

Utah

1. What is the statutory authority for trade secret protection in your state?

Utah's statute adopting its version of the Uniform Trade Secret Act ("UUTSA") is Utah's exclusive cause of action for trade secret misappropriation, except contractual remedies. Utah Code Ann. § 13-24-8 (2022).

2. What are the elements of a trade secret claim in your state, and are any unique?

Utah's elements to state a trade secret cause of action are: "(1) the existence of a trade secret, (2) communication of the trade secret to [the misappropriating party] under an express or implied agreement limiting disclosure of the secret, and (3) [the misappropriating party's] use of the secret that injures [the owner]." *USA Power, LLC v. PacifiCorp*, 2016 UT 20, ¶ 44, 372 P.3d 629. As applied, these elements are not unique and embody the purpose of the Uniform Trade Secret Act. The "essential elements" include the "existence of a protectable 'trade secret'" and "demonstration of 'misappropriation' by a defendant." *CDC Restoration & Const., LC v. Tradesman Contractors, LLC*, 2016 UT App 43, ¶ 19, 369 P.3d 452 (quoting *InnoSys, Inc. v. Mercer*, 2015 UT 80, ¶ 24, 364 P.3d 1013). While the elements appear simple, they are not one-dimensional.

Under UUTSA, a "trade secret" is "information, including a formula, pattern, compilation, program, device, method, technique, or process that: (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Utah Code Ann. § 13-24-2(4) (2022).

Based on this statutory definition, the plaintiff in a claim for misappropriation of trade secrets must show that (a) the alleged trade secret has independent economic value and (b) the plaintiff has taken efforts to maintain its secrecy.

Regarding independent economic value, Utah courts have explained that "[t]here must be a delineation between the general knowledge and experience of the employee and the trade secrets of the employer." *CDC Restoration*, 2016 UT App 43, ¶ 23 (quoting *Microbiological Research Corp. v. Muna*, 625 P.2d 690, 697 (Utah 1981)). Additionally, the independent value must generally derive from not being generally known or readily ascertainable. *Id.* at ¶¶ 22, 24. Because these terms are not defined in the UUTSA, Utah courts apply their ordinary meanings. *USA Power*, 2016 UT 20, ¶ 59. To be 'not generally known,' the "information must be secret from at least some interested parties." *Id.* at ¶ 57. Whether information is 'readily ascertainable' will depend on "the ease or difficulty with which the information could be properly acquired or duplicated by others." *Id.* at ¶ 59.

Regarding the efforts to maintain the secrecy of the alleged trade secret, Utah law requires that the plaintiff take efforts that are "reasonable under the circumstances to maintain" the "secrecy" of the alleged trade secret. Utah Code

Ann. § 13-24-2(4)(b) (2022). If the secret is to be disclosed, at a minimum, its disclosure should be accompanied by an “admonition that its secrecy be maintained.” *Microbiological Research Corp. v. Muna*, 625 P.2d 690, 696 (Utah 1981) (quoting 2 Callman Unfair Competition, Trademarks and Monopolies (3rd Ed.), Sec. 51.1., pp. 388)).

Misappropriation may occur by acquisition, disclosure, or use of the information or material. Utah Code Ann. § 13-24-2(2) (2022). Misappropriation by acquisition occurs when the person receiving the information “knows or has reason to know that the trade secret was acquired by improper means.” *Id.* at § 13-24-2(2)(a). Misappropriation by disclosure or use occurs when a person, without express or implied consent, (1) “used improper means to acquire knowledge of the trade secret”; or (2) “at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was: (A) derived from or through a person who had utilized improper means to acquire it; (B) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (C) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use”; or (3) “before a material change of his position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.” *Id.* at § 13-24-2(2)(b).

“Improper means” may be any manner in which a court deems improper to obtain a trade secret and “includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” *Id.* at § 13-24-2(1).

Remedies for misappropriation include both injunctive relief and damages. Injunctive relief may be granted for “actual or threatened misappropriation” and may continue for a reasonable period after the trade secret ceases to exist “in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.” *Id.* at § 13-24-3(1). Royalties to compensate for future use may be ordered for a reasonable period of time and “affirmative acts to protect a trade secret” may also be compelled by a court issuing injunctive relief. *Id.* at § 13-24-3(2)-(3). Damages may be awarded including “both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss.” *Id.* at § 13-24-4(1); *USA Power*, 2016 UT 20, ¶ 71 (upholding jury award of unjust enrichment damages in the amount of 100% of misappropriating party’s profits stemming from its misappropriation). In cases where “willful and malicious misappropriation exists,” exemplary damages up to “twice any award” of actual loss and unjust enrichment may be awarded. *Id.* at § 13-24-4(2).

3. How specific do your courts require the plaintiff to be in defining its “trade secrets?”

Parties alleging the misappropriation of a trade secret “bear[] the burden of proving the existence of a trade secret, and ‘there is no presumption in his or her favor.’” *USA Power*, 2016 UT 20, ¶ 45 (quoting *CDC Restoration & Constr., LC v. Tradesman Contractors, LLC*, 2012 UT App 60, ¶ 13, 274 P.3d 317). Plaintiffs are not required to “identify [their] trade secret with particularity,” but are rather “required to articulate what about its [alleged trade secret is] not “generally known” or “readily ascertainable” in such a way that “allow[s] the fact-finder to properly apply the statute.” *Id.* at ¶ 47. This is because “there is no “particularity” requirement in the UUTSA.” *Id.* at ¶ 48. The party claiming a trade secret must do more than “point to broad areas of technology and assert that something there must have been secret and misappropriated,” particularly when asserting a compilation trade secret. *Id.* at ¶ 49. In the *USA Power* case, the plaintiff met its burden by detailing its “full Spring Canyon vision and various components of this vision” including “(1) technical information about the size, location, configuration, economics, engineering, and assets of [the Spring Canyon project]; (2) business strategies, goals, and plans, including *proformas* describing cost and profitability; and (3) [USA Power’s] first-to-market advantage—i.e., the ability to obtain financing and get to market first and *block potential competitors*.” *Id.* at ¶ 50 (corrections and emphasis in original). The *USA Power* court held that even though some of this information was publicly disclosed, some of it was not and the compilation of the information was sufficient to “permit the jury to perform its task” in applying the UUTSA. *Id.* at ¶¶ 50-51.

4. What is required in your state for a plaintiff to show it has taken reasonable measures to protect its trade secrets?

While certainly advisable and likely a reasonable measure in most circumstances, Utah law does not require written confidentiality contracts as they are “merely evidence of a plaintiff’s efforts to keep information secret.” *General Water Technologies Inc. v. Zweden*, 2022 UT App 90, ¶ 60, 515 P.3d 956. All that is required is “reasonable efforts under the circumstances,” not “all conceivable efforts.” Utah Code Ann. § 13-24-2(4)(b) (2022); *General Water Tech.*, 2022 UT App 90, ¶ 59 (quoting *John Bean Tech. Corp. v. B GSE Group, LLC*, 480 F. Supp. 3d 1274, 1296 (D. Utah 2020)). Placing secrets behind certain security measures, such as locking secret schematics in a safe, may be reasonable efforts under the circumstances. See *General Water Tech.*, 2022 UT App 90, ¶ 61.

5. Does your state apply the inevitable disclosure doctrine? If so, how is it applied?

No Utah appellate court has considered the issue of inevitable disclosure. However, one federal court sitting in Utah has discussed the doctrine. “The doctrine of inevitable disclosure is based upon the notion that sometimes a departing employee may have such extensive knowledge of and experience with the former employer’s trade secrets that, given the employee’s new job function, it is inevitable that he will use or encroach upon the former employer’s trade secrets. The use of this doctrine negates any requirement to find an actual or threatened misappropriation.” *Novell Inc. v. Timpanogos Research Group Inc.*, 1998 WL 177721, at *26 (D. Utah Jan. 30, 1998) (applying doctrine of inevitable disclosure as a matter of first impression). The *Novell* court held that the doctrine should be adopted in Utah because employees with valuable secret information, including knowledge about “what worked and what didn’t,” “should not be allowed [to] profit at the expense of their contractual and fiduciary obligations not to use knowledge gained” at their former employer. *Id.* at *28. Where former employees hold “cavalier attitude[s]” toward their former employers, the doctrine’s application is further supported. *Id.* at *29.

The *Novell* court applied the inevitable disclosure doctrine where the former employees showed intent to use their former employer’s confidential information. *Id.* This intent may be inferred from the actions of the former employees, such as “retain[ing] trade secret documents or confidential technical information belonging to [the employer] after their termination of employment.” *Id.* at *28-29.

6. How have courts in your state addressed the defense that an alleged trade secret is “reasonably ascertainable?” What needs to be shown to prevail on that theory?

Whether information is ‘reasonably ascertainable’ turns on “the ease or difficulty with which the information could be properly acquired or duplicated by others.” *General Water Tech.*, 2022 UT App 90, ¶ 37. [I]nformation may qualify as a trade secret “if extensive effort is required to pierce its veil by assembling the literature concerning it and thereby uncover its parts.” *Microbiological Research*, 625 P.2d at 696 (cleaned up). By contrast, “[i]f this can be readily done by one who is normally skilled in the field and has a reasonable familiarity with its trade literature, the secret may no longer be entitled to protection.” *Id.* (cleaned up). To prevail on a “reasonably ascertainable” defense, the defendant must show that the information is “already known to others in [the] defendant’s field of expertise.” *General Water Tech.*, 2022 UT App 90, ¶ 38 (correction in original) (holding that pricing information obtained from third parties and compiled into the plaintiff’s own system was readily ascertainable by those in the same industry or field); see also *Microbiological Research*, 625 P.2d at 698 (holding that the defendant microbiologist could not be enjoined from using processes that any competent microbiologist could derive from published information and his own general knowledge); *J & K Computer Sys., inc. v. Parrish*, 642 P.2d 732, 735 (Utah 1982) (holding that computer programmers could be enjoined from using a proprietary program not within their general knowledge, skills, memory or experience).

7. What are the most recent “hot button” issues addressed by courts in your state regarding trade secret claims?

The element of trade secrets claims left most untouched is whether the plaintiff made reasonable efforts to maintain secrecy. In July 2022, the Utah Court of Appeals recognized that “Utah courts have yet to squarely address this element of the analysis.” *General Water Tech.*, 2022 UT App 90, ¶ 59. However, this court punted the issue, stating only that “[w]hether the efforts to maintain secrecy are reasonable under the circumstances is a question of fact for the jury.” *Id.*

8. How does your state’s Trade Secret law differ from the DTSA, as the latter is applied in your Circuit?

In most aspects, the UUTSA is similar to the Defend Trade Secrets Act of 2016 (“DTSA”). The primary difference is the civil seizure remedy of the DTSA which does not exist in the UUTSA. Under this remedy, a court can “issue an order providing for the seizure of property necessary to prevent the propagation of dissemination of the trade secret that is the subject of the action.” 18 U.S.C. § 1836(b)(1).