

WISCONSIN

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

In Wisconsin, the Uniform Trade Secrets Act has been adopted as Wis. Stat. § 134.90 et seq., (“WUTSA”).

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

The definition of “trade secret” is found in Wis. Stat. § 134.90(1)(c), which states:

“Trade Secret” means information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply:

The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

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

From the statute, Wisconsin Courts derive three attributes of a protectable trade secret. “To qualify as a protectable trade secret, the [material]: (1) must be information such as a formula, pattern, compilation, program, device, method, technique or process; (2) that has independent economic value, available from only one source; and (3) is the subject of reasonable efforts to maintain its secrecy.” *ECT Int’l, Inc. v. Zwerlein*, 228 Wis. 2d 343, 349, 597 N.W.2d 479 (Ct. App. 1999).

The statutory examples of information eligible for trade secret protection—formulas, patterns, compilations, programs, devices, methods, techniques, or processes—does not constitute an exhaustive list. The definition includes, but is not limited to, the items specifically mentioned. Wis. Stat. § 134.90(1)(c).

Matters of public knowledge or general knowledge in an industry are not trade secrets. *RTE Corp. v. Coatings, Inc.*, 84 Wis. 2d 105, 116 (1978); *Abbott Labs. v. Norse Chem. Corp.*, 33 Wis. 2d 445, 457 (1967). However, to be considered a trade secret under Wisconsin law, a pattern, technique, or process need not reach the level of invention necessary to warrant patent protection. Even if the individual components are within the public domain, the combination of components and a unique process can create a competitive advantage and a protectable trade secret under Wis. Stat. § 134.90(1)(c). *Centrifugal Acquisition Corp., v. Moon*, 849 F. Supp. 2d 814, 832 (E.D. Wis. 2012).

How specific do your courts require the plaintiff to be in defining its “trade secrets?” (This could include discussing discovery case law requiring particularity.)

To maintain a trade secrets claim, a plaintiff must “describe the subject matter of the trade secret with sufficient particularity to separate it from matters of general knowledge in the trade or of special knowledge of those persons who are skilled in the

trade, and to permit the defendant [and the court] to ascertain at least the boundaries within which the secret lies.” *ECT Intern*, 228 Wis.2d 343, 350.

The allegations must be more than the bare recitation of statutory elements. See *id.* (“ECTI alleges that ‘[t]he software file system for “promise” is a trade secret in that it is a program which derives independent economic value from not being generally known or ascertainable by proper means and is the subject of effects by ECTI to maintain its secrecy.’ ... These allegations echo § 134.90 [and] fail to allege the ultimate facts showing the existence of a trade secret.”).

It is not necessary for a plaintiff to disclose every detail of its trade secrets. However, once protective orders maintain the necessary secrecy, plaintiff must come forward with particularized trade secrets. *IDX Sys. Corp. v. Epic Sys. Corp.*, 165 F. Supp. 2d 812, 816 (W.D. Wis. 2001), *rev’d in part on other grounds*, 285 F.3d 581 (7th Cir. 2002); see also *North Highland Inc. v. Jefferson Mach. & Tool Inc.*, 2017 WI 75, ¶¶ 21–22, 128, 377 Wis. 2d 496 (“It is not enough to rely upon unsubstantiated conclusory remarks, speculation, or testimony that is not based upon personal knowledge.”).

By summary-judgment and trial stages, trade secrets must be described in sufficient detail that a reasonable jury could find that the plaintiff established each statutory element of trade secret. *IDX Sys. Corp.*, 165 F. Supp. 2d at 817.

What is required in your state for a plaintiff to show it has taken reasonable measures to protect its trade secrets? (Preferably answer with practical, factual requirements from decisions.)

Information must be “subject of efforts to maintain its secrecy that are reasonable under the circumstances.” Wis. Stat. § 134.90(1)(c)2.

The statute does not require “absolute secrecy,” see *Fail-Safe LLC v. A.O. Smith Corp.*, 744 F.Supp.2d 831, 856 (E.D. Wis. 2010), but “one who claims a trade secret must exercise eternal vigilance in protecting its confidentiality.” *RTE Corp. v. Coatings, Inc.*, 84 Wis.2d 105, 119, 267 N.W.2d 226 (1978). Such efforts must go beyond normal business practices like restricting access and requiring passwords, and an employer must use additional measures to protect the confidentiality of information he considers to be a trade secret. *Starsurgical Inc. v. Aperta, LLC*, E.D.Wis.2014, 40 F.Supp.3d 1069.

In determining whether companies have fulfilled this requirement, Wisconsin courts consider whether the company negotiated confidentiality agreements, kept documents locked up, limited access to information, restricted building access, denoted documents as “confidential,” informed individuals that information was confidential, and allowed individuals to keep information after the business relationship had ended. See *BondPro Corp. v. Siemens Power Generation Inc.*, 463 F.3d 702 (7th Cir.2006) (applying Wisconsin law); *Fail-Safe LLC v. A.O. Smith Corp.*, 744 F.Supp.2d at 857–58; *La Calhene, Inc. v. Spolyar*, 938 F.Supp. 523 (W.D. Wis. 1996). Employers commonly also use covenants not to compete to maintain the secrecy of key information. *Gary Van Zeeland Talent, Inc. v. Sandas*, 84 Wis. 2d 202, 216–18 (1978); *RTE Corp. v. Coatings, Inc.*, 84 Wis. 2d 105, 119 (1978).

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

Wisconsin courts do not apply the inevitable disclosure doctrine. See *Clorox Co. v. S.C. Johnson & Son*, (E.D.Wis. June 9, 2009) (Stadtmueller, J.) (noting the lack of Wisconsin decisions addressing the viability of the inevitable disclosure doctrine).

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?

Information that is readily ascertainable by proper means fails to meet the statutory definition of a trade secret. Wis. Stat. § 134.90(1)(c). To assert this defense, a party must show that the information is publicly available and easily acquired by others. *See American Family Mut. Ins. Co. v. Roth*, 485 F.3d 930, 932 (7th Cir. 2007) (applying Wisconsin law) (holding that basic customer information that is readily ascertainable by simply calling the customers and asking them for the information is not a trade secret); *see also Maxpower Corp. v. Abraham*, 557 F.Supp.2d 955, 961 (W.D. Wis. 2008) (denying the plaintiffs’ motion for preliminary injunction because “they failed to rebut defendants’ evidence that much of the alleged trade secret information is common knowledge in the industry or easily ascertainable [and] failed to show that they took reasonable measures to protect the confidentiality of the information”).

The definition of “readily ascertainable” clarifies that information that is obtained through a license agreement or by an employee under a confidentiality agreement with that employee’s employer is not considered to be “readily ascertainable” under section 134.90(1)(c)1. This clarification is intended to avoid the assertion, for example, that information available through a licensing agreement is not eligible for trade secret status because it is “readily ascertainable” by “proper means.”

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

The Eastern District Court of Wisconsin recently weighed in on the issue of establishing liability for misappropriation of former employer’s customer list in *Charles Schwab & Co. Inc. v. LaGrant*, 483 F. Supp. 3d 625 (E.D. Wis. 2020). The Court held that “compiling a list of high net worth individuals’ names is not difficult, and that, alone, is insufficient to warrant trade secret protection.” The bare bones listings of customer information, such as names, addresses, phone numbers, and contact persons, have been routinely rejected by the Wisconsin courts as constituting a trade secret. Indeed, when the names, addresses, and contact persons of a company’s customers are readily ascertainable by proper means, a customer list is not a trade secret.

Another issue addressed by the courts are recoverable damages under Wis. Stat. § 134.90. Avoided costs are a proper measure of unjust enrichment damages. *See, e.g., Epic Sys. Corp. v. Tata Consultancy Servs. Ltd.*, 980 F.3d 1117, 1130 (7th Cir. 2020) (affirming award of avoided cost damages under the Wisconsin UTSA as “head start” unjust enrichment damages). Wisconsin law limits the measure of unjust enrichment damages to the value of the benefit conferred upon the defendant. *DF Inst., LLC v. Dalton Educ., LLC*, 2020 WL 4597122, at *6 (W.D. Wis. Aug. 11, 2020) (slip copy) (holding plaintiff must prove that the defendant benefited from the trade secrets to recover damages for unjust enrichment). Under Wisconsin Law, punitive damages up to twice amount of actual damages may be awarded for willful and malicious misappropriation (award is by judge, not jury). *See id.; Epic Sys. Corp.*, 980 F.3d 1145 (finding that \$280 million punitive-damages award was unconstitutionally excessive in view of \$140 million compensatory-damages award); *see also Rob’s Auto, LLC v. Lazarz (In re Lazarz)*, 2021 WL 186987, at *7–8 (Bankr. W.D. Wis. Jan. 13, 2021) (slip copy) (denying plaintiff’s motion for summary judgment for punitive damages pursuant to Wis. Stat. § 134.90(4)(b) absent evidence that defendant suffered any actual damages). Attorney fees may be awarded to the prevailing party if the claim of misappropriation is made in bad faith. The Wisconsin Court of Appeals recently held that the party seeking fees under Wis. Stat. § 134.90(4)(c) must demonstrate that (1) the trade-secrets claim was objectively specious, and (2) there was subjective bad faith (i.e., an improper purpose) in bringing or maintaining the claim. *Sanimax LLC v. Blue Honey Bio-Fuels, Inc.*, No. 2019AP166, 2020 WL 2529225, ¶ 24 (Wis. Ct. App. May 19, 2020) (unpublished opinion citable for persuasive value per Wis. Stat. § 809.23(3)(b)) (upholding sanctions because record provided ample support for finding plaintiff’s purpose in pursuing its claim was “basically retribution” for favored employee leaving company).

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

Provisions of the DTSA and WUTSA are similar, but not identical, so parties should evaluate these differences when evaluating a claim or defense. The DTSA has a similar definition of "trade secrets" that is found in the WUTSA. Like the WUTSA, the DTSA defines the term "trade secret" to include all forms and types of financial, business, scientific, technical, economic, or engineering information where reasonable measures are taken to keep such information secret and the information derives independent economic value, actual or potential, from not being generally known to the public. The DTSA also defines the term "misappropriation" relative to the theft of a trade secret identically to the way it is defined by the WUTSA.

While appearing similar, the DTSA, however, differs significantly from the WUTSA on two fronts. First, the DTSA makes available additional remedies, in particular, the ability to obtain an *ex parte* seizure order when "necessary to prevent the propagation or dissemination of the trade secret." 18 U.S.C. § 1836(a)(1). The DTSA gives the plaintiff the option of choosing a reasonable royalty as the measure of damages. 18 U.S.C. § 1836(b)(3)(B)(ii). Wis. Stat. § 134.90 appears to be more restrictive, permitting damages to be measured by a reasonable royalty "if the complainant cannot by any other method of measurement prove an amount of damages which exceeds the reasonable royalty." Wis. Stat. § 134.90(4)(a). Second, the DTSA includes certain whistleblower protections not expressly recognized in Wis. Stat. § 134.90. 18 U.S.C. § 1833(a)(2), (b). Overlaying this immunity protection under the DTSA is also a notice requirement. DTSA also requires that employment agreements include notice of the whistleblower protections. 18 U.S.C. § 1833(b)(3). Failure to provide the notice will prevent the employer from recovering attorney fees or punitive damages in an action against the employee.