26} \textit{Id.} At the time, there was no federal law addressing trade secret misappropriation. \textit{Cf. infra} note 241 (discussing subsequent development of federal civil and criminal trade secret causes of action).
\item \textsuperscript{27} \textit{Christopher}, 431 F.2d at 1014.
\item \textsuperscript{28} \textit{Id.}
\item \textsuperscript{29} See \textit{infra} notes 116–20 and accompanying text.
\end{itemize}
which fall below the generally accepted standards of commercial morality and reasonable conduct.”

This broader ban, the court found, constrained the defendants’ behavior while providing an additional layer of protection to trade secrets’ owners. A trade secret owner might be required to build “ordinary fences and roofs” to shield its secrets from prying eyes, the *Christopher* court opined, but it need not “guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available.” Here, DuPont had taken “reasonable” steps to conceal its secret and the Christophers’ efforts to obtain that secret for a third party through aerial surveillance and photography were manifestly improper within the meaning of section 757, regardless of whether the actions were lawful under federal aviation regulations or not in breach of contract.

*Christopher* was a short opinion, but it provided the most complete analysis of “improper means” of trade secret access found in any court decision before or since. It is difficult to argue with the stance taken by the court: competition should be fierce but fair, and forcing a competitor to bear excessive costs to guard against underhanded espionage attempts by another does not serve societal interests.

The discussion of “improper means” in *Christopher* was closely intertwined with a discussion of commercial morality. The Fifth Circuit noted the difficulty of categorically defining “improper means” of accessing a competitor’s trade secrets, but emphasized that “our ethos has never given moral sanction to piracy.” The court explained: “‘Improper’ will always be a word of many nuances, determined by time, place, and circumstances. . . . Clearly, however, one of its commandments does say ‘thou shall not appropriate a trade secret through deviousness under circumstances in which counter-vailing defenses are not reasonably available.’” In the court’s view, “[t]o require DuPont to put a roof over the unfinished plant to guard its secret would impose an enormous expense to prevent nothing more than a school boy’s trick.” The court positioned its decision squarely within concerns of balancing the interests of free competition against the need for safeguarding incentives for innovation: “[O]ur devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations.” Rather, “[o]ur tolerance of the espionage game must cease when the protections required to

30 *Christopher*, 431 F.2d at 1016 (quoting Restatement of Torts § 757 cmt. f (Am. L. Inst. 1939) (discussed infra note 118 and accompanying text)).
31 Id.
32 Id.
33 Id. at 1017.
34 Id.
35 Id.
36 Id. at 1016.
37 Id.
prevent another’s spying cost so much that the spirit of inventiveness is dampened.”

The *Christopher* court supported its outcome by quoting the declaration of the Supreme Court of Texas in a 1958 case that “the undoubted tendency of the law has been to recognize and enforce higher standards of commercial morality in the business world.” As will be discussed below, this language actually originated in the *Restatement of Torts* in 1939. The language is problematic as it makes an assertion—that standards of commercial morality are ever-increasing—that was unsupported by the drafters of the *Restatement* when they wrote it, and by every court that has cited this statement in an opinion since. Yet, the assertion has taken on a life of its own over the past eighty years that permits courts unfettered discretion in reaching desired outcomes.

*Christopher* is a classic exemplar of adroit judicial use of vocabulary to reach an intended outcome. The behavior at issue in *Christopher* was shocking and viscerally unfair, and yet it was not illegal; it was “improper.” “Commercial morality” provided the necessary link to transmute that improper conduct into liability-incurring behavior. In this particular instance, it provided a palatable rationale supporting the appellate court’s affirmation of the trial court’s finding that DuPont had stated a claim upon which relief could be granted.

The term “commercial morality” was not coined by the *Christopher* court in 1970, nor even by the *Restatement* in 1939. Rather, as the next Part explores, the term had a long history in commentary (reaching back to the Middle Ages in England) and U.S. caselaw (reaching back to 1852). Understanding that history is essential to understanding the development of commercial morality doctrine in U.S. jurisprudence.

II. Historical Underpinnings of “Commercial Morality” in Business Law Doctrine

The antecedents of the term “commercial morality” are found in the early years of English commerce, where notions of commercial honesty and morality constrained the actions of industry and trade, enforced through such varied mechanisms as trade customs, ecclesiastical discipline, royal authority, or parliamentary enactments. Commercial morality was seen as a rationale for imposing higher standards of behavior than mere trade practice.
would prescribe, thus elevating the commercial climate.\textsuperscript{44} The concept was catapulted to the fore by the rapid economic expansion and accompanying striking financial failures and business scandals of the mid-nineteenth century, first in Britain and subsequently in the United States,\textsuperscript{45} causing the term “commercial morality” to take firm hold in the legal lexicon.

**A. Emergence of Commercial Morality Norms in the Mid-Nineteenth Century**

In the mid-1800s, the creation and flourishing of limited liability companies led to a rapid growth in investment in financial assets in the British economy.\textsuperscript{46} This in turn led to significant financial participation by the middle class for the first time, generating concerns about protection of less sophisticated investors.\textsuperscript{47} These concerns were exacerbated by neophyte investors branching out beyond traditional and rather staid investments, such as government securities, to new, seemingly more speculative and less trustworthy forms of commercial and industrial investments, both domestic and international.\textsuperscript{48} Indeed, the spectacular rise in financial assets and investment opportunities during this time period was paralleled by equally spectacular instances of fraud and investment failures.\textsuperscript{49} This led, as might be expected, see that the current conviction in regard to the morality of certain transactions has greatly affected the conduct of industry and trade in each succeeding generation.” \textit{Id.}

\textsuperscript{44} \textit{See 2 Thomas Gisborne, An Enquiry into the Duties of Men in the Higher and Middle Classes of Society in Great Britain} 212 (London, T. Cadell, 7th ed. 1824) (discussing the “innumerable evils” that would ensue from adopting “the custom of trade” “as the general rule of commercial morality”).


\textsuperscript{46} \textit{See generally J.B. Jefferys, The Denomination and Character of Shares, 1835–1885, 16 Econ. Hist. Rev. 45 (1946); Geoffrey Todd, Some Aspects of Joint Stock Companies, 1844–1900, 4 Econ. Hist. Rev. 46 (1952).}

\textsuperscript{47} \textit{See Michael Lobban, Commercial Morality and the Common Law: or, Paying the Price of Fraud in the Later Nineteenth Century, in Legitimacy and Illegitimacy in Nineteenth-Century Law, Literature and History} 119, 119–20 (Margot Finn, Michael Lobban & Jenny Bourne Taylor eds., 2010) (noting a quadrupling of “serious holders of securities” between 1870–1900, reaching one million investors by the turn of the century).

\textsuperscript{48} \textit{Id.} at 120–22.

\textsuperscript{49} \textit{See generally George Robb, White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845–1929, at 3 (1992) (arguing that the advent of the joint stock company facilitated widespread financial fraud); Commercial Morality; Or, Thoughts for the Times} (London, Smith, Elder & Co. 1856) (arguing that insurance companies, railway companies, and joint stock companies all exhibited low levels of commercial morality). An 1868 entry in \textit{The Chronicle} lamented the difficulty of improving commercial morality in a manner that would protect the middle classes from the dangers of the joint-stock systems. \textit{Mr. Goschen on Commercial Morality, Chronicle, Feb. 15, 1868, at 155}. Likewise, an 1868 editorial in \textit{The Economist} attributed the “alleged” decline in English commercial morality (which it laid squarely at the feet of the “middle class”) to the number of “discreditable failures” in new business ventures. \textit{The Alleged Degeneration of England in Commercial Morality, Economist}, Jan. 4, 1868, at 1. Interestingly, the editorial found that
to increased efforts by legislators and commentators to address bad business behavior,\textsuperscript{50} although there was little agreement as to where the line should be drawn between acceptable and unacceptable trade actions,\textsuperscript{51} or how much regulation of trade activity was warranted.\textsuperscript{52} By about 1880, however, the courts had begun to create legal doctrines constraining some commercially questionable behaviors, such as rules that attempted to prevent promoters and directors from making private profits from the launch of new companies, although many other types of morally ambiguous business behavior—honesty in sales transactions or in paying debts was not a key test of the level of commercial morality achieved by a country. Rather, commercial morality was best measured by the degree of honesty displayed in exercising financial discretion, say, over investments. \textit{Id.} at 2. The editorial asserted: “No nation can be said to have had its commercial morality tested at all that has not attained a very high development of its credit system.” \textit{Id.} This made it impossible to compare England’s commercial morality to that of other less financially developed countries, such as France or Germany, or even to England of a couple of decades prior, as the circumstances were very different. \textit{Id.} at 2–3. Indeed, the editorial concluded, the only fair comparison for England would be to the United States, and \textit{The Economist} concluded that England would not come out the loser in that comparison. \textit{Id.} While acknowledging that there had been some significant financial scandals in recent years, the editorial attributed those to the fast-growing credit industry, and complacently concluded that “England has stood the strain on her commercial morality better than we had any right to expect; that the wonder is rather that we have had so few disgraceful exposures in all these years, than that we have had so many.” \textit{Id.} at 3.


\textsuperscript{51} See Margot Finn, Michael Lobban & Jenny Bourne Taylor, \textit{Introduction: Spurious Issues, in Legitimacy and Illegitimacy in Nineteenth-Century Law, Literature and History, supra note 47, at 1, 18 (noting that bankruptcy, for example, was not considered a “social failure”).}

\textsuperscript{52} Lobban, \textit{supra} note 47, at 121; \textit{see also} Sarah Wilson, \textit{Law, Morality and Regulation: Victorian Experiences of Financial Crime}, 46 British J. Criminology 1073, 1084 (2006) (“Many parameters of ‘acceptable’ conduct in business did not become apparent until at least the end of the nineteenth century and, in some cases, they remain unclear today.”). An 1855 article in \textit{The Economist} laid the blame for low commercial morality at the feet of the law: “[P]rofessional men hold fast . . . by the laws made in an age of less moral enlightenment than the present. Their minds are fashioned in part by the false principles of the law, and by them they are continually led to defend what is morally and commercially wrong.” \textit{The Morality of Trade and of Law, Economist}, June 23, 1855, at 672. The same article asserted that commercial morality was lower in the United States than in England since the “least-informed classes” of Europe immigrated to the United States, resulting in “low level[s]” of American morality and political principles. \textit{Id.}
ior went unregulated under the law, subject only to social or moral opprobrium.53

Similarly, industrialization in the United States led to growing discourse on business ethics and to increased regulation of commercial activity, particularly at the state level.54 In the early nineteenth century, much of this concern was reflected in legislative attempts to shield the public from the deleterious effects of unregulated commerce and trade and to promote “quality, merchantability, and fair dealing” in the buying and selling of goods.55 As the country developed throughout the nineteenth century, new legal doctrines, such as limited liability provisions, emerged that were intended to protect passive investors in the large-scale business firms fostered by the nation’s rapid industrialization.56 However, law was not seen as the panacea for all such commercial woes. Rather, principles of commercial morality were viewed as playing an important role in the orderly transaction of business “without resort to law or arbitration.”57

Several commentators of the period examined issues of commercial morality and business honesty, generally concluding that American standards of business behavior left much to be desired. For example, an 1890 Harvard Law Review article analyzed the then-nascent rules in “cases analogous to trademarks,—trade-names, trade-signs, the good-will of a business, etc.,”58 and decried the “proverbially low” state of American “commercial honesty.”59 The author concluded that American legal rules lagged those of France, where “commercial morality [was] high, and the rules as to unfair rivalry in trade . . . strict.”60 Henry A. Wise Wood’s 1908 book, Money Hunger, likewise condemned the lax standards of commercial morality that accompanied the rapid growth of business capital at the turn of the twentieth century, ascribing it to the “heterogenous” nature of American society,61 which meant, in Wood’s view, that there was “no established and universally accepted code of correct business behavior”—merely a spectrum lying between “the extremes

53 See Loeb, supra note 47, at 131–33.
54 See Hunter, supra note 45, at 19–22 (summarizing U.S. public discourse on business ethics in the late nineteenth century). Federal regulation of such activities was rare in this time period. See Robert L. Rabin, Federal Regulation in Historical Perspective, 38 STAN. L. REV. 1189, 1196 (1986).
56 David A. Moss, When All Else Fails: Government as the Ultimate Risk Manager 4–8 (2002).
58 Grafton Dulany Cushing, On Certain Cases Analogous to Trade-Marks, 4 Harv. L. Rev. 321, 323 (1890).
59 Id. at 332.
60 Id. The Missouri Court of Appeals also lauded the French standard of commercial morality in Probasco v. Bouyon, 1 Mo. App. 241, 245 (Ct. App. 1876) (“In no country, perhaps, is the rule of commercial morality stricter than in France.”).
of acknowledged theft and indubitable honesty.” Famed professor John H. Wigmore analyzed the relationship between commercial morality and justice in the context of the U.S. Supreme Court’s 1914 decision in *L.E. Waterman Co. v. Modern Pen Co.*, a prominent passing-off case. He argued that “the underlying bulk of law’s content is morality, on which law is superimposed,” and lamented the retreat of judges from consideration of commercial morality in business disputes.

The discussion of commercial morality in early formulations of trade behavior norms in both America and England was significantly influenced by religious commentators. Orville Dewey, a prominent American Unitarian minister, for example, discussed commercial morality in several contexts in his 1838 tome, *Moral Views of Commerce, Society, and Politics, in Twelve Discourses*, where he reflected on the “moral laws” that ought to apply to such trade topics as contracts and bankruptcy. In particular, he discussed the moral impact of using superior information to gain commercial advantage, a topic related to modern trade secret law. Dewey concluded that it would be “advantageous to commerce, and encouraging to human industry and ingenuity” that a merchant be allowed to act on and benefit from superior information that results from “superior talent, energy, and ingenuity,” although the merchant should not pursue these ensuing advantages “beyond the bounds of reason and justice.” Thus, Dewey argued, if two manufacturers are engaged in the same field and one makes valuable discoveries as a result of his “attention and ingenuity,” he is not obliged to share those discoveries with his “indolent [and] dull” competitor. Dewey’s analysis displayed the early seeds of the types of business and behavioral norms that would soon arise in the yet-to-be-developed trade secret field.

Across the Atlantic, the Christian Social Union, a social gospel organization associated with the Church of England, issued in 1893 an internal monograph stemming from its conference on “commercial morality” in which the members condemned practices such as adulteration of goods, false or misleading statements about the quality of goods, and deceptive and predatory pricing practices. In 1905, two members expounded further on the nature

62 Id. at 2.
63 235 U.S. 88 (1914).
66 Id. at 34.
67 Id. at 39.
68 Id.
69 CHRISTIAN SOCIAL UNION, CONFERENCE ON COMMERCIAL MORALITY (London, n.p. 1893). The Christian Social Union began in 1889 and merged with the Industrial Christian Fellowship in 1919; its goal was to “spread interest and information among Church people, and thus to educate a body of definite opinion upon practical issues . . . .” Id. See generally K.S. INGLIS, CHURCHES AND THE WORKING CLASSES IN VICTORIAN ENGLAND 250–322 (1903).
of commercial morality and its impact on both the consuming public and traders in a second monograph, concluding: “It would be fatal to moral progress, and the complete negation of Christian obligations, if individuals were to be allowed to be false to the witness of their own consciences, and to conform to what they knew to be dishonest practices, simply because it was customary.”

B. The Debut of “Commercial Morality” in U.S. Caselaw

It took a few decades for discussions of commercial morality to work their way into U.S. caselaw. The earliest reported U.S. case to employ the term “commercial morality” was *Carrington v. The Ann C. Pratt*, decided in 1852. This was not a trade secret case; rather, the dispute involved repairs made when a ship was blown off course. The court noted that inflating repair bills so as to over collect from insurance companies might have been a common practice in the industry but “a proper regard to the best interests of fair and honest trade as well as a due respect for commercial morality” meant the practice could not be judicially sanctioned.

The term “commercial morality” was invoked in thirty-two opinions between the decision in *The Ann C. Pratt* in 1852 (where “commercial morality” made its first appearance in U.S. caselaw) and the issuance of chapter 36 of the *Restatement of Torts* in 1939 (where “commercial morality” made its first appearance in trade secret doctrine). These thirty-two cases encompassed an eclectic selection of subject matter, including trademark infringement, fraudulent misrepresentation, surety, breach of contract, and composition actions. “Commercial morality” was a fluid and often undefined term in these early cases, with many courts providing only a glanc-

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71 5 F. Cas. 150, 151 (D. Me. 1852) (No. 2445).
72 Id. at 153.
73 A Lexis Advance search for “commercial morality” in all federal and state cases between January 1, 1852, and December 31, 1938, run on February 2, 2020, yielded thirty-two cases.
75 See, e.g., J.C. Penney Co. v. H.D. Lee Mercantile Co., 120 F.2d 949, 957 (8th Cir. 1941); Hagan & Dodd Co. v. Rigbers, 57 S.E. 970, 970 (Ga. Ct. App. 1907).
77 See, e.g., Cooper v. De Mainville, 27 P. 86, 86 (Colo. App. 1891); State v. Peck, 53 Me. 284, 287 (1865).
79 See, e.g., Brown v. Everett-Ridley-Ragan Co., 36 S.E. 813, 815 (Ga. 1900); Gilmour v. Thompson, 49 How. Pr. 198, 198 (N.Y. Ct. Comm. Pleas 1875). None of the thirty-two cases involved trade secrets; the term would not be used in that context until 1953. See infra notes 148–53 and accompanying text (discussing Franke).
ing reference to the role of commercial morality in resolving the dispute before the court. Thus, early cases contained bromides such as: “The courts are constantly endeavoring to uphold and enforce commercial morality, and afford protection to honest enterprise and skill.”

Indeed, only one of these thirty-two opinions inquired into the relationship between commercial morality and legal doctrine in any significant detail. A 1923 decision by the U.S. Court of Appeals for the Seventh Circuit, ruling for the seller in a case involving a contractual repudiation by a buyer, asserted: “[T]he law should not be regarded as crystallized strata of a dead past, but as a living force that pulses in response to preponderant convictions of morality. Commercial law should reflect commercial morality.”

The amorphous nature of commercial morality made it a useful judicial tool, particularly for those courts that wanted to justify outcomes perhaps not entirely supported by precedent. For example, the Maine high court rejected the defendants’ challenge of a jury verdict against them, stating: “If there are cases that militate against the views here expressed, we are satisfied that they savor more of the growing looseness of commercial morality than of adherence to wholesome legal principles.”

Commentators too were raising concerns of “commercial morality” and “ethics” in the emerging contexts of unfair competition and trademark infringement doctrine. See, e.g., Unfair Competition: Necessity for Actual Competition, 38 Harv. L. Rev. 370, 370 (1925); Myron W. Watkins, The Change in Trust Policy, 35 Harv. L. Rev. 815, 832 (1922).
believe this is what the Congress intended, and with the more confidence because it tends to enforce that open dealing which is the essential basis of commercial morality.”85 The intermediate appellate court in New York used the concept to validate new legal doctrine in a fraudulent misrepresentation case:

It may be that this holding extends the content of what has thus far been defined as actionable deceit. If this be so, we think the extension is based upon a proper commercial morality and the logical import of the precedents that the purpose of the law is, wherever possible, to afford a remedy to defeat fraud.86

However, the New Jersey Chancery Court declined to use commercial morality as a justification for expanding doctrine or remedies in the course of determining whether a voluntary boycott by workers should be enjoined:

“Communities where men are guided in their dealings in the market by unscientific, impolitic, or immoral principles are bound to suffer as compared with communities where correct and liberal principles are recognized as controlling in business affairs.”87 The court concluded: “Courts of equity do not attempt to enforce the Golden Rule, or even sound principles of commercial morality or expediency, by the writ of injunction.”88

In short, “commercial morality” took root in the legal lexicon as a way to curb bad business behavior in an era in which the courts and legislatures were still struggling to develop legal rules suitable for a burgeoning economy and a business climate that was rapidly become sophisticated and complex. Although “commercial morality” lacked a clear theoretical underpinning, it was a convenient gap filler for business law doctrine that was still in its infancy.

III. E MERGENCE AND E VOLUTION OF “COMMERCIAL MORALITY” IN U.S. TRADE SECRET LAW

At the same time that commentators and courts were starting to infuse commercial morality notions into the evolving business law sector, patent law was proving insufficient to address the unprecedented innovation growth spawned by the Industrial Revolution.89 Trade secret law began to emerge as an alternative mechanism for protecting ideas and inventions.90 Although

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85 Brigman v. Covington, 219 F. 500, 503 (4th Cir. 1915).
86 Cont’l Ins. Co. v. Mercadante, 222 A.D. 181, 186 (N.Y. App. Div. 1927); see also Bean v. Brookmire, 2 F. Cas. 1132, 1134 (C.C.E.D. Mo. 1873) (No. 1170) (“The rules of law respecting the good faith to be observed by all who unite in a composition agreement are well known and well settled, and rest upon the soundest policy and upon the clearest principles of equity, commercial morality, and fair dealing.”).
88 Id.
89 See Peter S. Menell, Tailoring a Public Policy Exception to Trade Secret Protection, 105 Calif. L. Rev. 1, 8–9 (2017).
90 Id. at 11 (citing Robert G. Bone, A New Look at Trade Secret Law: Doctrine in Search of Justification, 86 Calif. L. Rev. 241, 247 (1998)). Although traditionally trade secret law is
the first trade secret cases were decided in the early 1800s,\textsuperscript{91} it took several decades for a cohesive body of American trade secret doctrine to develop.\textsuperscript{92} The collision of these two economic developments—a rapid growth in un- or under-regulated business activities coupled with an unprecedented increase in innovation that the existing patent law system was unable to adequately protect—created an environment in which concerns about appropriate commercial behavior and standards of business morality garnered significant and increasing attention from society, courts, and policymakers.

The term “commercial morality” first appeared in a published trade secret opinion in 1953, a full century after it first appeared in U.S. caselaw in \textit{The Ann C. Pratt}. Despite its late start in the trade secret setting, “commercial morality” is mentioned today in more trade secret cases than in any other area of law. Of the 266 federal and state opinions that have employed the term “commercial morality,”\textsuperscript{93} 123 involved trade secrets.\textsuperscript{94} The second largest category of cases involved more general unfair competition actions.\textsuperscript{95} The term “commercial morality” first appeared in a published trade secret opinion in 1953, a full century after it first appeared in U.S. caselaw in \textit{The Ann C. Pratt}. Despite its late start in the trade secret setting, “commercial morality” is mentioned today in more trade secret cases than in any other area of law. Of the 266 federal and state opinions that have employed the term “commercial morality,”\textsuperscript{93} 123 involved trade secrets.\textsuperscript{94} The second largest category of cases involved more general unfair competition actions.\textsuperscript{95}


\textsuperscript{93} Of the 266 federal and state opinions that have employed the term “commercial morality,” 123 involved trade secrets. The second largest category of cases involved more general unfair competition actions.

often paired with trademark infringement\textsuperscript{96} or palming off actions,\textsuperscript{97} where the courts often resorted to vague statements of the flexibility and elasticity of unfair competition as it responded to evolving (and presumably stricter) notions of moral business behavior.\textsuperscript{98} The term also appeared in several bankruptcy and composition cases,\textsuperscript{99} as well as a broad and seemingly unrelated variety of other settings, such as contract law,\textsuperscript{100} securities actions,\textsuperscript{101} malicious prosecution,\textsuperscript{102} and surety cases,\textsuperscript{103} typically on an occasional or even one-off basis.

As this Part will illustrate, the evolutionary path and body of caselaw addressing commercial morality in the trade secret arena divides naturally into four distinct time periods. The first is from the introduction of the term in the \textit{Restatement of Torts} in 1939 to the Fifth Circuit’s decision in \textit{Christopher} in 1970. This time period sees the emergence of the notion of “improper means” of accessing trade secrets and, in 1953, the introduction of “comme-

\begin{footnotesize}
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\item \textsuperscript{102} See, e.g., Potter v. Scale, 5 Cal. 410, 411 (1855).
\item \textsuperscript{103} See, e.g., State v. Peck, 53 Me. 284, 287, 299 (1865).
\end{itemize}
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cial morality” into trade secret caselaw. The second time period embraces the eight years between Christopher and two key events in 1979 that redefined trade secret doctrine: the publication of the Restatement (Second) of Torts, which omitted coverage of trade secret doctrine, and the promulgation of the Uniform Trade Secrets Act (UTSA). The third period covers the interim time span from these two events to the introduction of the Restatement (Third) of Unfair Competition in 1994, which reintroduced trade secret law under the unfair competition umbrella. Finally, in the post-Restatement (Third) era, we see a surge in the use of “commercial morality” vocabulary in addressing injunctive relief in trade secret disputes. Figure 1 illustrates the distribution of commercial morality trade secrets from 1953 through 2019.


Although the courts were importing notions of commercial morality into business law opinions by the turn of the twentieth century, the vocabulary used to describe such concerns had not yet crystallized and the courts not only did not use the term “commercial morality,” they often did not invoke language of trade secrets or misappropriation either. The 1908 case of Eastern Extracting Co. v. Greater New York Extracting Co., for example, was an early precursor of the type of improper behavior at issue in Christopher. The defendant, “disguised as a laborer,” secured employment at the plaintiff’s plant. Two days later, having observed the plaintiff’s secret process for extracting alcohol from emptied whiskey barrels, the defendant left, without

104 According to a Lexis Advance search run on February 2, 2020, for “commercial morality” in all federal and state cases, there were seventeen published state and federal cases referencing “commercial morality” between July 1, 1852, and December 31, 1900. See, e.g., Dennison Mfg. Co. v. Thomas Mfg. Co., 94 F. 651, 661 (C.C.D. Del. 1899); Clark v. Durham Lumber Co., 5 So. 560, 561 (Ala. 1889) (fraudulent misrepresentation); Peck, 53 Me. at 299 (surety); Gilmour v. Thompson, 49 How. Pr. 198, 199 (N.Y. Ct. Comm. Pleas 1875) (composition agreement).
106 Id. at 740.
even bothering to collect his wages.\textsuperscript{107} He then formed a new company with business associates and implemented the same process. In granting the plaintiff’s request for an injunction, the court opined: “[M]ethods, such as were used by [the defendant], are wrongful. They are dishonest, and cannot be countenanced.”\textsuperscript{108} The court went on to explain: “Fair competition is always encouraged; but a man cannot, through deceit and by means of an appeal for employment as a laborer and assistance to earn his bread, enter the household of his benefactor and steal his belongings.”\textsuperscript{109} The court did not couch the claim in terms of trade secret misappropriation, however, nor did it use the term “commercial morality.” Similarly, \textit{Vulcan Detinning Co. v. American Can Co.}, a 1907 case, addressed the importance of requiring equitable conduct in the trade secret arena: “[T]oo much emphasis has perhaps been placed upon the element of absolute secrecy in the process, and . . . not enough stress has been laid upon the inequitable character of the defendants’ conduct in making a use of such process that was inimical to the complainant’s interests.”\textsuperscript{110} The court grounded its decision in commercial ethics: “[T]he secrecy with which a court of equity deals is not necessarily that absolute secrecy that inheres in discovery, but that qualified secrecy that arises from mutual understanding, and that is required alike by good faith and by good morals.”\textsuperscript{111}

The first explicit nexus between trade secret misappropriation doctrine and the term “commercial morality” appeared not in the caselaw but in the \textit{Restatement of Torts}, published by the American Law Institute (ALI) in 1938–1939. In the early twentieth century, trade secret law was sparse and was entirely judge-made law that fell under the greater umbrella of unfair competition law.\textsuperscript{112} Unfair competition law, in turn, was an embryonic and underdeveloped area of the law.\textsuperscript{113} The drafters of the \textit{Restatement} noted the

\textsuperscript{107} Id.
\textsuperscript{108} Id.
\textsuperscript{109} Id.
\textsuperscript{110} 67 A. 339, 343 (N.J. 1907). The New Jersey Court of Errors and Appeals was the highest court of the state until 1947, when it was replaced by the Supreme Court of New Jersey. \textit{See State of N.J., Report of the Commission on Revision of the New Jersey Constitution} 21 (1942).
\textsuperscript{111} \textit{Vulcan Detinning Co.}, 67 A. at 343.
\textsuperscript{113} In his leading treatise on unfair competition, for example, Nims devoted his first chapter to the surprisingly thorny question of “What is unfair competition?” While past commentators might have viewed unfair competition as a way to limit acts against owners of trademark or trade names, the more correct and modern view, he argued, was to recognize that “[a]ll acts done in business competition are either fair or fraudulent, equitable or inequitable,” and that the true goal should be to promote “full protection to every merchant against unfair business methods.” Nims, \textit{supra note} 112, at 3. Unfair acts, he asserted, included not only trademark infringement or passing off, but any other act that
doctrinal relationship between liability rules for unfair trade practices and tort law principles,\textsuperscript{114} and thus included chapters to deal specifically with interference with business relations, which included trade secret misappropriation.\textsuperscript{115}

Specifically, section 757, found in chapter 36 of the Restatement, stated that liability attaches, \textit{inter alia}, where one discloses or uses a trade secret discovered by “improper means.”\textsuperscript{116} Comment (f) further explained that improper means included not only illegal acts, such as theft, but also acts such as “fraudulent misrepresentations to induce disclosure, tapping of telephone wires, eavesdropping or other espionage.”\textsuperscript{117} While the drafters found it impossible to list all types of improper means, they noted that “[i]n general[,] they are means which fall below the generally accepted standards of commercial morality and reasonable conduct.”\textsuperscript{118}

Comment (f) to section 757 went on to refer readers to comment (c) to section 759. Section 759 addressed procurement of information (which need not be a trade secret) by improper means.\textsuperscript{119} Comment (c) provided that among the means which are “improper” are “theft, trespass, bribing or otherwise inducing employees or others to reveal the information in breach of duty, fraudulent misrepresentations, threats of harm by unlawful conduct, wiretapping, procuring one’s own employees or agents to become employees of the other for purposes of espionage, and so forth.”\textsuperscript{120}

The discussion in the \textit{Restatement of Torts} of commercial morality, though brief, has had significant impact on the development of trade secret law and the concept of “improper means” of access. The Introductory Note to chapter 35 explained that chapters 35 and 36 dealt with how tort law protected the interests of businesspersons from “invasion by the trade practices” of other businesspersons.\textsuperscript{121} The chapters attempted to balance “the conflict between the desire for competition and the desire for the security of the

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    \item enabled an actor “to purloin his rival’s trade,” including the “fraudulent use” of a trade secret. \textit{Id.} at 2.  
    \item \textsuperscript{114} \textit{Restatement (First) of Torts} ch. 35 intro. note (Am. L. Inst. 1938). The drafters rejected the term “unfair competition,” noting that the phrase “trade practices” is more accurate than “competition,” as it encompasses not only harm caused by those who compete directly, but also harm by those whose trade activities injure those in a different business. \textit{Id.}
    \item \textsuperscript{115} \textit{Id.} ch. 35 (1938); \textit{id.} ch. 36 (1939).
    \item \textsuperscript{116} \textit{Id.} § 757(a) (1939). Other grounds for imposing liability are breaching of confidence, \textit{id.} § 757(b); learning of a secret from a third party with notice that that party had discovered it through improper means or disclosed it through a breach of confidence, \textit{id.} § 757(c); or learning of the secret with notice that it was a secret and had been disclosed by mistake, \textit{id.} § 757(d).
    \item \textsuperscript{117} \textit{Id.} § 757 cmt. f.
    \item \textsuperscript{118} \textit{Id.}
    \item \textsuperscript{119} \textit{Id.} § 759 cmt. b.
    \item \textsuperscript{120} \textit{Id.} § 759 cmt. c. Section 759 imposes liability for procuring business information through improper means “for the purpose of advancing a rival business interest,” \textit{id.} § 759, and is not limited to trade secret information, \textit{id.} § 759 cmt. b.
    \item \textsuperscript{121} \textit{Id.} ch. 35 intro. note (1938).
\end{itemize}
fruits of individual enterprise so as to achieve the maximum of desirable benefits for both.”122 Thus, the drafters noted, in this area, equitable relief, not damages, predominated and liability was “constantly expanding,” as a result of both “the flexibility and breadth of equitable relief” and “changing methods of business and changing standards of commercial morality.”123

However, the Introductory Note cautioned, chapters 35 and 36 could not list all of the trade practices that would “fall below accepted standards of commercial morality or which may generally be deemed unfair,”124 in part because commercial morality standards differed among industries.125 In so stating, the drafters of the Restatement captured the sentiment of contemporaneous courts, which likewise were struggling with how to define the parameters of acceptable business behavior. For example, a 1933 Supreme Court of California opinion stated:

No fixed standard or code of business ethics has been adopted by the business world limiting or defining the extent to which business rivals may go in the employment of artifice, cunning, or what are known as the “tricks of the trade” or business craft in drawing trade from one to another.126

The Supreme Court of Pennsylvania, in a 1932 case, also discussed the limitations of the law in addressing unethical business behavior. The court granted an injunction that prohibited the defendant from passing off its product as that of the plaintiff, but declined to issue an injunction restraining the defendant from selling its product to dealers who sold the plaintiff’s product.127 The court noted that “[t]he lack of business ethics displayed by defendant . . . invites and receives the condemnation of all who love fair play and scorn chicane and deceit.”128 However, the court went on to say, “there is much that is unethical that is not enjoinable.”129 Thus, the court concluded, the solution lay not in the law, but in the hopes for a kind of commercial karma:

Until people do become more civilized and ethical in their dealings, we will—when finding no legal curb for particularly offensive forms of selfishness in business dealings, such as presented here—have to content ourselves with the well-supported thought that in the long run such selfishness has
within it the seeds of its own undoing, and that abiding success in the business world as elsewhere is built on correct moral principles.  

A 1941 federal trial court decision, issued just two years after the *Restatement*, also highlighted the uncertain state of the law: “It cannot be doubted that defendants’ activity is injurious to plaintiff’s business. The question is whether the injury is of the kind which, in a relatively free economy, the plaintiff is obliged to suffer. Is it akin to lawful competition of which plaintiff cannot complain?”  

The court concluded: “The line of demarcation is not always distinct and may vary from generation to generation as standards of business ethics move up and down.”

Perhaps the most significant and enduring impact of the *Restatement of Torts* on the application of commercial morality standards to trade secret law came from what was little more than a quick aside by the drafters. In discussing the difficulty of defining unfair trade practices, the Introductory Note concluded: “But the tendency of the law, both legislative and common, has been in the direction of enforcing increasingly higher standards of fairness or commercial morality in trade. The tendency still persists.”  

This unsupported assertion has been oft-quoted by the courts over the past eighty years, in trade secret, unfair competition, and trademark infringement cases. The courts rarely offered support for the continuing vitality of this aged assertion.

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130 *Id.*

131 *Philad. Rec. Co. v. Leopold*, 40 F. Supp. 346, 347 (S.D.N.Y. 1941). The plaintiff ran a daily puzzle contest in its newspaper in order to increase circulation. The defendant sold solutions to the puzzles, and the plaintiff sought, and was granted, a temporary injunction to halt the defendant’s interference with its marketing effort. *Id.*

132 *Id.*

133 *Restatement (First) of Torts* ch. 35 intro. note (Am. L. Inst. 1938) (emphasis added). Indeed, the *Christopher* court itself relied upon substantially similar language in reaching its outcome (although it failed to cite to the *Restatement* in doing so). *E.I. duPont deNemours & Co. v. Christopher*, 431 F.2d 1012, 1015 (5th Cir. 1970) (quoting *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 773 (Tex. 1958)). The court in *Hyde Corp.* cited to the *Restatement* directly. *Hyde Corp.*, 314 S.W.2d at 775 (citing *Restatement (First) of Torts* ch. 35 intro. note (Am. L. Inst. 1938)).


137 The few that did offer some context for the phrase did so on very limited grounds. See *Kamin v. Kuhnau*, 374 P.2d 912, 918 (Or. 1962) (stating “cases adopting the higher standard of ‘commercial morality’ emphasize the breach of the confidence reposed in the defendant, rather than the existence of the trade secret”); *People ex rel. Mosk v. Nat’l Rsch...*
however, and even today courts continued to recite this passage without analysis or explanation and apparently without contemplating whether a trend that was supposedly unfolding several decades ago remains germane today. As will be discussed below, this rote recitation of the Restatement language has had a very real impact on doctrinal development, as it has enabled the courts to elide their analysis of underlying doctrine and simply fall back on a catchphrase that implies that the imposition of liability is justified, if not inevitable.

It is upon these scant references in the Restatement that the scaffold of modern commercial morality doctrine in the trade secret arena was built. The development of this doctrine was slow, however. Despite appearing in other types of commercial cases in this time period, the term “commercial morality” did not appear in a published trade secret court opinion until fifteen years after the publication of the Restatement, in Franke v. Wiltschek, Co., 20 Cal. Rptr. 516, 520 (Cal. Dist. Ct. App. 1962) (referencing legislation and caselaw in California that evidenced this trend).


139 See infra notes 296–301 and accompanying text.


141 “Improper means” of accessing trade secrets received little attention from commentators and courts in the decades following the adoption of the Restatement. Ridsdale Ellis, for example, published a treatise on trade secrets in 1953 in which “improper means” of accessing trade secrets were not discussed while more narrow topics such as trade secret protection of customer lists and credit ratings, see ELLIS, supra note 95, at 66–82, internal operating data, see id. ch. 14, and design of goods, see id. ch. 16, received detailed attention. A Lexis Advance search for “trade secret” and “improper means” in all federal and state cases between January 1, 1939, and December 31, 1952, conducted on February 2, 2020, yielded just ten cases.

decided by the Second Circuit in 1953. The defendants had gained access to the plaintiffs’ process for manufacturing woven fiber compressed cotton bath sponges by misrepresenting their willingness and capacity to act as sales agents for the plaintiffs. Having acquired the necessary secret information, the defendants then declined to act as sales agents but instead copied and marketed a competing product. Because the defendants had gained the information through breach of a confidential relationship, the trial court ruled that the plaintiffs were entitled to relief. The appellate court upheld the lower court’s finding.

The Franke court turned to the Restatement’s language about the trend toward “increasingly higher standards of . . . commercial morality in trade” to bolster its decision. Two cases decided just months prior to Franke had invoked this already-somewhat-dated language—a Third Circuit case involving trademark infringement and a Ninth Circuit case involving trademark infringement and unfair competition. The Franke court cited these cases when invoking the Restatement’s language as a reason to impose liability upon the defendants for misappropriation, explicitly stating that it declined “to attempt to reverse the trend” in the instant case. Yet the court provided no evidence of such a trend, other than the Restatement’s bald assertion and a couple of citations of that assertion by other courts.

Franke was typical in the sense that far more misappropriation cases present breaches of confidential relationships than improper means involving outsiders, both then and now. Modern studies show that the unauthorized disclosure of confidential information by current or former employees or business partners is the most common type of alleged trade secret misappropriation; review of the commercial morality cases of this initial time period

143 209 F.2d 493, 499–500 (2d Cir. 1953). The case arose on diversity jurisdiction; the court saw no need to specify whether the law of New Jersey, Massachusetts, or New York would apply as the legal rule was the same in all three instances: misuse of secret information acquired by a defendant in the context of a confidential relationship results in liability. Id. at 494–95.

144 Id. at 494.

145 Id.


147 Franke, 209 F.2d at 499–500.

148 Id.


150 Ross-Whitney Corp. v. Smith Kline & French Lab’ys., 207 F.2d 190, 193, 196 n.17 (9th Cir. 1953) (citing Q-Tips, 206 F.2d at 145).

151 Franke, 209 F.2d at 500.

152 See David S. Almeling, Darin W. Snyder, Michael Sapoznikow, Whitney E. McCollum & Jill Weader, A Statistical Analysis of Trade Secret Litigation in State Courts, 46 Gonz. L. Rev. 57, 69 (2010) (showing that in 93% of state cases and 90% of federal cases the alleged misappropriator was an employee or business partner). In a survey of 404 senior executives, 32% of the respondents said they most feared having trade secrets stolen by former employees, followed by suppliers, consultants and other third parties (28%), and current employees (20%). Just 20% said they most feared rogue or state-sponsored cybercriminals or hackers. BAKER MCKENZIE, EUROMONEY INSTITUTIONAL INV. THOUGHT LEADERSHIP, THE
"COMMERCIAL MORALITY" IN TRADE SECRET DOCTRINE

reflect the same. The twenty-one trade secret opinions that referenced “commercial morality” in the seventeen years between the decision in Franke in 1953 and the decision in Christopher in 1970 invariably addressed breaches of duties owed between parties in special or fiduciary relationships, almost all of them involving current or former employees who improperly disclosed a trade secret owned by the employer. Commercial morality concerns were inextricably intertwined with emerging employment law doctrine.

Thus, during this early time period when trade secret misappropriation doctrine was still in its childhood, commercial morality was often invoked as a way to balance the needs of individuals to make a living against the needs of employers to protect proprietary information. The New Jersey Supreme Court provided a succinct statement of the policy trade-offs at stake in Sun Dial Corp. v. Rideout: On the one hand, public policy should encourage employees’ “unfettered right” to resign for better employment elsewhere or to form a business of their own, taking their general knowledge and skills
with them.\footnote{155} On the other hand, public policy must “protect employers against improper disclosures of information which their employees have received in confidence.”\footnote{156} This latter concern, the Sun Dial Corp. court stated, was perhaps getting heightened attention “in the light of the marked changes in the attitude of the law towards the need for commercial morality.”\footnote{157} The trial court in Allis-Chalmers Manufacturing Co. v. Continental Aviation & Engineering Corp. conceived of this balancing as a “spectrum,” anchored at one end by the employee’s right to change jobs at will and to use “his general skill, knowledge and experience” in that new job, and at the other by “the law of unfair competition, including trade secrets law, in which the courts seek to enforce increasingly high standards of fairness or commercial morality and to protect the owner of information obtained through the ingenuity and effort of its employees, and its expenditures of time and money.”\footnote{158}

The employees in Sun Dial Corp. had not signed an express confidentiality agreement,\footnote{159} but the court found that immaterial, as the employees’ “wrongful conduct in violating the [employer’s] confidence” formed the basis for liability.\footnote{160} By contrast, the employees in Sperry Rand Corp. v. Rothlein had signed an express confidentiality agreement.\footnote{161} The existence of the express agreement did not change the trial court’s view of the underlying policy considerations. The court found liable former employees who had formed a competing business, enticed fellow employees to join the new company, and used the former employer’s semiconductor trade secrets in violation of their employment agreements.\footnote{162} While the court acknowledged the rights of the former employees to use their general knowledge and skills in employment or business elsewhere, their calculated attempts to compete against their former employer by taking and using the employer’s trade secrets and soliciting key coworkers to decamp would, if allowed by the court, “make a shambles” out of the employer’s business, a matter that appeared to be “of little concern” to the defendants except to the extent it would further

\footnote{155} Sun Dial Corp., 108 A.2d at 447.
\footnote{156} Id.
\footnote{157} Id. (citing Ellis, supra note 95, at 14); see also Allen Mfg. Co., 144 A.2d at 310 (quoting Sun Dial Corp., 108 A.2d at 447). For a thorough analysis of doctrine permitting employees to use general knowledge and skills in new employment, see generally Camilla A. Hrdy, The General Knowledge, Skill, and Experience Paradox, 60 B.C. L. Rev. 2409 (2019).
\footnote{158} Allis-Chalmers Mfg. Co., 255 F. Supp. at 652–53; see also GTI Corp., 309 F. Supp. at 768 (quoting the Allis-Chalmers court’s “spectrum” language); Abbott Lab’s, 147 N.W.2d at 532–34 (citing Julian O. von Kalinowski, Key Employees and Trade Secrets, 47 Va. L. Rev. 583, 583–84 (1961)) (noting the mobility of key employees in industrial concerns is a particular flashpoint in trade secret doctrine, and acknowledging the difficulty of balancing employee and employer interests in this setting).
\footnote{159} Sun Dial Corp., 108 A.2d at 446.
\footnote{160} Id.
\footnote{161} 241 F. Supp. 549, 554 (D. Conn. 1964). The court had diversity jurisdiction and decided the claim under Connecticut law. Id. at 559.
\footnote{162} See id. at 563.
their own new business. This attitude, the court concluded, had “a bearing on the degree to which the defendants violated business ethics and morality.”

Commercial morality did not always tilt the scales toward the trade secret owner, however. A 1956 Second Circuit opinion, for example, addressed an agreement in which the plaintiff disclosed the proportions of its formula to the defendant in return for royalties and a promise of secrecy. When the defendant filed a patent for its own product using somewhat similar components but in different proportions, the plaintiff claimed an improper disclosure by the defendant. The court reluctantly rejected the plaintiff’s claim, despite noting both the defendant’s “moral bond” to maintain secrecy and the Restatement’s call for ever-increasing commercial morality. While the court acknowledged “the sound principle of law that the fruits of a confidential disclosure must not be used or disclosed in breach” of the promise of confidentiality, it nonetheless could not create a rule that would prohibit a party in the defendant’s situation from experimenting: “Such a result is not only unnecessary for the promotion of business morality, but offensive to the sound policy of promoting technical progress.”

During this initial phase, commercial morality was also closely linked to injunctive relief for trade secret misappropriation. Courts had long had the power to enjoin misappropriation, but now courts invoked commercial morality to justify such relief; in each such instance the language of the Restatement was key. Thus, for example, in *Hyde Corp. v. Huffines*, decided in 1958, the Supreme Court of Texas noted that while injunctions were normally intended to be “corrective,” not “punitive,” the “undoubted tendency of the law” toward increasing standards of commercial morality dictated that when a choice must be made, protection of the trade secret owner’s legal right should be prioritized over any concerns of punitive effects upon the misappropriator. The role of commercial morality in calculat-

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163 *Id.*
164 *Id.*
165 *Protexol Corp. v. Koppers Co.*, 229 F.2d 635 (2d Cir. 1956) (citations omitted).
166 *Id.* at 636.
167 The court found that “the new formula possesses chemical and physical properties different from the one revealed in confidence and that the new substance is not the equivalent of the old.” *Id.* at 637.
168 *Id.*
169 *Id.*
170 *Id.*
171 See Barton, *supra* note 91, at 551–53 (discussing the use of injunctions in the trade secret misappropriation context).
172 314 S.W.2d 763, 773 (Tex. 1958).
ing and justifying injunctive relief for trade secret misappropriation has grown since then. In short, the first wave of “commercial morality” trade secret cases, post-
Restatement and pre-
Christopher, reflect the attempts of courts to sort out the vocabulary and boundaries of trade secret misappropriation doctrine and its liability rules, in particular the delicate balance between employer and employee interests. The courts of this era struggled with drawing the appropriate lines between behavior that trade secret law would countenance and that which was beyond the bounds of moral trade practices. Throughout this timespan, however, commercial morality concepts played an increasingly larger role in the emerging body of trade secret law such that by 1967, the Supreme Court of Wisconsin confidently stated: “The law concerning trade secrecy developed as common law. The basis of the doctrine is an attempt to enforce morality in business.” The stage was thus set for the Fifth Circuit’s opinion in 
Christopher in 1970.

B. 1971–1979: From 
Christopher to the Restatement (Second) of Torts

The second wave of “commercial morality” cases in the trade secret setting began with 
Christopher in 1970 and ended with the adoption of the 
Restatement (Second) of Torts and introduction of the UTSA in 1979. 
Christopher was, of course, a watershed decision: it not only provided a fuller discussion of the role of commercial morality in trade secret doctrine than had been seen to date, it did so in the context of facts that were at once spectacular and disquieting. The combination of these two features cemented the case in the annals of trade secret doctrine. Yet, the case had no noticeable immediate impact upon the development of commercial morality doctrine in trade secret misappropriation law. During the first decade following its issuance, a mere seven trade secret opinions used the term “commercial morality” and none of those seven cited 
Christopher. Several of these cases focused on the role of commercial morality in determining the availability and measurement of injunctions. The Illinois Supreme Court helped flesh out the relationship between commercial morality and injunctive relief when it ruled that commercial morality dictated that the appropriate length of a permanent injunction was “no longer than that

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174 See infra notes 227–34 and accompanying text.
176 A Lexis Advance search for “commercial morality” and “trade secret!” in all federal and state cases between July 20, 1970, and December 31, 1979, conducted on February 18, 2020, reveals only seven cases other than 
Christopher.
177 In fact, the 
required to discover or reproduce" the trade secret by legitimate means. The Illinois intermediate appellate court explained that “injunctive relief is in the nature of a civil punishment to preserve ‘commercial morality’ and that it is not restitution.” The Supreme Judicial Court of Massachusetts stated that the trend toward increasingly higher standards of commercial morality permitted a trial court to issue harsher injunctions against defendants who had willfully violated a confidential relationship to exploit another’s trade secret as compared to more honest competitors.

However, no case presented the egregiously bad behavior by an outsider on display in Christopher. The closest parallel was College Watercolor Group, Inc. v. William H. Newbauer, Inc., decided by the Supreme Court of Pennsylvania in 1976. Here, the plaintiff company prepared and reproduced watercolor paintings. The defendants, William Newbauer and his eponymous company, contracted to sell paintings for the plaintiff on a commission basis. When the plaintiff’s production could not keep up with sales, Newbauer brought his financial advisor, Thomas Kelly, to the plaintiff’s plant to evaluate the production methods and to offer improvement suggestions. Newbauer learned of the plaintiff’s trade secret techniques at that time. Kelly returned a second time with an artist, Frederick Dello, to make more observations. Newbauer hired Dello as an employee and the two of them then visited the studio of the plaintiff’s artist and observed his process. Newbauer asked the plaintiff’s artist to leave the plaintiff’s employ to work for him, but the artist refused. Newbauer also asked one of his own employees to spy on the plaintiff, but the spying was not carried out. Newbauer then took fifty-four original paintings from the plaintiff, which he used to reproduce copies. He passed those copies off as the plaintiff’s product, including using the plaintiff’s trademark on them.

Newbauer tried to argue that any trade secrets belonging to the plaintiff had been lost when the plaintiff revealed them to Newbauer, “a competitor.” The Supreme Court of Pennsylvania rejected this argument, finding

179 ILG Indus., 273 N.E.2d at 398.
180 Brunswick Corp., 387 N.E.2d at 29.
181 See Analogic Corp., 358 N.E.2d at 808.
182 Like earlier cases, several of these opinions involved alleged misappropriation by former employees. See, e.g., Analogic Corp., 358 N.E.2d at 806; Brunswick Corp., 387 N.E.2d at 28; ILG Indus., 273 N.E.2d at 395. But see Henkle & Joyce Hardware Co. v. Maco, Inc., 239 N.W.2d 772 (Neb. 1976) (finding that the lack of a confidential relationship between the parties to an unsigned contract meant trade secret action must be dismissed); Williams Press, Inc. v. Flavin, 346 N.Y.S.2d 897 (Sup. Ct. 1972) (finding that the allegedly misappropriated subscriber list was the property of the state, not the plaintiff press company).
184 Id. at 203.
185 Id.
186 Id.
187 Id.
188 Id. at 203–04.
189 Id. at 204.
that at the time of disclosure the parties were in a mutually beneficial relationship and were not in competition.\footnote{190} Newbauer then argued that there was no violation of trust and confidence and that the secret was not obtained by improper means as discussed in section 757 of the \textit{Restatement}.

\footnote{191} The trial court had said that the means were improper because Newbauer had made misrepresentations to gain access to the plaintiff’s trade secrets; the supreme court ruled this finding was “not only supported by the evidence; it [was] inescapable.”\footnote{192}

Finally, Newbauer argued that his acts were not in violation of commercial morality because they were in conformance with “existing standards of the business community,” an argument the supreme court found “startling.”\footnote{193} The court acknowledged that “[o]urs is a competitive business system in which it is only natural for one businessman to observe and discover what the competition is doing.”\footnote{194} However, the supreme court declined to “put a stamp of approval on the use of misrepresentations and espionage as means that fall within the ‘generally accepted standards of commercial morality and reasonable conduct,’”\footnote{195} noting that comment (f) to section 757 of the \textit{Restatement} explicitly called out industrial espionage and fraudulent misrepresentations intended to induce trade secret disclosure as improper ways of accessing trade secrets.\footnote{196}

A significant judicial development during this second period did not involve the use of the term “commercial morality,” yet had undeniable impact on the development of this aspect of trade secret doctrine. The U.S. Supreme Court decided \textit{Kewanee Oil Co. v. Bicron Corp.} just four years after \textit{Christopher}. In the course of ruling that the federal patent law did not preempt state trade secret protection,\footnote{197} the Court noted that trade secrets are protected against disclosure or use through “improper means,” as outlined in section 757 of the \textit{Restatement}.\footnote{198} This, the Court stated, “may include theft, wiretapping, or even aerial reconnaissance,” citing \textit{Christopher}.

The \textit{Kewanee} Court used the term “commercial ethics,” however, as opposed to the term “commercial morality,” stating: “The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law.”\footnote{199} Permitting industrial espionage would not only unnecessarily and improperly increase costs for firms attempt-
ing to protect their trade secrets, it would result in “the inevitable cost to the basic decency of society when one firm steals from another.”

Interestingly, the *Kewanee* Court framed the relationship between trade secret law and commercial behavior as a mirror image of the relationship articulated by previous courts invoking commercial morality in trade secret cases. The *Kewanee* Court adopted a more static notion in which trade secret doctrine fostered the fundamental norms of “commercial ethics” in the marketplace—and in which those norms seemed somewhat fixed over time. By contrast, the preceding trade secret cases seemed to view commercial morality as a more fluid notion in which morality concerns played an important role in shaping and extending the reach of trade secret law incrementally over time.

We cannot know if the *Kewanee* Court’s decision to employ the term “commercial ethics” instead of “commercial morality” was an intentional one meant to convey some sort of policy choice or analytic significance. However, two lines of cases emerged after *Kewanee*—one in which the courts adopted the *Kewanee* Court’s view of trade secret law serving the policy needs of commercial ethics, and one in which the courts focused on the role of commercial morality in expanding the reach and protection of trade secret misappropriation rules. The overlap between these two sets of cases is small. The lines of cases are not in conflict; rather, they seem to exist on two parallel tracks. However, some later cases substituted “commercial morality” when citing to the “commercial ethics” language of *Kewanee*, asserting that “[t]rade secret law serves to protect ‘standards of commercial moral-

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202 Id. at 487. The Court linked this to “[a] most fundamental human right”—privacy—which it noted “is threatened when industrial espionage is condoned or is made profitable; the state interest in denying profit to such illegal ventures is unchallengeable.” Id. (footnote omitted).

203 See id. at 481.

204 A Lexis Advance search for *Kewanee* and “commercial ethics” in all state and federal cases run on February 19, 2020, reveals sixty-four cases referencing both *Kewanee* and “commercial ethics.”

205 See cases cited infra Sections III.C and III.D.

ity’ and ‘encourage[ ] invention and innovation.’” Two significant nonjudicial developments brought this second period to a close. First, the term “commercial morality” disappeared from Division Nine of the Restatement (Second) of Torts, published in 1979. The Introduction to Volume 4 noted that four chapters of the first Restatement addressing trade protection and labor, including chapters 35 and 36, were omitted from the Restatement (Second) because these subjects had become highly specialized, governed primarily by statute, and “largely divorced from their initial grounding in the principles of torts.” Any restatement of these topics, the drafters declared, should be done in “separate projects.”

Second, the UTSA was promulgated by the National Conference of Commissioners on Uniform State Laws in 1979, thus bringing trade secret law out of pure common law and into the state statutory domain. Section 1 of the UTSA defined “improper means” as including “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” The comment to section 1 of the UTSA reiterated the Kewanee Court’s emphasis on the importance of maintaining “standards of commercial ethics” in trade secret law, but the UTSA did not use the term “commercial morality.” However, the comment noted that comment (f) to section 757 of the Restatement of Torts noted the impossibility of listing all potential forms of improper means, and went on to cite Christopher in stating that “[i]mproper means could include otherwise lawful conduct which is improper under the circumstances; e.g., an airplane overflight used as aerial reconnaissance to determine the competi-


209 Restatement (Second) of Torts intro. (Am. L. Inst. 1979). The other two chapters were chapter 34, addressing the privilege to engage in business, and chapter 38, addressing labor disputes. See id.

210 Id.

211 Id.


213 Id. § 1(1).

214 Id. § 1 cmt.
tor’s plant layout during construction of the plant.”

The UTSA proved popular with state legislatures. By 1990, almost eighty percent of the states had adopted it; today, it has been adopted by all states but two.

In sum, Christopher had little discernable impact on commercial morality concerns in trade secret doctrine in its first decade. This decade did see, however, an increased role for commercial morality in addressing injunctive relief, and the introduction by the U.S. Supreme Court of an alternate term—“commercial ethics”—to the trade secret lexicon. As the next Section discusses, the emphasis on the role of commercial morality in injunctive relief was a highlight of the third wave of cases, decided over the next fourteen years leading up to the drafting of the Restatement (Third) of Unfair Competition.

C. 1980–1994: From the Restatement (Second) of Torts to the Introduction of the Restatement (Third) of Unfair Competition

The third wave of trade secret “commercial morality” cases was decided in the period after trade secret doctrine had been eliminated from the Restatement (Second) of Torts in 1980 and before it was reinstated in the Restatement (Third) of Unfair Competition in 1995. Twenty-eight opinions addressing trade secrets and “commercial morality” were issued in this interval.

In certain ways, the opinions of this period did not vary from those of the previous period. Courts continued to cite to section 757 of the first Restatement, including its assertion that the undisputable tendency of the law has been to recognize and enforce higher standards of commercial morality in the business setting. The promulgation of the UTSA had no impact on applications of commercial morality, which remained firmly entrenched in common-law trade secret doctrine. In other ways, however,

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215 Id. (citing E.I. duPont de Nemours & Co. v. Christopher, 431 F.2d 1012 (5th Cir. 1970)).
217 The two nonadopters are New York and North Carolina. Id.
218 A Lexis Advance search run on February 24, 2020, for “commercial morality” and “trade secret!” in all state and federal cases between January 1, 1980, and Dec. 31, 1994, yielded twenty-eight cases.
221 See Hoyt v. Stahl, No. 91-4030, 1991 WL 174472 (10th Cir. Sept. 9, 1991); SI Handling Sys., Inc. v. Heisley, 753 F.2d 1244, 1255 (3d Cir. 1985); Miles Inc. v. Cookson Am.,
the opinions evidenced a general maturing of trade secret doctrine. For example, while the bulk of the cases continued to involve allegedly improper disclosures by employees or former employees,²²² or (occasionally) other types of confidential relationships, the courts no longer discussed the balancing of specific interests between these parties as explicitly as they had in previous years.²²³ as those rules appeared to have coalesced.

Two noticeable trends did emerge in this period. First, several opinions clarified that the “commercial morality” and “improper means” language of the Restatement applied only when the information at issue was indeed a trade secret and that this threshold determination must be made first before any discussion of the morality of the defendant’s actions was to occur.²²⁴ For example, the Massachusetts Supreme Judicial Court ruled that liability could attach only where the facts evidenced an underlying trade secret, rejecting the plaintiff’s argument that a defendant’s acts in violation of commercial morality meant that any doubts about the scope of the underlying trade secret were to be resolved against the defendant.²²⁵ Similarly, a federal trial court ruled that it was futile to argue that the defendant’s accessing the plaintiff’s trade secrets by going through the plaintiff’s trash was in violation of commercial morality, where the plaintiff’s actions in placing the information in unsecured trash in the first place destroyed any trade secrets contained therein.²²⁶ A defendant’s violation of standards of commercial morality could not substitute for the plaintiff’s initial burden to show the existence of the trade secret.

Second, injunctions became more closely linked to considerations of commercial morality. Although the employee-employer relationship received less attention during this time period,²²⁷ the need to balance the rights of trade secret owners against the economic mobility of individuals remained a concern in the context of how courts rendered remedies.²²⁸ Thus, many of the cases of this period focused on the availability and appro-


²²⁵ See USM Corp., 467 N.E.2d at 1284 n.17.


²²⁸ See, e.g., PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1268 (7th Cir. 1995); Brunswick Corp. v. Outboard Marine Corp., 404 N.E.2d 205, 207 (Ill. 1980).
priate structuring of injunctions, including preliminary injunctions. Injunctions against future misappropriation were seen as serving the public interest by promoting commercial morality. The Massachusetts Supreme Judicial Court, for example, explained that its emphasis on commercial morality dictated the issuance of an injunction as "defendants should not be permitted a competitive advantage from their avoidance of the normal costs of invention and duplication." However, other courts noted that while injunctions promoted commercial morality through their "deterrent effect," they should not be overly punitive. In the words of the Illinois Supreme Court, the issuance of a permanent injunction promotes "commercial morality" by punishing the wrongdoer, but if the injunction persists past the point where the secret is discoverable by others, the injunction subverts the public interest in promoting competition and the free mobility of employees.

D. 1995–2020: The Restatement (Third) of Unfair Competition to the Present

In 1995, the drafters of the Restatement (Third) of Unfair Competition accepted the challenge laid down by the Restatement (Second) of Torts in 1979 and included trade secret law in their remit. The drafters noted that the meaning of “unfair competition” had expanded beyond its traditional common law meaning of “a competitor’s misrepresentation of the source of goods or services” to encompass a variety of causes of action involving "methods of competition that improperly interfere with the legitimate commercial interests of other sellers in the marketplace." This would include, for example, passing off and deceptive advertising, as well as infringement of


231 See Den-Tal-Ez, Inc., 566 A.2d at 1231.

232 Curtiss-Wright Corp., 407 N.E.2d at 326 (quoting Analogic Corp. v. Data Translation, 358 N.E.2d 804, 808 (Mass. 1976)).


234 Brunswick Corp., 404 N.E.2d at 207; see also Rockwell Graphic Sys., Inc. v. DEV Indus., Inc., No. 84-4-6746, 1995 WL 286484, at *2 (N.D. Ill. July 29, 1995) (citing Brunswick Corp., 404 N.E.2d at 207).

Tradesmark, publicity rights, and, most importantly for our purposes, trade secrets. 236

Thus, section 40 of the Restatement (Third) makes a party liable for acquiring a trade secret through “improper” means, 237 while section 43 explains that “improper means” include “theft, fraud, unauthorized interception of communications, inducement of or knowing participation in a breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case.” 238 Comment (c) to section 43 notes that it is impossible to list all conduct that is improper, but that such conduct includes more than just tortious or criminal violations of a trade owner’s rights, “including whether the means of acquisition are inconsistent with accepted principles of public policy.” 239

The term “commercial morality” is conspicuously absent in the Restatement (Third). However, illustration 3 in the comments to section 43 is in fact the Christopher scenario, 240 and the Reporter’s Note to section 43 refers to Christopher with approbation as an “often-cited” case that exemplifies how “[o]therwise lawful conduct that is wrongful under the circumstances” can give rise to liability for improper means of accessing a trade secret. 241

Sixty-seven opinions have referenced “commercial morality” and “trade secret” since 1994. 242 These cases have worked no radical changes in the application of commercial morality concepts but rather have resulted in incremental developments. The courts continue to reiterate that trade secret law is intended to protect standards of “commercial morality” and encourage

236 Id.
238 Id. § 43.
239 Id. § 43 cmt. c.
240 Id. § 43 illus. 3.
241 Id. § 43 Reporter’s Note. Another sea change in American trade secret doctrine occurred in 1996, when Congress enacted federal trade secret legislation for the first time. The Economic Espionage Act (EEA) provided for criminal remedies for trade secret misappropriation. Economic Espionage Act of 1996, Pub. L. No. 104-294, 110 Stat. 3488 (codified as amended at 18 U.S.C. §§ 1831–1839). “Commercial morality” was not referenced, although § 1831 addressed criminal liability for economic espionage. Id. This federal criminal legislation was followed by the federal Defend Trade Secrets Act (DTSA) in 2016, Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 576 (codified as amended in scattered sections of 18 U.S.C.), which was patterned after the UTSA to provide a federal civil cause of action for trade secret misappropriation. Section 1839 was also then amended to define improper means as having the same definition as in the UTSA, i.e., as including “espionage,” 18 U.S.C. § 1839(6) (2018) (“the term ‘improper means’ (A) includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means”), which could be read as encompassing the type of legal but commercially unethical behavior that was proscribed by the Christopher court. As it turns out, neither of these Acts has had noticeable impact on commercial morality doctrine.
242 A Lexis Advance search run on February 26, 2020, for “trade secret!” and “commercial morality” in all federal and state cases, dated between January 1, 1995, and December 31, 2020, yielded sixty-seven opinions.
invention and innovation. Former employees continue to be the major source of headaches for trade secret owners, yet commercial morality continues to dictate that trade secret rules should not be used to unfairly limit employee mobility.

The Restatement of Torts continues to be cited by the courts, despite the appearance of the Restatement (Third) of Unfair Competition. The relative relationship of the two Restatements is not always clear. While many courts have cited the first Restatement as still-good authority, others seem to have dismissed it in favor of the Restatement (Third). The Texas Court of Appeals, for example, ruled that the trial court had not erred in issuing a jury instruction offering the following definition:

“Improper means” are actions that fall below the generally accepted standards of commercial morality and reasonable conduct. Improper means of acquiring another’s trade secrets include theft, fraud, breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case.

The court noted that the second sentence came from the Restatement (Third) and was correct. The court dismissed the first sentence as “unnecessary” but “harmless,” without referring to its origination in the first Restatement.

The Restatement’s hoary assertion of the law’s tendency to enforce “increasingly higher standards of fairness or commercial morality in trade”
continues to be cited by the courts, who often link it to injunctive relief.\(^{250}\)

For example, the Texas appellate court explained:

> Although an injunction should ordinarily operate as a corrective rather than a punitive measure, if a choice must be made between the possible punitive operation of an injunction and the failure to provide adequate protection of a recognized legal right, we must follow the course that provides adequate protection because “the undoubted tendency of the law has been to recognize and enforce higher standards of commercial morality in the business world.”\(^{251}\)

In fact, most attention seems to fall upon the relationship between commercial morality and the issuance of injunctions. Commercial morality continues to be seen both as an underlying foundation of injunctive relief,\(^{252}\) as well as a determinant of the proper life of an injunction.\(^{253}\) Courts cite to the public policy imperatives in protecting commercial morality in support of injunctions.\(^{254}\) The Ohio intermediate appellate court, for example, channeled _Kewanee_ when it asserted: “Injunctive remedies are an important component of the trade secrets law, because they ‘serve the important purposes

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of encouraging innovation and helping to preserve standards of commercial morality."255

A few courts have expanded on the relationship between “improper means” and “commercial morality.”256 For example, the Fourth Circuit noted in a 2001 case that while the UTSA did not provide an exhaustive list of improper means of trade secret acquisition, all of the examples it provided “constitute[d] intentional conduct involving some sort of stealth, deception or trickery.”257 The court concluded that no improper means were involved when a defendant was mistakenly provided a copy of the plaintiff’s secret proposal by a third party as the information had not been labeled confidential and there was no evidence to suggest the defendant used that information.258 The Iowa Court of Appeals emphasized in a 2015 case, however, that “improper means” need not consist of illegal acts; rather actions that “fall[] below the generally accepted standards of commercial morality or reasonable conduct” suffice.259

A couple of cases presented facts similar to, but not as egregious as, those seen in Christopher. First, Alcatel USA, Inc. v. DGI Technologies, Inc.260 involved a complex set of facts; distilled to their essence, the defendant accessed the plaintiff’s trade secrets in telephone switching system equipment and software by wrongfully obtaining schematics and manuals provided by the plaintiff to its customers on the express condition that they not disclose them to third parties.261 The defendant misled a customer into breaching its nondisclosure agreement with the plaintiff by telling an employee of the customer that the defendant needed to “test” some of the plaintiff’s equipment; in fact, the defendant intended to unlawfully copy and remove the plaintiff’s trade secrets during that process.262 The employee so misled, the Fifth Circuit noted, “was particularly susceptible of being hoodwinked because of his moonlighting as a consultant” to the defendant.263 The court ruled that a jury could reasonably find that these actions constituted

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257 Sys. 4, Inc. v. Landis & Gyr, Inc., 8 F. App’x 196, 200 (4th Cir. 2001).

258 Id. at 201.

259 Pocahontas Aerial Spray, 2015 WL 576161, at *7 (quoting E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1016 (5th Cir. 1970)).

260 166 F.3d 772 (5th Cir. 1999).

261 Id. at 778.

262 Id. at 785.

263 Id.
improper means that fell beneath “generally accepted standards of commercial morality and reasonable conduct” as described in Christopher.264

Second, CDI International, Inc. v. Marck involved allegations that a defendant hired an investigator to gain access to the plaintiff’s garbage so as to steal trade secrets, which included price information, customer lists, and product development details.265 While ordinarily trade secrets disposed of in the trash lose their protection (for lack of reasonable security measures), the plaintiff here alleged that the defendant bribed the plaintiff’s trash hauler to deliver the plaintiff’s trash to the defendant instead of disposing of it as instructed. The trial court found this raised a sufficient question about the commercial morality of the defendant’s actions and whether the defendant had engaged in improper means of access to the plaintiff’s trade secret to warrant denial of the defendant’s motion to dismiss.266

IV. THE MODERN ROLE OF COMMERCIAL MORALITY IN TRADE SECRET DOCTRINE

The Christopher court provided what is to date the most eloquent and fully reasoned analysis of what it means to access a trade secret through “improper means.” However, Christopher is unique in trade secret jurisprudence. No other case has raised the same type of exceptional facts where the misappropriation flowed from actions that were neither illegal nor in breach of contract or a confidential relationship.267 College Watercolor Group, Inc. v. William H. Neubauer, Inc. came close, with its allegations of attempted espionage, but ultimately that decision rested on misrepresentations by the defendant.268 Alcatel USA, Inc. v. DGI Technologies, Inc. also involved misrepresentations;269 CDI International, Inc. v. Marck involved allegations of bribery.270 None of this very small set of cases—the closest analogs this study could identify—posed the inherent unfairness found in Christopher, where the plaintiff suffered loss of a trade secret because of a genuine inability to forestall misappropriation by a defendant acting within the literal confines of the law.

While the extraordinary “improper means” seen in Christopher have yet to make another appearance in trade secret caselaw, Christopher has nonetheless had a significant, but perhaps subconscious, impact on doctrinal develop-

264 Id. (quoting Christopher, 431 F.2d at 1016 (quoting RESTATEMENT (FIRST) OF TORTS § 757 cmt. f (Am. L. Inst. 1939))).
266 Id. at *6.
267 See WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 355 n.6 (2003) (“We have not discovered any cases that are like Christopher in the sense of finding misappropriation despite the absence of either a breach of contract or a violation of a common law tort.”).
268 360 A.2d 200, 205 (Pa. 1976), discussed supra notes 183–96 and accompanying text.
269 166 F.3d at 785, discussed supra notes 260–64 and accompanying text.
ment in the trade secret field. Its unusual but compelling facts have given rise to its “landmark” status among commentators, ensuring that the case remains an important topic of conversation in trade secret doctrine, albeit largely outside the judicial realm.

Christopher highlights another important but largely unexplored issue: the role of “commercial morality” in resolving trade secret disputes. While Christopher helped shine a spotlight on commercial morality as a constraint on competitors’ actions in the trade secret arena, it did not create this concept. Rather, commercial morality considerations predated this fifty-year-old case by a full century in American business caselaw generally, and by more than a decade in trade secret caselaw specifically. This study’s review of that history reveals that commercial morality is a cryptic and confounding doctrine, yet commentators and courts have not focused upon explaining this important trade secret concept. The fluid definition and seemingly haphazard judicial application of commercial morality standards make it difficult to reconcile and categorize the opinions in which it has been invoked, yet the power of the doctrine in advancing trade secret law is undeniable. Commercial morality ought not to be abandoned in trade secret law, but its antecedents should be recognized and its meaning explicitly considered before it is invoked by a court.

The malleability of commercial morality as a doctrine is evident in the varied ways it has been employed by courts and commentators over time. In the early years, when trade secret doctrine itself was still maturing, courts invoked commercial morality as a mechanism both for justifying the existence of trade secret law and for expanding liability notions, and as a construct to help balance employer and employee interests in this developing area of law. In that early setting, commercial morality acted as an ethical constraint in an era when the field of business ethics had yet to emerge; i.e., it was a way to evaluate the types of business behavior that were and were not acceptable in a legal system that had yet to establish consistent boundaries on such behavior. As trade secret law became more settled and accepted and the balance of rights in the employment relationship more defined, these types of analyses became less frequent and commercial morality was increasingly used to justify or bound injunctive relief.

271 See supra notes 89–92 and accompanying text.
272 See supra notes 153–64 and accompanying text.
275 See supra notes 252–55 and accompanying text.
The inherent pliability of the commercial morality doctrine is also evidence of its lack of a solid theoretical foundation. As applied by the courts, the term “commercial morality” displays no clear theoretical basis and no comprehensive tenets. Certainly, commercial morality has not been used by the courts as part of any kind of formal ethical framework. In their important study of the role of ethical theory in trade secret cases, Professors Wiesner and Cava examined eleven years of trade secret decisions to determine if application of ethical theory could be discerned in judicial decision-making.276 Wiesner and Cava concluded “no,”277 stating that although the courts “espouse ethical intentions,” they “are not overly analytical in their pursuit of the ethical issue.”278 Their result is unsurprising. Courts are not trained in deontology or utilitarianism,279 and they have little time or inclination to learn academic theories of business ethics. “Commercial morality,” especially to early courts, must have meant something much more intuitive and commonsensical than formal ethical theory. It was a tool, not an ideology.

What does commercial morality mean in the trade secret setting? The answer to that question is complicated because commercial morality plays two roles, both of which serve the courts’ objective in achieving fairness between the parties but in very different ways. The first—the use of commercial morality as an equitable tool for structuring relief—is congruent with normal exercises of equitable powers by the courts; the second, where commercial morality can serve as an analytic shortcut for courts seeking to reach preferred outcomes, is far more troubling.

The courts have long had the power to fashion equitable relief where legal remedies are insufficient; this power is necessarily flexible, fact dependent, and fluid.280 The exercise of equitable powers for this purpose exploded between 1865 and 1880, during the height of the American Industrial Revolution.281 Forty percent of the equity cases decided by the federal judiciary in that timespan involved requests for injunctions in patent, copyright, and trademark cases.282

While trade secret law developed along a somewhat later timeline than these other forms of intellectual property law,283 the seeds of equitable injunctive relief against misappropriation of confidential information could


277 Id. at 1128 (finding that “trade secret cases exhibit no major theme of fairness as is advertised in many judicial opinions”).

278 Id. at 1081.

279 See id. at 1082 (discussing these ethics approaches).

280 See The Federalist No. 83, at 505 (Alexander Hamilton) (Clinton Rossiter ed., 1961) (“The great and primary use of a court of equity is to give relief in extraordinary cases, which are exceptions to general rules.” (emphasis omitted) (citation omitted)).


282 Id.

283 See supra notes 89–92 and accompanying text.
be seen as early as the 1908 case of *Eastern Extracting Co.*, discussed above.\(^{284}\) In 1938, the *Restatement of Torts* lauded “the flexibility and breadth of equitable relief” when describing the expanded reach of liability for trade secret misappropriation.\(^{285}\) By the late 1950s, the courts were increasingly citing commercial morality when deciding whether and on what terms injunctive relief was available when trade secret misappropriation had been proven.\(^{286}\) The relationship between commercial morality notions and the availability and parameters of injunctive relief for trade secret misappropriation deepened over the following decades as trade secret law matured;\(^{287}\) today, a significant portion of the trade secret cases in which commercial morality is mentioned involve deliberations on injunctions.\(^{288}\)

The second role of commercial morality in trade secret law relates to the scope of “improper means” of accessing trade secrets, and rests on more analytically precarious ground. Accessing trade secrets through actions that are in violation of law, such as theft or trespass, is clearly wrong,\(^{289}\) and could, at least in theory, be separately pursued through those causes of action. Accessing trade secrets through breach of a contractual obligation to maintain secrecy or through violation of the implied duty of confidentiality owed by an employee to the employer arising out of the employment relationship is likewise wrong.\(^{290}\)

The *Restatement of Torts* introduced a third category of “improper means”—actions falling below “generally accepted standards of commercial morality and reasonable conduct.”\(^{291}\) In so doing, the drafters appeared to be trying to accommodate the courts’ need to do fairness in cases where black letter law did not offer sufficient protection to plaintiffs. There was a certain intuitive appeal to the *Restatement’s* effort to provide a mechanism for constraining unseemly business behavior that was contrary to good business practices and social norms but not actually illegal. Early courts and commentators similarly noted the imperative to draw a line between acceptable and unacceptable business behavior, and the difficulty of locating the point on this spectrum in which the line between legitimate and illegitimate actions is crossed. For example, Wood characterized business behavior as a spectrum anchored by “the extremes of acknowledged theft and indubitable honesty.”\(^{292}\) The *Allis-Chalmers Manufacturing Co.* court conceived of a spectrum with the employee’s right to job mobility and free use of general skills and

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\(^{285}\) *Restatement (First) of Torts* ch. 35 intro. note (Am. L. Inst. 1938).

\(^{286}\) See supra notes 172–74 and accompanying text.

\(^{287}\) See supra notes 178–81 and accompanying text.

\(^{288}\) See supra notes 252–55 and accompanying text.

\(^{289}\) See, e.g., *Restatement (First) of Torts* § 759 cmt. c (Am. L. Inst. 1939), discussed supra note 120 and accompanying text.

\(^{290}\) See 1 MILGRIM & BENSON, supra note 6, § 5.02[1] & n.7–8 (citing cases involving an employer-employee relationship).

\(^{291}\) *Restatement (First) of Torts* § 757 cmt. f (Am. L. Inst. 1939).

\(^{292}\) *Wood*, supra note 61, at 2, discussed supra note 61 and accompanying text.
knowledge at one end and the employer’s right to protect its confidential information at the other. Both spectrums encompassed a wide range of behaviors between their clear endpoints. Commercial morality was the fulcrum that determined which way the scale would tip in a given case—and that fulcrum could shift depending upon the facts of the case before the court, the court’s own exercise of its equitable discretion, and even unidentified changes in social or commercial norms that dictated that higher standards of behavior should be enforced.

The varied settings and outcomes of early cases indicate that at least initially commercial morality was a blunt instrument used by the courts to sanction business behavior they found distasteful, with little more rationale behind its application than Justice Stewart’s famed “I know it when I see it” test. Invocation of “generally accepted standards of commercial morality” provided a palatable (albeit somewhat flimsy) rationale for courts to curtail unethical business acts and to prevent the courts from being misused as a tool for inappropriate gain. The most troubling aspect of this application of commercial morality arose in the context of the Restatement’s 1939 characterization that the law’s tendency is to enforce “increasingly higher standards of fairness or commercial morality in trade.”

The Restatement quote has become a self-fulfilling prophecy in trade secret law, often serving as a bootstrap for courts seeking to reach a desired outcome. A perturbing number of courts have blindly quoted this now eighty-year-old language without investigating whether it continues to be accurate—or, indeed, whether it ever was. We see similar circular reasoning in other areas of the law, and this type of rote recital reflects the weak underbelly of the doctrine of precedent, where an unsupported assertion can take on a life of its own through judicial repetition. The problem is not the courts’ laudable desire to enforce higher standards of fairness and commercial behavior; it is that the courts reach that objective through a form of analytical shorthand that does not require them to explore the rationale behind their decisions or even acknowledge that they may be making new law in reaching their results. The Restatement’s broad, aspirational language allows


295 Restatement (First) of Torts ch. 35 intro. note (Am. L. Inst. 1938).

296 See supra notes 134–37 and accompanying text.

297 See supra note 138 and accompanying text.

298 See Daniel R. Cahoy & Lynda J. Oswald, A Serendipitous Experiment in Percolation of Intellectual Property Doctrine, 95 Ind. L.J. 39, 70 (2020) (discussing the Ninth Circuit’s discomfort with loose application of precedent in trademark law that resulted in the judicial creation of a trademark fee-shifting doctrine in the absence of legislative action).
courts to achieve their intended outcomes without engaging in the kind of deliberate explication we expect to see in judicial decisionmaking.

Much of the power of the Fifth Circuit’s language in *Christopher* lies in the fact that the court did not engage in this kind of lazy reasoning. The court acknowledged that no law had been violated, no contractual obligation had been broken, and no duty arising out of a confidential relationship had been breached.299 Yet, the court also recognized the inherent unfairness in not protecting an owner whose loss of trade secret was attributable not to the failure of its own actions in securing its confidential information but rather to “unanticipated, the undetectable, or . . . unpreventable methods of espionage.”300 The court also explicitly grounded its decision in the public policy implications of allowing espionage acts that would discourage innovation and invention.301

*Christopher* thus provides a sound roadmap for a court invoking commercial morality in “improper means” cases today. The court should carefully work its way through the analysis. If liability can be grounded in violation of law or breach of contract or confidential relationship, those grounds should be cited for liability. If none of those constraints have been contravened, the court may then turn to commercial morality considerations, carefully avoiding the rote recital of the *Restatement*’s dated language regarding the tendency of the law toward higher standards of commercial morality. Rather, the court should follow *Christopher*’s lead in analyzing those aspects of the defendant’s behavior that are wrongful, the impact of that behavior upon the trade secret owner, and the public policy interests being served before invoking commercial morality as a basis for imposing liability.

Under this framework, commercial morality’s application in modern trade secret law will remain somewhat ad hoc and unpredictable, but that inherent flexibility reflects its important role in helping courts achieve equity in rapidly changing legal and technological environments. The commercial immorality in *Christopher* was made possible by the combination of airplanes and photographic equipment that would allow the capture of images that were adequately shielded at eye level. Today, the commercial immorality may arise from more technologically sophisticated measures, such as the use of drones and long-range telephoto lens to sneak pictures through skyscraper windows, but the principle remains the same. Commercial morality doctrine provides a much-needed theory for analyzing cutting-edge legal issues in which courts must address competitive behavior that, while not technically illegal or in breach of contract, nonetheless is contrary to public policy imperatives of fair trade and business and societal norms of fair play and ethical commercial behavior.

299 See E.I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1014 (5th Cir. 1970).
300 *Id.* at 1016.
301 *See id.* (“Our tolerance of the espionage game must cease when the protections required to prevent another’s spying cost so much that the spirit of inventiveness is dampened.”).
The problem with the application of the commercial morality doctrine arises when a court uses this broad and boundless language to justify its holding without explaining its reasoning. If a court invokes commercial morality justifications casually and without reasoned argument, the term becomes an empty carapace and not the basis for legitimate and sound judicial decisionmaking.

CONCLUSION

The catalyst for this study was the milestone fiftieth anniversary of the Fifth Circuit’s decision in Christopher. The extraordinary facts and eloquent reasoning of that opinion have made it a landmark case in trade secret law, particularly with regard to “improper means” of trade secret access and standards of “commercial morality.” Yet, while Christopher may be a landmark case, it is also unique, with facts that have yet to be replicated in another trade secret dispute.

It turns out, though, that the term “commercial morality” has a rich history that predates Christopher and has played an important but shifting role throughout the development of U.S. trade secret law. This study has filled a gap in the literature by examining that history and the application of commercial morality doctrine by courts. Despite its ill-defined application by the courts, commercial morality serves the larger objectives of trade secret law by enabling courts to exercise fairness between the parties and constrain unethical business behavior that legal rules fail to address. This role could be enhanced by a clearer judicial articulation of the principles and theory under this equitable concept, but the value of commercial morality concepts to a robust trade secret doctrine should not be underestimated.