Industrial Espionage As Unfair Competition

Robert L Tucker
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INTRODUCTION

Residents of the town of Newton, Iowa—hometown of the well-known appliance manufacturer, Maytag—were recently educated about corporate espionage in America. In late 1993, Maytag announced that it was planning to develop a more energy-efficient and environmentally friendly washing machine known as a “front loader” or “horizontal axis” washer.1 Although Maytag announced its intention to develop the new washer, it did not disclose details about how the washer would function.2 Maytag spent tens of millions of dollars to develop, manufacture, and market this new line of “horizontal axis” washers. Not surprisingly, it made strenuous efforts to protect its investment in this new product.

Maytag’s competitors have reportedly engaged in “competitive intelligence,” a euphemism for industrial espionage, in an effort to obtain more information about these “front loader” washing machines.3 Maytag has been besieged by spies using a variety of methods to gather information. It has received phone calls from “college students” asking for information about the new washer for “term papers” that they are writing.4 One Maytag marketing executive received a phone call from an individual who falsely claimed to be an employee of another Maytag unit requesting the names of people in Maytag’s front loader division.5 On another occasion, a man who claimed to be from the local waterworks appeared at the door of two residents of Newton, Iowa requesting that he be permitted to “measure their laundry room.” He abandoned his request when the homeowner began asking questions. The homeowner happened to be one of the local townspeople testing a model of the new machine.6

To protect its investment in the development of this new product (estimated at $50,000,000), Maytag has held “secrecy seminars” to provide its employees with tips on how to detect and deal with suspicious callers.7 The cover of the company newsletter asks “Who is really on the line?” and warns of “modern pirates.”8 Maytag workers received orange telephone stickers that read “Loose lips sink

* Robert L. Tucker is a principal member of the law firm of Buckingham, Doolittle & Burroughs, LLP, in Akron, Ohio.

2. Id.
4. Ryberg, supra note 1.
5. Stone, supra note 3.
6. Id.
7. Id.
8. Id.
ships.” Maytag claims to be aware of several attempts to breach its security, and has confirmed that an unnamed major competitor has hired a firm to find out everything it could about Maytag.

Maytag estimates that these “modern pirates” are inflicting billions of dollars worth of damage each year on American companies in missed sales, wasted research and development costs, and trade secrets lost to competitors. But even Maytag admits to having conducted a little “competitive intelligence” of its own. For instance, Maytag executives admit that they knew all about the recently-introduced machine introduced by its competitor, Frigidaire, before the machine first appeared in stores in January.

Industrial espionage is on the rise in the United States. In 1996, the American Society for Industrial Security (ASIS) conducted a study of industrial espionage and white collar crime in America. Forty percent of the companies responding to the survey reported that they have experienced known, attempted or suspected information thefts. The survey reported that information losses cost U.S. industry an estimated $2 billion a month. The study also reported that the financial losses linked to industrial espionage have jumped 323% since 1992. Based on 700 reported incidents between 1993 and 1995 alone, U.S. companies lost an estimated $5.2 billion.

Business executives from other countries are being warned that they should “assume their hotel rooms are bugged or their fax machines are being intercepted whenever they’re on business” in certain countries, including America. It has been reported that “[t]oday, business executives are routinely bugged, tapped, recorded, filmed and combed into leaving laptop computers unguarded long enough for spies to download their contents.”

American companies are also being subjected to industrial espionage sponsored by foreign governments or foreign competition. According to the Federal Bureau of Investigation and other law enforcement officials, foreign spies are increasingly trying to steal the intellectual property of American companies. FBI Director Louis Freeh told a congressional committee last year that most estimates place the losses to business from theft and misappropriation of proprietary information at

9. Id.
10. Id.
11. Id.
12. Id.
13. Id.
15. Id.
16. Id.
18. Id.
20. Id.
billions of dollars per year. Freh also testified that the FBI was investigating more than 800 economic espionage cases in which twenty-three foreign powers were directly implicated in “controlling and/or financing economic espionage activities” against the U.S. government and American industry. In 1996, Congress passed the Economic Espionage Act in an effort to stem the flow of confidential and proprietary information being stolen from U.S. businesses by foreign agents. The Act provides for a maximum penalty of fifteen years in prison and a $500,000 fine for theft of intellectual property from American businesses on behalf of a foreign entity.

It is not uncommon for a “plant” to seek employment at the company that is the intended victim of industrial espionage. Foreign governments sometimes “task” students from their countries to become advanced academic researchers in U.S. government-funded labs at prestigious universities for the purpose of obtaining access to valuable information. In China, the Ministry of State Security refers to these agents being planted in the United States as “chen di yu,” or “bottom-sinking fish.”

American executives have urged the U.S. government to retaliate in kind. An executive of TRW, a leading defense contractor, has reportedly said that the U.S. government should consider using the CIA to spy for corporate America. This executive, who himself spent nineteen years at the CIA working on science and technology projects, said other nations were using their spy services for such “dirty tricks” as stealing trade secrets.

Industrial espionage frequently involves professional investigation firms. These firms use specialized skills including “deception, infiltration, burglary, telephone, fax or data tapping, electronic eavesdropping, surveillance of key employees, blackmail and bribery of staff, computer hacking and theft of desktop and laptop computers.” Dial-in voicemail and telephone answering systems are especially vulnerable to “hacking.”

Industrial espionage sometimes results in the misappropriation of information that is proprietary and valuable, but does not rise to the level of a “trade secret” protectable under state tort and criminal laws. A recent case involved a Florida firm suing a division of Raytheon Company on charges of industrial espionage and conspiracy in connection with a battle to win a $450 million military contract for aircraft maintenance. According to the complaint, Raytheon hired a private

22. Id.
23. Id.
26. Id.
27. Id.
28. Id.
30. Id.
32. Id.
33. Joann Muller, Raytheon Unit Is Accused of Industrial Espionage; Florida Firm Alleges Foul
security firm to try to get details of the plaintiff’s bid for the contract,\textsuperscript{34} and to conduct video and audio surveillance of a consulting firm that the plaintiff hired to help prepare its bid.\textsuperscript{35} The purpose of the surveillance of the plaintiff and its consulting firm was to discover the identity of the plaintiff’s parts supplier.\textsuperscript{36}

The increasing recognition of the importance of information about one’s competitors has resulted in the formation of a professional society of industrial employees whose job is to obtain information about their competitors. Membership in the Society of Competitive Intelligence Professionals (SCIP) more than doubled from 1800 members in 1994 to 4000 members today.\textsuperscript{37} “Competitive intelligence” is described as “the process of gathering actionable information on the competitive environment.”\textsuperscript{38} Although SCIP has an ethical code which prohibits its members from misrepresenting themselves to sources or engaging in illegal or unethical practices such as electronic surveillance, searching through garbage, or trespassing on private property,\textsuperscript{39} the statistics cited above plainly show that there is an increasing trend towards disregarding the legal and ethical boundaries on proper means of obtaining information about one’s competitors in the business world.

Regrettably, tort law has not kept pace with the changes in the competitive environment of the business world. In fact, if anything, tort law in the United States is on the verge of taking a giant step backwards in terms of protecting confidential business information. This is particularly true where the information does not rise to the level of a “trade secret,” but is nevertheless proprietary and useful information having considerable economic value that would be difficult and costly to duplicate from other sources.

\section*{I. The Historical Development of Industrial Espionage as Unfair Competition}

\subsection{A. The Shortcomings of Other Remedies}

\subsection{1. Intrusion and the Right to Privacy}

Tort law has come to recognize an individual’s right to privacy.\textsuperscript{40} The so-called “privacy torts” include intrusion upon seclusion,\textsuperscript{41} appropriation of name or likeness,\textsuperscript{42} publicity given to private life (also known as public disclosure of private

\begin{footnotesize}
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\item Id.
\item Id.
\item Id.
\item Id.
\item Id. Piirto Heath, \textit{Competitive Intelligence; What You Don’t Know Will Hurt You}, MARKETING TOOLS, July/August 1996, at 52.
\item Id.
\item Id.
\item Id.
\item See \textit{RESTATEMENT (SECOND) OF TORTS} § 652A (1976).
\item Id. § 652B.
\item Id. § 652C.
\end{itemize}
\end{footnotesize}
facts), and publicity placing a person in a false light. Ohio courts recognize three of the four branches of the tort of invasion of privacy, but do not recognize that branch known as "false light privacy."54

Unfortunately for the business world, it has been consistently held that the right to privacy is an individual right, and can be maintained only by a living individual whose privacy is invaded.46 Because a corporation is not a natural person, the decisions have consistently held that a corporation has no "right of privacy" capable of being tortiously invaded.47 For that reason, it has been held that there is no actionable "intrusion" or "invasion of the right of privacy," even where theft or surveillance of corporate information and activities are involved.48 Some commentators have suggested that recognition of a corporate right to privacy would be appropriate.49 However, no court in any jurisdiction of the United States has ever recognized such a right.

2. Trespass

If the person misappropriating competitive information physically enters the victim's premises without authorization, there may be a claim for trespass against the actor. However, as long ago as 1967, one commentator observed that "since the modern electronic devices do not require an entry, the tort of trespass is not an important protector of secret scientific and technical information from espionage by these devices."34 In the intervening thirty years since that observation was made, technological advances have made a physical trespass onto the property of the intended victim almost completely unnecessary. Interception of cellular telephone communications and telefaxes requires no entry onto the premises of the victim. Nor is an unauthorized entry essential to questioning disaffected or bribed employees, electronic surveillance, computer hacking via modem, or misappropriation of information from dial-in voicemail and telephone answering systems.

The person conducting the espionage may actually seek to be hired by the intended victim. In such a case, not only is that individual authorized to be on the

43. Id. § 652D.
44. Id. § 652E.
50. Id. at 919.
premises, he is in fact paid to be present. And if the "plant" is an independent investigator working for a competitor of the victim, the competitor can later disclaim knowledge of the exact tactics used by its investigator while simultaneously retaining the information obtained by the plant on the competitor's behalf.

3. Trade Secrets

In 1966, one commentator observed that trade secret protection was virtually the only defense available to misappropriation of valuable business information; specifically, he stated that "[t]he prevention of industrial espionage has heretofore been intimately intertwined with the law of trade secrets. In most jurisdictions today, it is the only law applicable to the misappropriation of valuable business secrets." 51

The improper and unethical procurement of information constituting a "trade secret" was addressed in 1939 when the original Restatement of Torts was drafted and published. 52 Section 757 of the Restatement 53 deals with the use or disclosure of the trade secrets of another, and is often used by modern-day courts when defining "trade secret." In particular, courts of virtually every jurisdiction continue to incorporate and cite with approval Comment "b" to Section 757 which contains the classic definition of a trade secret:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over a competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from other secret information in a business (See Section 759) in that it is not simply information as to single or ephemeral events in the conduct of the business, as, for example, the amount or other terms of a secret bid for a contract or the salary of certain

52. See RESTATEMENT OF TORTS § 757 (1939).
53. Section 757 of the Restatement reads as follows:

§ 757. LIABILITY FOR DISCLOSURE OR USE OF ANOTHER'S TRADE SECRET—GENERAL PRINCIPLE
One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if
(a) he discovered the secret by improper means, or
(b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or
(c) he learned the secret from a third person with notice of the facts that it was secret and that the third person discovered it by improper means or that the third persons disclosure of it was otherwise a breach of his duty to the other, or
(d) he learned the secret with notice of the facts that it was a secret and its disclosure was made to him by mistake.

RESTATEMENT OF TORTS § 757.
employees, or the security investments made or contemplated, or the date fixed for the announcement of a new policy or for bringing out a new model or the like.\textsuperscript{54}

The difficulty with the Restatement definition of "trade secret" (as well as with most statutory definitions),\textsuperscript{55} is that there is a great deal of confidential, proprietary and valuable information that businesses seek to protect that does not fall within this definition. For example, in determining whether the information is a protectable "trade secret," case law has consistently considered as one factor the extent to which the information is known outside the business.\textsuperscript{56} This requirement to establish "trade secret" protection cannot be met if a vendor or customer of the company also has the information sought to be protected. Under both statutory and common law protection of trade secrets, the supposedly "secret" information must be known only to the employer and his employees. For instance, in Wiebold Studio v. Old World Restorations, the court held:

The formulas, patterns, devices, or compilations of information cannot qualify as trade secrets if they are of common knowledge or use in the trade. \textit{They must be "secret" in the sense that they are known only to the employer and his employees}, are unique in the trade, give the employer a competitive advantage, and are protected by substantial security measures . . . A former employee can use to his own advantage all the skills and knowledge of common use in the trade that he acquires during his employment. A person who enters employment as an apprentice and leaves it as a master cannot be enjoined from using his enhanced skills and knowledge in future employment.\textsuperscript{57}

\textsuperscript{54} \textit{Id.} § 757, cmt. b.

\textsuperscript{55} By way of comparison, Ohio Revised Code section 1333.51 defines a "trade secret" as follows:

(3) "Trade secret" means the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, or improvement, or any business plans, financial information, or listing of names, addresses, or telephone numbers, which has not been published or disseminated, or otherwise become a matter of general public knowledge. Such scientific or technical information, design, process, procedure, formula, or improvement, or any business plans, financial information, or listing of names, addresses, or telephone numbers is presumed to be secret when the owner thereof takes measures designed to prevent it, in the ordinary course of business, from being available to persons other than those selected by the owner to have access thereto for a limited purposes.


\textsuperscript{56} \textit{See, e.g.,} Vy Mar Co. v. C.R. Seasons Ltd., 907 F. Supp. 547, 556 (E.D.N.Y. 1995) (stating "[t]he single most important factor in determining whether particular information is a trade secret is whether the information is kept secret"); Religious Tech. Ctr. v. F.A.C.T.NET, Inc., 901 F. Supp. 1519, 1526 (D. Colo. 1995) (applying a number of factors in determining a trade secret including "the extent to which the information is known outside the business"); Nationwide Mut. Ins. Co. v. Stenger, 695 F. Supp. 688, 691 (D. Conn. 1988) (considering a number of factors in determining whether given information is a trade secret including "the extent to which the information is known outside the business"); State \textit{ex rel.} The Plain Dealer v. Ohio Dept. of Ins., 687 N.E. 2d 661, 672 (Ohio 1997) (listing "extent to which information is known outside the business" as one factor in determining the existence of a trade secret).

\textsuperscript{57} Wiebold Studio v. Old World Restorations, 484 N.E.2d 280, 284 (Ohio Ct. App. 1985).
Consequently, the identities of a company's customers are not generally considered to be "trade secrets" except in the form of a complete customer list, and then only if the business is found to have taken sufficient security measures to prevent unauthorized persons from having access to the list. The courts have consistently held that in the absence of an enforceable covenant not to compete, so long as the employee does not carry away a written list of customers, a former employee is free to call on customers of his former employer, the identity of which became known to him through his former employment.58 Furthermore, the names of a company's suppliers also are generally not protectable trade secrets. If the suppliers and purchasers of a company's raw materials and end products are known to other members of the industry, they do not constitute protectable trade secrets.59

Competitive methods of doing business fare no better. The fact that a former employee "knows how we think," "knows where we are vulnerable," or "knows our method of doing business," does not rise to the level of a protectable trade secret. The law requires that there be a specific identifiable secret which the former employer has developed and taken measures to protect, and which is known only to that particular employer and to those of its employees to whom it has of necessity been confided. A "method" of doing business does not constitute a protectable trade secret.60

Even prices and pricing information are generally unprotected by trade secret law. The price of raw materials purchased or finished goods sold by a company is not a trade secret because the price is always known to the company's vendor or its customer. It has frequently been held in many jurisdictions that, in order to constitute a trade secret, the so-called "secret" cannot be known outside of the business claiming the protection. Outside of Ohio, the cases are legion that have held that no trade secret exists where vendors or customers also know the allegedly

(emphasis added).


59. Wiebold, 484 N.E.2d at 283; Renee Beauty Salons, Inc. v. Blose-Venable, 652 A.2d 1345, 1348-49 (Pa. 1995) ("In order to be protected, trade secrets 'must be the particular secrets of the complaining employer, not general secrets of the trade in which he is engaged.'").

60. American Nursing Care of Toledo, Inc. v. Leisure, 609 F. Supp. 419, 432 (N.D. Ohio 1984) ("The Court finds that while many of the methods used by defendant and shared with the franchisees were clever and good business practice, they can best be characterized as common sense business strategies, not 'trade secrets' as defined by [OHIO REV. CODE ANN.] § 1333.31(A)(3) (Anderson 1993)."; Arthur Murray Dance Studios of Cleveland, Inc. v. Witter, 105 N.E.2d 685, 709 (Ohio Ct. App. 1952).
"secret" information, or where the secrets were obtainable through public sources.\textsuperscript{61} One nationally-recognized legal periodical recently described the general rule in the following terms:

Other holdings focus not on the customer relations as such, but on the confidential information that purportedly allows the employer to maintain and build those relations. A 1990 Texas Supreme Court decision states the approach followed by most recent cases in this context: a company's costs, price policies, bidding strategies and information on customers are not protectable interests if the information could be acquired by asking potential customers in the business, or if the data could be independently developed by competitors with knowledge of costs and other financial data in the industry. In particular, price data may not be protectable if basic cost components are common in the industry.\textsuperscript{62}

In \textit{DeSanitis v. Wackenhut Corp.},\textsuperscript{63} the case cited by the periodical, the Texas Supreme Court declined to recognize pricing policies or bidding strategies as protectable trade secrets:

Wackenhut failed to show that its customers could not readily be identified by someone outside its employ, that such knowledge carried some competitive advantage, or that its customers' needs could not be ascertained simply by inquiry addressed to those customers themselves. Also, Wackenhut failed to show that its pricing policies and bidding strategies were uniquely developed, or that information about its prices and bids could not, again, be obtained from the customers themselves.\textsuperscript{64}

Similarly, in \textit{Carbonic Fire Extinguishers, Inc. v. Heath},\textsuperscript{65} an Illinois court of appeals rejected a claim that price information available from the employer's customer constituted a "trade secret." The court reasoned that the pricing information was "not sufficiently secret to derive economic value from not being generally known to persons who could obtain economic value from its disclosure or use."\textsuperscript{66}

\textsuperscript{61} See, e.g., Hamer Holding Group, Inc. v. Elmore, 560 N.E.2d 907, 918 (Ill. App. Ct. 1990) (finding "[c]ustomer list obtained from Secretary of State's list was not a trade secret because anyone with access to the secretary's information could have easily duplicated [the] same process"); Precision Moulding & Frame, Inc. v. Simpson Door Co., 888 P.2d 1239, 1242 (Wash. Ct. App. 1995) (stating that a plaintiff cannot establish the existence of a trade secret if the information "is generally known to or readily ascertainable by other persons"). Cf. Kavanaugh v. Stump, 592 So.2d 1231, 1232 (Fla. Dist. Ct. App. 1992) (stating that "[c]ustomer lists can constitute trade secrets where the lists are acquired or compiled through the industry of the owner of the lists and not just a compilation of information commonly available to the public").

\textsuperscript{62} 3 BUS. TORTS REP. 36 (1990).

\textsuperscript{63} 793 S.W.2d 670, 684 (Tex. 1990).

\textsuperscript{64} \textit{Id.}

\textsuperscript{65} 547 N.E.2d 675 (Ill. App. Ct. 1989).

\textsuperscript{66} \textit{Id.} at 678. The Court further reasoned:

The pricing information here, unlike a unique formula used to calculate a price but unknown to a customer or competitors, was available to the various customers to which it pertained. As
Ohio courts have shown this same unwillingness to extend trade secret protection to information about a company's customers, suppliers or pricing. In *Helm Instrument Co., Inc. v. Aniese Seed and Toledo Transducers, Inc.*, the Lucas County Court of Appeals found that the former employer's pricing information and its relations with vendors and suppliers did not constitute trade secrets. Specifically, it stated that "an employee is free to use, in his future business or position, such general information as derived from any past employment or ex-employer." The court further explained that "[a]s distinguished from inventive ideas, the internal facts of a business which may constitute such knowledge, are as a rule not isolated, but an accumulation. Generally, such useful knowledge necessarily pertains to the entire patronage of the business, its relations with suppliers and its financial condition." The court ultimately concluded that "[t]he employee should be protected against any excessive claims to secrecy and permitted the use of the knowledge he lawfully gained in his employment." Likewise, in *Lewis v. Surgery & Gynecology, Inc.*, the Franklin County Court of Appeals held that information available from outside sources, including price lists, did not constitute trade secrets.

And, most recently, in *MPS Trimco, Inc. v. Lewis*, the Cuyahoga County Court of Appeals rejected Trimco's contention that its customer names, vendors and pricing information were trade secrets wrongfully used in connection with his new employment with a competitor by its former employee. It held that Trimco's pricing and profit information did not constitute trade secrets; that the identity of Trimco's suppliers was commonly known to companies who sell building materials and was, therefore, not a trade secret; that the identity of Trimco's customers was not a protected trade secret; and, finally, that the identity of Trimco's potential customers also was not a protected trade secret.

such, those customers were at liberty to divulge such information to a competitor of plaintiff's, or to anyone for that matter. Further, there is no evidence that someone else performing this service would not have knowledge of the normal price to be charged for this service. Plaintiff does not contend that its price for a job is unique or not generally known to others in the business.

*Id.* (citations omitted). *See also* Shapiro v. Regent Printing Co., 549 N.E.2d 793, 796 (Ill. App. Ct. 1989) ("We find it difficult to ascertain from the record what, exactly, was confidential about Regent's pricing formula. We agree with Howard that Regent's pricing formula could not be considered a trade secret."); Arc-Com Fabrics, Inc. v. Robinson, 539 N.Y.S.2d 363, 364 (N.Y. App. Div. 1989) (holding client and price information widely disseminated in the industry is not entitled to trade secret protection).

68. *Id.* at *17.
69. *Id.* at *18.
70. *Id.* at *19. The court also noted that "[t]he rule stated in the majority of cases is that, in the absence of an express contract, an employee who joins or establishes a competing business may properly solicit trade from those he served in his previous employment." *Id.* (quoting 2 RUDOLPH CALLMAN, UNFAIR TRADEMARKS, COMPETITION AND MONOPOLIES § 54.2(c) (Callaghan & Co. 3d ed. 1979), which is now 2 RUDOLPH CALLMAN, UNFAIR TRADEMARKS, COMPETITION AND MONOPOLIES § 14.31 (Callaghan & Co. 4th ed. 1982)).
The foregoing cases establish that customer and vendor names, needs, and prices generally are not "trade secrets." Since they are not trade secrets, even if this information is misappropriated, the misappropriation is not actionable under Ohio Revised Code section 1333.51(A)(3).

II. THE RECOGNITION OF PROCURING INFORMATION BY IMPROPER MEANS AS A SPECIES OF UNFAIR COMPETITION

A. The International News Case

Early in this century, the U.S. Supreme Court recognized that the tort of unfair competition is concerned more with the character of the conduct of the actor than with the nature of the property that he or she misappropriates. In International News Service v. The Associated Press,\(^73\) the parties were competitors in the gathering and distribution of news and its publication for profit.\(^74\) Associated Press, the plaintiff, alleged that International News "pirated" news stories that it had prepared by (1) bribing employees of newspapers published by Associated Press members to furnish news stories to it prior to their publication; (2) by inducing Associated Press members to provide news stories to defendant in violation of the Associated Press by-laws; and (3) by copying Associated Press news stories from bulletin boards and from early editions of the newspapers published by Associated Press members.\(^75\)

The district court granted a preliminary injunction preventing the defendant from bribing member newspapers to obtain Associated Press news stories, or inducing Associated Press members to violate the organizations by-laws.\(^76\) The district court declined to enter an injunction against the defendant's admitted practice of taking news from bulletin boards and early editions of newspapers published by Associated Press members and selling it as its own.\(^77\) On appeal, the court of appeals affirmed the district court's injunction on the first two grounds, and further ordered the district court to enter an injunction against the taking of the words or substance of Associated Press news articles from bulletin boards or early editions of other newspapers until its commercial value as news had diminished.\(^78\)

On appeal to the Supreme Court, the only matter argued was whether the defendant could lawfully be restrained from appropriating news from bulletins issued by the Associated Press or from newspapers published by its members.\(^79\) The defendant's principal contention was that the news, once released, was no longer secret or confidential and that it, therefore, enjoyed no protection.\(^80\) The Supreme Court held that the absence of any true "property" interest in the news stories did not defeat the right of Associated Press to prevent the defendant from

\(^{73}\) 248 U.S. 215 (1918).
\(^{74}\) Id. at 229.
\(^{75}\) Id. at 231.
\(^{76}\) Id.
\(^{77}\) Id.
\(^{78}\) Id. at 232.
\(^{79}\) Id.
\(^{80}\) Id. at 233.
"reaping where it had not sown." 81 In recognizing that the crucial issue in unfair competition cases is not the "secret" nature of the property but whether the competitive methods used by the defendant are "fair," 82 the Supreme Court held that the character and circumstances of the business must be considered in determining fairness. In holding that the plaintiff had a property interest in news matter, the court reasoned as follows:

[Although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the costs of enterprise, organization, skill, labor, and money, and to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and as between them, it must be regarded as quasi property, irrespective of the rights of either as against the public.

The rule that a court of equity concerns itself only in the protection of property rights treats any civil right of a pecuniary nature as a property right; and the right to acquire property by honest labor or the conduct of a lawful business is as much entitled to protection as the right to guard property already acquired. It is this right that furnishes the basis of the jurisdiction in the ordinary case of unfair competition.

The fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant—which is what defendant has done and seeks to justify—is a very different matter. In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown.

81. Id. at 239.
82. The concept of "fairness" is central to the tort of unfair competition. As one California court put it, "to amount to unfair competition the unfairness must be intrinsic in the criticized conduct." Television Adventure Films Corp. v. KCOP Television, Inc., 57 Cal. Rptr. 526, 532 (Cal. Ct. App. 1967). See also United States Golf Ass'n v. St. Andrews Sys., Data Max, Inc., 749 F.2d 1028, 1034-35 (3d Cir. 1984) (footnote omitted) ("The doctrine [of misappropriation] has been applied to a variety of situations in which the courts have sensed that one party was dealing 'unfairly' with another, but which were not covered by the three established statutory systems protecting intellectual property: copyright, patent, and trademark/deception as to origin.").
[1] In a court of equity, where the question is one of unfair competition, if that which complainant has acquired fairly at substantial cost may be sold fairly at substantial profit, a competitor who is misappropriating it for the purpose of disposing of it to his own profit and to the disadvantage of complainant cannot be heard to say that it is too fugitive or evanescent to be regarded as property. It has all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience.\footnote{International News Serv. v. The Associated Press, 248 U.S. 215, 236-40 (1918) (citations omitted).}

Two decades later, the principle underlying the Supreme Court’s decision in International News was recognized by the drafters of the 1939 Restatement.

\section*{B. The 1939 Restatement of Torts}

As noted above, Restatement Section 757 applied only to the improper use or disclosure of a “trade secret” belonging to another.\footnote{Comment “f” to Restatement of Torts section 757 provides that:}

\textit{Improper means of discovery}. The discovery of another’s trade secret by improper means subjects the actor to liability independently of the harm to the interest in the secret. Thus, if one uses physical force to take a secret formula from another’s pocket, or breaks into another’s office to steal the formula, his conduct is wrongful and subjects him to liability apart from the rules stated in this section. Such conduct is also an improper means of procuring the secret under this rule.\ldots

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\item[84.] Comment “f” to Restatement of Torts section 757 provides that:
\item[85.] \textit{Id.} § 759.
\item[86.] \textit{Id.} § 759 cmt. b. Comment “b” also states:
\end{footnotesize}

\textit{Kind of information}. The rule stated in this Section applies to information about one’s business whether or not it constitutes a trade secret (see § 757, Comment b, where trade secret
Comment "c," in turn, focused on the means by which the information was acquired, rather than the character of the information itself. The list of proscribed conduct contained in Comment "c" was a classic summary of the methods used by business rivals who engage in industrial espionage, and included such means as theft, trespass, bribing, fraudulent misrepresentation, threats of harm, wiretapping and espionage. 87

Prior to the promulgation of the Restatement (Second) in 1979, many courts adopted and applied Section 759 of the 1939 Restatement. For instance, in Seismograph Serv. Corp. v. Offshore Raydist, Inc., 88 it was held that "[e]ven where it cannot be said that the parties stand in confidential relations, improper acquisition of another's business information or trade secrets subjects the perpetrator to liability in damages." 89

Another application of Section 759 arose in McDonald's Corp. v. Moore. 90 This was a case in which an owner of a competing hamburger chain asked an employee of McDonald's to obtain for him a copy of McDonald's operation manual. The court, specifically citing Section 759, found that the improper acquisition and copying of the manual constituted the tort of unfair competition. It stated that "the improper acquisition itself creates the liability in damages. . . . 'One who, for the purpose of advancing a rival business interest, procures by improper means, information about another's business is liable to the other for the harm caused by his possession, disclosure or use of the information.'" 91

Other courts have consistently held that misappropriation of a competitor's business information constitutes unfair competition, even where the information is not a protectable trade secret. 92 In Sandlin v. Johnson, 93 the court relied on Section 759 when it held that "[e]ven as to business information that is not technically of

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is defined). The Section states the rule of liability applicable only when the information is procured by improper means. Sections 757 and 758 deal specially with the liability for the disclosure and use of trade secrets, whether they are discovered by improper means or otherwise. Examples of information, other than trade secrets, included in this Section are: the state of one's accounts, the amount of his bid for a contract, his sources of supply, his plans for expansion or retrenchment, and the like. There are no limitations as to the type of information included except that it relate to matters in his business. Generally, however, if the improper discovery of the information is to cause harm, the information must be of a secret or confidential character. Thus, if one freely gives full information about the state of his accounts to trade associations, credit agencies or others who request it, the possession, disclosure or use of the same information by one who procured it through improper means can hardly cause him harm. On the other hand, if one has a closely guarded trade secret, another's discovery of it may reduce its sale value even before any other disclosure or use is made of the secret.

Id.

87.  Id. § 759 cmt. c.
89. Id. at 354-55 (citations omitted).
91. Id. (citation omitted).
92. At least some courts have held that direct competition between the parties is not essential to establish a claim for unfair competition. As one court put it, the "emphasis is now placed upon the word 'unfair' rather than on 'competition.'" Ball v. American Trial Lawyers Assoc., 92 Cal. Rptr. 228, 237 (Cal. Ct. App. 1971).
93. 152 F.2d 8 (8th Cir. 1945).
the nature of a trade secret, which has been obtained by unfair or improper means, there may be a liability for any damages occasioned by its use. And in Franke v. Wiltshen, a federal district court observed that "[a] trade secret is protected not because it is unknowable to others, but because he who holds the secret is entitled to profit by it without unfair interference from his competitors developed through confidential relationships.

The California courts have long recognized the flexible nature of the tort of unfair competition. As early as 1946, a California appellate court in Grant v. California Bench Co. held that "no inflexible rule can be stated as to what conduct will constitute unfair competition." And in People ex rel. Mosk v. National Research Co., another California appellate court observed that "it would be impossible to draft in advance detailed plans and specifications of all acts and conduct to be prohibited" as unfair competition.

The Ohio cases agree that industrial espionage can constitute unfair competition. It has long been established in Ohio that the "foundation of the [unfair competition] action consists in certain conduct on the part of the defendant of such persistent and continuous nature as has resulted in damage to the [plaintiff] in the production and sale of its wares." Unfair competition is defined as conduct that includes elements of fraud, misrepresentation, or any other recognized unethical conduct. As one of the leading treatises on tort law has observed: "Unfair competition thus does not describe a single course of conduct or a tort with a specific number of elements; it instead describes a general category into which a number of new torts may be placed when recognized by the courts.

The earliest of the Ohio cases recognizing industrial espionage as tortious conduct is Brown Manufacturing Co. v. Local Union No. 76. In Brown, the defendants were four trade unions and their individual members who were picketing the plaintiff corporation. The defendants met and resolved to organize and maintain a picket force around the works and plant of the plaintiff "for the purpose of establishing an espionage on the works of the plaintiff—ascertaining who did work there, or sought work there, persuading and inducing those working for plaintiff to break their contracts with plaintiff and quit work; and also to prevent by such espionage, persuasion and inducing others from seeking employment with

94. Id. at 11 (citation omitted) (dictum).
96. Id. at 30 (citation omitted).
98. Id. at 818.
100. Id. at 521.
104. 12 Ohio Dec. 748 (Ohio C.P. Muskingum County 1902).
105. Id.
plaintiff.” The court eventually held that it was lawful for the union to “establish an espionage” at the plant to determine the identity of the individuals striking the picket line, but that it was not lawful to coerce or intimidate those individuals. Accordingly, the court entered an injunction to the effect that

The defendants [are] to be perpetually enjoined, restraining each and all of said defendants from unlawfully and in such numbers as constitute a show of force, establishing and maintaining espionage on the works of plaintiff, or neighborhood and approaches thereto for the purpose of ascertaining the number, names and residences of those who are in the employ of plaintiff; and any pickets lawfully there are restrained while there from attempting to induce or persuade anyone working for plaintiff to quit; and restrained from attempting to persuade or induce anyone seeking employment there to refrain from seeking employment with plaintiff.

The next Ohio case to address similar issues was Monitor Stove Co. v. Williamson Heater Co. In Monitor Stove, three of the individual defendants were formerly employed by Monitor. They became embroiled in a controversy with other employees of the company, and the three individuals left and were eventually hired by defendant Williamson Heater Co. Prior to leaving, one of the individual defendants requested another to have a third Monitor employee send him a list of Monitor’s customers and dealers. This request was complied with, and the individual defendant was able to obtain lists of the customers and of the dealers of the plaintiff, Monitor Stove. Upon entering into employment with Williamson Heater Company, the list was turned over to Williamson. It was then used to send out a letter to various customers and former customers of Monitor announcing the hiring of the three individual defendants. Thereafter, the list of dealers was used to prepare a mailing list. Williamson independently created a separate list of 10,000 potential dealers using Dun & Bradstreet and the former list of the Williamson Heater Company. The individual defendants ordered that list to be checked against the Monitor list, with instructions to add any names appearing on the Monitor list that were not on the list prepared by Williamson from the Dun & Bradstreet information and from its own list.

In holding that the obtaining and use of Monitor’s list of customers of dealers by the individual defendants and by Williamson was improper, the Court of Appeals held that “the use of the list . . . in connection with the mailing list made up from

106. Id. at 750-51.
107. Id. at 755.
108. 18 Ohio App. 352 (Ohio Ct. App. 1923).
109. Id. at 354.
110. Id.
111. Id. at 362.
112. Id.
113. Id.
114. Id. at 357-58.
115. Id. at 358.
116. Id. at 363.
117. Id.
the commercial reports, gave to the defendant company an unfair trade advantage that should be restrained by a court of equity for such length of time as would prevent any injustice that would arise from the use of the list.\textsuperscript{118}

Although \textit{Brown} and \textit{Monitor Stove} both predate the issuance of the Restatement in 1939, they strongly suggest that Ohio courts follow the philosophy of Section 759, by holding that the use of confidential information (even if it is obtainable elsewhere) improperly obtained from a competitor is tortious and can be enjoined.

Ohio courts also appear to recognize that it is unethical and unsavory to hire a man to seek employment by another for the purpose of "spying," even if the two are not business rivals.\textsuperscript{119} An attorney who engaged in this practice was disbarred from both the state and federal courts in Ohio.\textsuperscript{120} The attorney devised that his investigator get a job at a company whose workplace practices were of interest to the attorney.\textsuperscript{121} Specifically, the attorney hired one Orlando, a railroad employee, to act as an undercover agent to assist Ruffalo in soliciting and investigating cases against various railroads, including Orlando's employer, the B & O Railroad.\textsuperscript{122} Ruffalo paid Orlando $25.00 a day plus expenses for this work, which was carried on outside of Orlando's regular working hours as railroad brakeman.\textsuperscript{123} The attorney testified that he saw nothing wrong with the practice since that part of Orlando's work which was contrary to his employer's interest was being done at times other than during his regular working hours.\textsuperscript{124} The Supreme Court of Ohio found this argument unconvincing, holding that "one who believes that it is proper to employ and pay another to work against the interests of his regular employer is not qualified to be a member of the Ohio Bar. He is even less qualified if he does so, when he knows, as the evidence clearly indicates Ruffalo did know, that it is improper to do so."\textsuperscript{125} Both the Ohio Supreme Court and the United States Court of Appeals for the Sixth Circuit disbarred Ruffalo for his misconduct which included, but was not limited to, the incident involving the employment of Orlando.\textsuperscript{126}

\textsuperscript{118} \textit{Monitor Stove Co. v. Williamson Heater Co.}, 18 Ohio App. 352, 364-65 (Ohio Ct. App. 1923). The court reasoned:

The evidence of the plaintiff tends to show that in addition to the names and addresses upon the list furnished to Woodrough there was also information as to the sales that had been made to various dealers whose names were upon the list. It is apparent that such a list, containing such information, would be of value to a competitor and that it would be unfair trade competition for a competitor to wrongfully secure possession of and make use of such a confidential trade list, and this is true even though the names of the dealer contained upon that list might be obtained for other sources.

\textit{Id.} at 364.

\textsuperscript{119} \textit{See In re Ruffalo}, 370 F.2d 447 (6th Cir. 1966); Mahoning County Bar Ass' n v. Ruffalo, 199 N.E.2d 396 (Ohio 1964).

\textsuperscript{120} \textit{In re Ruffalo}, 370 F.2d at 450; \textit{Ruffalo}, 199 N.E.2d at 401.

\textsuperscript{121} \textit{In re Ruffalo}, 370 F.2d at 448.

\textsuperscript{122} \textit{Id.}.

\textsuperscript{123} \textit{Id.} at 451.

\textsuperscript{124} \textit{Id.} at 452.

\textsuperscript{125} \textit{Ruffalo}, 199 N.E.2d at 401.

\textsuperscript{126} \textit{In re Ruffalo}, 370 F.2d at 450; \textit{Ruffalo}, 199 N.E.2d at 401.
There have been surprisingly few reported cases in the United States involving the more blatant forms of industrial espionage such as searching the trash bins of a competitor. One such case is that of Tennant Co. v. Advance Machine Co.\textsuperscript{127} Tennant and Advance were competitors in manufacturing floor cleaning equipment.\textsuperscript{128} From fall 1978 through spring 1979, Advance employees rummaged through the trash in a dumpster behind Tennant’s sales offices in California. The raids uncovered some confidential sales information that George McIntosh, an Advance sales representative and “west coast sales manager,” forwarded to other Advance salesmen and company officers. McIntosh enlisted Advance’s San Francisco sales manager to help rifle the dumpster. McIntosh’s superior, who was the vice president for industrial sales for Advance, testified that when he learned of the clandestine activity of McIntosh and the San Francisco sales manager in 1979, he “handled it very lightly because I did not consider it a terrible thing. I considered it kind of a joke.” Later that year, the vice president told McIntosh to stop raiding Tennant’s trash.\textsuperscript{129}

That same year, Advance’s president learned about this dumpster-searching activity from the vice president of industrial sales.\textsuperscript{130} He, like the vice president, handled it “in a very light fashion rather than a serious fashion” until Tennant filed its lawsuit against Advance.\textsuperscript{131}

At trial, the jury awarded $100,000 compensatory and $400,000 punitive damages on Tennant’s claims for conversion and unfair competition.\textsuperscript{132} The trial court then entered judgment notwithstanding the verdict in favor of Advance on the punitive damage award, holding that punitive damages could not be imputed to Advance for the acts of its employees.\textsuperscript{133} The court of appeals reversed, reinstated the jury verdict in favor of the plaintiffs for both compensatory and punitive damages, and held that the theft of items from Tennant’s trash was sufficient to direct a verdict in Tennant’s favor on its claim for conversion and to send Tennant’s claims for unfair competition to the jury.\textsuperscript{134}

\textsuperscript{127} 355 N.W.2d 720 (Minn. Ct. App. 1984).
\textsuperscript{128} Id. at 722.
\textsuperscript{129} Id.
\textsuperscript{130} Id.
\textsuperscript{131} Id.
\textsuperscript{132} Id. at 723.
\textsuperscript{133} Id.
\textsuperscript{134} Id. at 725-26. The courts of appeals recognized that there is an expectation of privacy even where the documents containing the information have been placed into a dumpster:

California law is settled that an owner retains a reasonable expectation of privacy in the contents of a dumpster “until the trash [has] lost its identify and meaning by becoming part of a large conglomeration of trash elsewhere”\ldots. One has the same expectation of privacy in property regardless of whether the invasion is carried out by a law officer of by a competitor; business has as great a right to protection from industrial espionage as it has from any other theft.

Tennant disposed of its documents in sealed trash bags. The bags were put into a covered dumpster that was used solely by Tennant. The court correctly determined that the documents were not abandoned.

Advance had moved for a directed verdict on the issue of unfair competition. The California
Two other cases involved espionage by aerial photography. Although both cases involved information that at least arguably could qualify as a "trade secret," both courts focused on the improper means used to secure the information rather than on the character of the information itself. In the earlier of these two cases, *E.I. duPont deNemours & Co., Inc. v. Christopher*, the defendants were photographers that were hired by an unknown third party to take aerial photographs of new construction at DuPont's plant in Beaumont, Texas. Sixteen such photographs taken from the air were developed and delivered to the third party. While the photographs were being taken, DuPont employees noticed the plane in the vicinity of the plant, and began to investigate why it was circling. By the afternoon of the day the photographs were taken, DuPont's investigation disclosed that the craft had been photographing the plant and that the defendants were the photographers. DuPont contacted the defendants that same day, and asked them to reveal the name of the person or corporation requesting the photographs. The defendants refused to disclose that information.

DuPont then filed suit against the defendants, alleging that they had wrongfully obtained photographs revealing DuPont's trade secrets; specifically, that DuPont had developed a highly secret but unpatented process for producing methanol, which the photographs were designed to obtain. DuPont's suit asked for damages to cover the loss sustained as a result of the wrongful disclosure of the trade secret, and sought injunctive relief prohibiting any further circulation of the photographs or any additional photographing of the plant.

The court began its analysis by reciting Comment "f" to Section 757 of the original Restatement, which pertains to the improper means of discovery of trade secrets. In holding that the defendants had engaged in an improper method of discovering DuPont's trade secrets, the court of appeals affirmed the judgment of the trial court and held that DuPont had stated a claim upon which relief could be

Unfair Practices Act defines unfair competition broadly as "any unlawful, unfair or fraudulent business practice." Misappropriation of trade secrets constitutes unfair competition and an unlawful or unfair business practice.

A corporation that markets products does not advertise its sales leads. This information is confidential and generally would not be known outside the business. Prior to the activity of McIntosh and Randau, Tennant did not experience loss of sales information. It disposed of its waste in a manner that would assure secrecy except to someone particularly intent on finding out inside information. The measures taken to guard the secrecy of the sales lists were adequate.

Sales leads are of great value to both Tennant and to Advance. They cost Tennant employees considerable time and money to develop. By appropriating the lists Advance could target its sales much more effectively and at less cost. Advance could duplicate similar lists only after great expense. It was appropriate to let the jury determine whether the sales lists constituted trade secrets.

*Id.* (citations omitted).

135. 431 F.2d 1012 (5th Cir. 1970).
136. *Id.* at 1013.
137. *Id.*
138. *Id.*
139. *Id.* at 1014.
140. *Id.* at 1016.
granted. The court attempted to reconcile the competing interests of industrial competition and commercial privacy. In doing so, it stated:

[O]ur devotion to freewheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations. 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. Commercial privacy must be protected from espionage which could not have been reasonably anticipated or prevented. We do not mean to imply, however, that everything not in plain view is within the protected vale, nor that all information obtained through every extra optical extension is forbidden. Indeed, for our industrial competition to remain healthy there must be breathing room for observing a competing industrialist. A competitor can and must shop his competition for pricing and examine his products for quality, components, and methods of manufacture. Perhaps ordinary fences and roofs must be built to shut out incursive eyes, but we need not require the discoverer of a trade secret to guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available.¹⁴¹

The use of aerial photography as an industrial espionage tactic was also addressed by the court in Dow Chemical Co. v. United States.¹⁴² That case involved an investigation by the U.S. Environmental Protection Agency (EPA) commencing in 1977.¹⁴³ When EPA requested an opportunity to enter Dow’s premises and inspect the power houses, and informed Dow that it intended to photograph the Dow plant layout and facility, Dow denied the EPA’s request to enter the plant. The EPA informed Dow that it would consider obtaining a search warrant to gain entrance. Rather than doing so, in early 1978, the EPA hired a private company to take aerial photographs of the Dow plant. The EPA specifically told the company the altitude, location and direction from which the photographs were to be taken. The photographs were taken with modern technological equipment which enabled the photographs to be enlarged with resolution sufficient to discern equipment, pipes and power lines as small as half an inch in diameter. These items were located in interior regions of the plant surrounded by buildings and other structure which made observation from anywhere but directly above "a near physical impossibility."¹⁴⁴

Dow filed an action against the EPA seeking a declaratory judgment and injunctive relief to the effect that this activity by the EPA constituted an unreasonable search in violation of the Fourth Amendment, a taking and misappropriation of trade secrets in violation of Fifth Amendment, and the use of an inspection tool outside the scope of EPA’s statutory authority.¹⁴⁵ Dow filed a motion for summary judgment and, after reviewing applicable case law, the court concluded that the case was appropriate for summary judgment on the Fourth

¹⁴¹. Id. at 1016-17.
¹⁴³. Id. at 1357.
¹⁴⁴. Id.
¹⁴⁵. Id. at 1358.
Amendment search and seizure and the statutory authority issues. The court granted summary judgment in favor of Dow, declared that the "EPA flyover and aerial photography of Dow's plant constituted an unreasonable search in violation of the Fourth Amendment," and entered a permanent injunction restraining the EPA from conducting future aerial surveillance and photography of the Dow plant.

In so holding, the court quoted the DuPont case at length. It then stated: "Just as DuPont need not be required to take unreasonable precautions to prevent aerial photography of its plant as a prerequisite to a tort action, likewise Dow should not be so required in order to claim the protection of the Fourth Amendment." 148

C. The 1979 Restatement (Second) of Torts

In 1979, the American Law Institute issued the fourth volume of the Restatement (Second) of Torts. The sections pertaining to unfair competition, including former Sections 757 and 759 of the original Restatement, were omitted from the Restatement (Second). The reason for the omission was not that the sections in question were in any sense being revoked or repealed, but instead that the subject of trade regulation and unfair competition had grown so large that it was no longer feasible to include the law of unfair competition under the generic heading of "torts." 149

Notwithstanding the fact that Section 759 of the original Restatement was not carried over into the Restatement (Second), the principles expressed in Section 759 continue to be applied by the courts. Many of these post-1979 decisions explicitly refer to Section 759 of the original Restatement, and cite its application with

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146. Id. at 1375.
147. Id.
148. Id. at 1367.
149. RESTATEMENT (SECOND) OF TORTS, preface to Division 9 (1979) (emphasis added).

Introductory Note: In the First Restatement of Torts, Division Nine was entitled Interference with Business Relations and covered Chapters 34 through 38, and §§ 708-816.

Part 1 of the Division covered Interference by Trade Practices and included Chapters 34 (The Privilege to Engage in Business), 35 (Confusion of Source) and 36 (Miscellaneous Trade Practices). The rules relating to liability for harm caused by unfair trade practices developed doctrinally from established principles in the law of Torts, and for this reason the decision was made that it was appropriate to include these legal areas in the Restatement of Torts, despite the fact that the fields of Unfair Competition and Trade Regulation were rapidly developing into independent bodies of law with diminishing reliance upon the traditional principles of Tort law. In the more than 40 years since that decision was initially made, the influence of Tort law has continued to decrease, so that it is now largely of historical interest and the law of Unfair Competition and Trade Regulation is no more dependent upon Tort law than it is on many other general fields of the law and upon broad statutory developments, particularly at the federal level. The Council formally reached the decision that these chapters no longer belong in the Restatement of Torts, and they are omitted from this Second Restatement. If it should be later decided that the law on these subjects ought to be restated, it will be done by separate restatements on the subject involved.

Id.
approval. Likewise, Section 757, which dealt exclusively with trade secrets, has repeatedly been referred to and cited with approval by many courts, including those of Ohio, even though it was not included in the Restatement (Second). And since 1979, other cases have incorporated the concept underlying Section 759 of the Restatement without mentioning it by name.

D. The 1995 Restatement (Third) of the Law of Unfair Competition

As promised by the authors of Restatement (Second), matters relating to trade regulation, including the protection of trade secrets, were relegated to a separate volume that was first published some two decades later. Surprisingly, in view of the increased incidence of industrial espionage over the intervening years, the authors of the Restatement (Third) completely abandoned Section 759 of the

150. See, e.g., Sims v. Mack Truck Co. Inc., 608 F.2d 87, 95 (3d Cir. 1979) ("Restatement § 759 provides that one who for the purpose of advancing a rival business interest procures information—not limited to trade secrets—may be liable for the use of that information."); Jensen Tools, Inc. v. Contact East, Inc., No. 92-10970-Z, 1992 U.S. Dist. LEXIS 14432, at *5 (D. Mass. Sept. 9, 1992) ("Massachusetts law recognizes that a plaintiff may obtain relief from a defendant who wrongfully acquires Plaintiff's confidential information, even if the information fails to qualify for protection as a trade secret."); U.S. Anchor Mfg., Inc. v. Rule Indus., Inc., 717 F. Supp. 1565, 1576 (N.D. Ga. 1989) ("A cause of action for misappropriation of confidential business information exists when [] one who, for the purposes of advancing a rival business interest, procures by improper means information about another's business."); Continental Data Sys., Inc. v. Exxon Corp., No. 84-2538, 1986 U.S. Dist. LEXIS 23490, at *7-8 (E.D. Pa. June 29, 1986) ("It is also true that Pennsylvania law and policy are consistent with the policy which Section 759 seeks to advance: discouraging procurement of business information by industrial espionage, fraudulent misrepresentation or other improper means."); Joseph L. Brooks Mfg. Corp. v. GSC Elecs., Ltd., 215 U.S.P.Q. (BNA) 708, 712 (E.D. Pa. 1982) ("Stated otherwise, the defendants have fraudulently obtained, and exploited for their own benefit, valuable information in violation of a confidential relationship, and thus are liable to the plaintiff. . . . Cf., Restatement Torts, §§ 757, 759 (repealed)"); American Photocopy Equip. Co. of Atlanta v. Henderson, 296 S.E.2d 573, 575 (Ga. 1982) (citing and applying § 759); Durham v. Stand-I-Byst Labor of Georgia, Inc., 198 S.E.2d 145, 149 (Ga. 1973) ("Of course, such information is fully protectable in the absence of contract if procured by improper means or otherwise disclosed without a privilege, as in violation of relationships of confidence. See [sic], Restatement of Torts, §§ 757-759 (1939).""); USM Corp. v. Marson Fastener Corp., 393 N.E.2d 895, 903 (Mass. 1979) (citing § 759 the court stated, "[n]otwithstanding that the court may not claim trade secret protection either because it failed to take reasonable steps to preserve its secrecy or because the information, while confidential, is only "business information," may still be entitled to some relief against one who improperly procures such information. The law puts its imprimatur on fair dealing, good faith and fundamental honesty. Courts condemn conduct which fails to reflect these minimum accepted moral values by penalizing such conduct whenever it occurs.").


152. See, e.g., Diapulse Corp. of America v. Carpa Ltd., No. 78-CTV-3263, 1982 U.S. Dist. LEXIS 17943, at *11 (S.D.N.Y. Jan. 14, 1982) ("There is a strong public policy against industrial espionage, and the law seeks to prevent the wrongdoer from profiting from his misconduct. The most fundamental human right, that of privacy, is threatened when industrial espionage is condoned or is made profitable; the state's interest in denying profit to such illegal adventures is unchallengeable.").

153. On May 11, 1993, the American Law Institute adopted and promulgated the RESTATEMENT (THIRD) OF UNFAIR COMPETITION.
original Restatement. Instead, the authors of the Restatement (Third) explicitly elected to give protection only to information that constitutes a “trade secret.” The Parallel Table contained in the Restatement (Third) directs the reader interested in the treatment of original Restatement Section 759 to Section 41, Comment “e” of the Restatement (Third). 154 In this comment, the authors of the Restatement (Third) attempted to excuse their abandonment of Section 759 of the original Restatement by referring to the “broadened” definition of “trade secret” in Section 39 of the Restatement (Third). That new definition of a “trade secret” states: “A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.” 155 Unfortunately, this definition of “trade secret” completely divests the phrase of its meaning. This is especially true in cases similar to International News, where the information appropriated cannot be said to be “secret” in any sense at all, but is nevertheless valuable to its owner. If information has to be “secret” before it is entitled to protection from misappropriation, then the definition has not been “broadened” enough. If, on the other hand, it is not necessary that the information be “secret” to be protected, then why refer to it as a “trade secret” and why require that it be “sufficiently valuable and secret” to afford a competitive advantage?

The confusion that will be generated by changing the focus from the conduct of the actor to the nature of the misappropriated information is already apparent. In Advance Watch Co., Ltd. v. Kemper National Ins. Co., 156 the United States Court of Appeals for the Sixth Circuit had occasion to acknowledge misappropriation as a species of unfair competition. 157 The court acknowledged that misappropriation of valuable information belonging to a competitor has been acknowledged as a species of unfair competition ever since the Supreme Court’s decision in International

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154. Comment “e” to section 41 states:

c. Breach of confidence as a separate tort. Some courts have recognized liability in tort for the unauthorized disclosure of confidential business information found to be ineligible for protection as a trade secret. In some cases the claim is designated as one for “breach of confidence,” while in others it is described as one for “unfair competition.” Many of these cases rest on a narrow definition of “trade secret” that excludes non-technical information such as customer identities or information that is not subject to continuous, long-term use. Such information is now subsumed under the broader definition of “trade secret” adopted in § 39. In other cases the imposition of liability for breach of confidence may be justified by interests other than the protection of valuable commercial information, such as the interests that prompt recognition of the general duty of loyalty owed by an employee to an employer, see § 42, Comment b, or the special duties of confidence owed in particular relationships such as attorney and client or doctor and patient. However, in the absence of interest justifying broader duties, the plaintiff should be required to demonstrate that the information qualifies for protection as a trade secret under the rule stated in § 39. The recognition of more extensive rights against the use or disclosure of commercial information can restrict access to knowledge that is properly regarded as part of the public domain. Cf. § 9, Comment f.

155. Id. at § 39.
156. 99 F.3d 795 (6th Cir. 1996).
157. Id. at 802.
News. The Sixth Circuit, referring to the Restatement (Third), then made reference to the resulting confusion as to whether non-secret information is still eligible for protection by the tort law doctrine of misappropriation. It stated that "the issue of whether there still exists quasi-property interests which are eligible for protection by a tort-law doctrine of misappropriation . . . is a difficult one."

This ambiguity, to the extent that it exists, can be laid squarely at the feet of the authors of the Restatement (Third). Changing the focus from the conduct of the actor to the nature of the information wrongfully appropriated is certain to result in conflicting, confusing, and inconsistent decisions as to the actionability of misappropriation of a competitor's information using industrial espionage techniques. As a matter of public policy, particularly in light of the increasing use of industrial espionage as a way of doing business, the change in tort law proposed in the Restatement (Third) is, to put it charitably, irresponsible at best.

Another complicating factor is that the definition of "trade secret" found in Comment "c" to Section 759 of the original Restatement is so well ingrained in American jurisprudence that it is unlikely that the broadened definition of "trade secret" found in the Restatement (Third) will receive widespread acceptance. This is particularly true since most states have their own statutory definition of a "trade secret" for the purposes of criminal and/or civil liability for misappropriation. The net result is that the authors of the Restatement (Third) have inexcusably muddied the waters for the appropriate treatment of misappropriation of information that does not qualify as a "trade secret" in the classic sense.

The authors of the original Restatement were correct, in this author's view, in declaring any unethical or illegal appropriation of a competitor's information as constituting the tort of unfair competition without regard to whether the information constituted a "trade secret." Obtaining information by illegal or unethical means such as intrusion, bribery, or computer hacking should be actionable without regard to whether the information thus obtained is "secret." It is the intention and the

158. Id.
159. Id. (citation omitted).
means employed by the actor that are wrongful. The focus should be on the conduct of the actor rather than the character of the property misappropriated.

CONCLUSION

Industrial espionage that results in the appropriation of any information or other property of another by illegal or unethical means is, and should continue to be, considered actionable unfair competition. The authors of the Restatement (Third) have done a tremendous disservice to the practicing bar in failing to include Section 759 of the 1939 Restatement. Fortunately, the courts and legislatures are under no obligation to follow the ill-considered reformulation of unfair competition or the “expanded” definition of a trade secret offered up in the Restatement (Third). They should decline the opportunity to engage in the unnecessary and confusing exercise of expanding the definition of a “trade secret.” Instead, the courts and legislatures should continue to recognize the well-established principle that industrial espionage or other misappropriation of the intellectual or other property of another by wrongful means is actionable as a species of the tort of unfair competition.

161. An excellent example of an appropriate statutory definition of unfair competition is found in the California Unfair Practices Act, which defines unfair competition broadly as “any unlawful, unfair or fraudulent business practice.” CAL. BUS. & PROF. CODE § 17200 (West 1997).