

# ***BURBANK GREASE SERVICES, LLC v. SOKOLOWSKI:*** **FRUSTRATING UNIFORMITY** **IN TRADE SECRET LAW**

*By Sarah Gettings*

Trade secret law, borrowed by American courts from the English courts of equity, has had a long and convoluted history. While Congress has chosen to legislate in the realm of patents and copyrights, it has mostly left the law of trade secrets to the states. Trade secret protection has thus developed, uneven and state-specific, through the common law system of case-by-case adjudication. In 1979, in an effort to unify the confused body of state trade secret common law, the National Conference of Commissioners on Uniform State Laws promulgated the Uniform Trade Secrets Act (UTSA). The UTSA's widespread adoption by state legislatures has provided the crucial first step toward uniformity and certainty in trade secret law.

The Supreme Court of Wisconsin's recent decision in *Burbank Grease Services, LLC v. Sokolowski* frustrates this goal.<sup>1</sup> The UTSA's uniformity provision bolsters certainty and uniformity in trade secret law: it mandates that the UTSA be "applied and construed to effectuate its general purpose."<sup>2</sup> In its interpretation of the Act, the *Burbank* majority disregarded this legislative directive, holding that the UTSA does not preempt common law claims based on confidential, but not "trade secret," information. This Note argues that the court's holding is misguided both as a matter of statutory interpretation and as a matter of policy.

Part I provides a background and history of trade secret law, from its common law roots to the Uniform Trade Secrets Act. Part II provides the facts and procedural posture of *Burbank* and outlines the reasoning of the majority and dissent. Part III discusses the legislative directive of the Uniform Trade Secrets Act, codified in the uniformity clause, and how that directive informs an analysis of the UTSA preemption provision.

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1. 717 N.W.2d 781 (Wis. 2006).

2. UNIF. TRADE SECRETS ACT § 8 (1985).

## I. BACKGROUND

### A. What is a Trade Secret?

A trade secret is an unusual commodity,<sup>3</sup> deriving its value not primarily from its inherent nature, usefulness, or advanced development, but rather from its secrecy.<sup>4</sup> In short, a trade secret is information not generally known or accessible that gives its owner a competitive advantage in the market.<sup>5</sup> Trade secret protection, developed under common law and justified alternatively under theories of contract, tort, and property, guards not the use of an idea but instead its disclosure.<sup>6</sup>

Legal protection for trade secrets, unlike that for patents and copyrights, is non-exclusive and potentially infinite in duration. Multiple people, even independent, competing innovators, may be entitled to trade secret protection over the same idea or information at the same time.<sup>7</sup> A trade secret owner may enforce his ownership rights against those who breach a confidential relationship or otherwise acquire his secret through improper means,<sup>8</sup> yet he has no rights against competitors who obtain his secret through independent research or reverse engineering.<sup>9</sup> Provided that the trade secret retains its commercial value and, of course, remains a secret, trade secret protection can continue indefinitely.<sup>10</sup> Once the secret is disclosed, however, all trade secrets rights are extinguished.

There is no general federal law for trade secrets. Rather, states have traditionally provided for trade secret protection.<sup>11</sup> Trade secret law has become a valuable supplement to federal intellectual property law, protecting and providing incentives for investment in unpatentable inventions and

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3. See Paul A. David, *Intellectual Property Institutions and the Panda's Thumb: Patents, Copyrights, and Trade Secrets in Economic Theory and History*, in 3 *THE ECONOMICS OF INTELLECTUAL PROPERTY* 248 (Ruth Towse & Rudi Holzhauer eds., 2002) (discussing knowledge as a commodity, which "as a pure capital good yielding a stream of material benefits when combined with other kinds of assets, possesses an intrinsic value").

4. 1-1 MILGRIM ON TRADE SECRETS § 1.03 (2006).

5. See UNIF. TRADE SECRETS ACT § 1(4)(i) (1985).

6. 1-2 MILGRIM, *supra* note 4, § 2.01.

7. See 1-1 *id.* § 1.01.

8. See 1-3 *id.* § 3.03.

9. 1-1 *id.* § 1.03; see, e.g., *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160-62 (1989).

10. 1-1 MILGRIM, *supra* note 4, § 1.03.

11. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974) ("Congress, by its silence over these many years, has seen the wisdom of allowing the States to enforce trade secret protection.").

noncopyrightable works.<sup>12</sup> Unlike patents, trade secrets are immediate and, until litigation, free from bureaucratic delay.<sup>13</sup> Trade secret rights may be set by agreement or simply by the conduct of interested parties. Further, trade secrets need not meet the stringent novelty and nonobviousness requirements of patent law nor the originality and fixation requirements of copyright law.<sup>14</sup> Given the growing complexities of modern research efforts, protection of trade secrets remains crucial during intermediate steps in the research process, where seeking a patent would often prove difficult, if not impossible. Trade secret rights in this context encourage innovation and may provide the requisite protection for the development of more complex, research-intensive patents.<sup>15</sup>

### **B. History of Trade Secret Law: From Common Law to the *Restatement of Torts***

While some scholars argue that confidential business information was protected even under Roman law,<sup>16</sup> American trade secret protection grew directly out of the common law of England's courts of equity.<sup>17</sup> Early English trade secret decisions revolved primarily around the misappropriation of medicinal recipes.<sup>18</sup> Later, in the wake of the Industrial Revolution, English courts noted the value of know-how and the problems inherent in employee mobility and began to recognize the importance of enforcing

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12. J.H. Reichman, *Legal Hybrids Between the Patent and Copyright Paradigms*, 94 COLUM. L. REV. 2432, 2438 (1994) ("Legal theorists have particularly underestimated the important role of trade secret laws . . . in mediating between formal intellectual property regimes and free competition.").

13. MELVIN F. JAGER, TRADE SECRETS LAW § 1:1 (2006).

14. 1-1 MILGRIM, *supra* note 4, § 1.08.

15. *Kewanee Oil*, 416 U.S. at 485 ("Trade secret law will encourage invention in areas where patent law does not reach, and will prompt the independent innovator to proceed with the discovery and exploitation of his invention."); Steven N.S. Cheung, *Property Rights in Trade Secrets*, in 3 THE ECONOMICS OF INTELLECTUAL PROPERTY 225 (Ruth Towse & Rudi Holzhauer eds., 2002) ("Failure to protect [] emerging discoveries may jeopardize the advancement of socially valuable patents.").

16. *See, e.g.*, A. Arthur Schiller, *Trade Secrets and Roman Law: The Actio Servi Corrupti*, 30 COLUM. L. REV. 837, 844 (1930) (arguing that while *actio servi corrupti*, the action for corrupting a slave, was "undoubtedly conceived with no commercial aspects in mind," it had applications for unfair competition when brought against third parties who induced slaves to disclose their masters' confidential business secrets).

17. JAGER, *supra* note 13, § 2:3.

18. *Id.* § 2:2 ("The pressing issue of the day in Britain, at least according to the early trade secret decisions, was the misappropriation of the secret recipes for 'patent' medicines.").

duties of confidentiality, both express and implied.<sup>19</sup> The courts' stated justifications for trade secret protection thus expanded from principles of property law to contract law and duties of confidence and trust.<sup>20</sup>

In developing their own body of precedent, American courts drew on English common law principles to delineate the bounds of trade secret protection.<sup>21</sup> American courts, along with their English counterparts, began to recognize a duty of confidence even in the absence of an express promise, and trade secret protection thus became a legal hybrid embodying principles of property, contract, and tort law.<sup>22</sup> As trade secret law continued to develop piecemeal, states began to develop separate, and often conflicting, bodies of law.<sup>23</sup> While some courts emphasized the property justification for trade secret protection, others emphasized the tort theory, focusing on the confidential relationship or implied contractual duty implicated by the act of misappropriation more than on the property right granted by trade secret protection.<sup>24</sup>

There were a number of practical implications descending from the particular theory of trade secret to which a jurisdiction subscribed, one of which was evidentiary. Under the tort theory, a plaintiff would have to prove that the defendant acquired his trade secret through a wrongful act.<sup>25</sup> The evidentiary value of the owner's precautions thus would go to proving the wrongfulness of the act: the more precautionary measures that the owner took, the more likely the defendant acquired the secret through wrongful means.<sup>26</sup> Under the property theory, however, the owner's precautions would go instead to proving that the secret had value.<sup>27</sup> As courts' views on the underlying theoretical basis for trade secret protection diverged, so too did the states' trade secret laws.

It was clear by 1938, in the wake of the Supreme Court's decision in *Erie Railroad v. Tompkins*, that uniformity in trade secret protection could not reside in the general federal common law.<sup>28</sup> Federal and state courts were bound by the substantive law of the states. Common law trade secret

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19. JERRY COHEN & ALAN S. GUTTERMAN, TRADE SECRETS PROTECTION AND EXPLOITATION 5-6 (2000).

20. *Id.* at 6.

21. JAGER, *supra* note 13, § 2:3.

22. *See id.*

23. *Id.*

24. *Id.* § 1:3.

25. *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, 925 F.2d 174, 178-79 (7th Cir. 1991).

26. *Id.*

27. *Id.* at 179.

28. *See Erie R.R. v. Tompkins*, 304 U.S. 64 (1938).

protection varied widely on a state-by-state basis, and this lack of uniformity led some to seek unification of trade secret law. The American Law Institute (ALI) recognized the need for a uniform and coherent body of trade secret law.<sup>29</sup> In 1939, the ALI published the first *Restatement of Torts*.<sup>30</sup> In it, the ALI hoped to synthesize and clarify the divergent common law theories of trade secret misappropriation.<sup>31</sup> In the *Restatement*, the ALI advanced the tort theory of trade secret law,<sup>32</sup> unifying the theoretical basis for trade secret protection. The *Restatement* provided the most thorough definition of a trade secret at the time, a definition that was well-received and widely cited by courts across the country.<sup>33</sup> The *Restatement's* approach became, in effect, “the bedrock of modern trade secret law.”<sup>34</sup>

However, despite its widespread use in the courts, the *Restatement* failed to unify state trade secret common law. Three factors prevented it from providing adequate guidance to the courts.<sup>35</sup> First, the *Restatement* was not binding authority and thus depended on the courts for its adoption.<sup>36</sup> Courts could accept or reject the *Restatement's* approach entirely or in part, as the *Restatement* was intended to preserve the common law system of case-by-case adjudication.<sup>37</sup> Second, while courts widely cited to principles in the *Restatement*, they often reached vastly different results in interpreting them.<sup>38</sup> For example, many states cited to the *Restatement* when determining what information rose to the level of a “trade secret,” yet courts often used different sets of mandatory factors in their analysis.<sup>39</sup>

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29. The ALI was founded in 1923 to “promote the clarification and simplification of the law” by “the production of a clear accurate statement of the common law in its various branches.” AMERICAN LAW INSTITUTE, THE RESTATEMENT IN THE COURTS 8 (1937) [hereinafter THE RESTATEMENT IN THE COURTS].

30. RESTATEMENT OF TORTS (1939).

31. JAMES POOLEY, TRADE SECRETS § 2:3 (2006).

32. RESTATEMENT OF TORTS § 757 cmt. a (1939) (“The suggestion that one has a right to exclude others from the use of his trade secret because he has a right of property in the idea has been frequently advanced and rejected.”).

33. *Id.* § 757 cmt. b; 1-1 MILGRIM, *supra* note 4, § 1.01[1].

34. POOLEY, *supra* note 31, § 2.02[1].

35. See Ramon A. Klitzke, *The Uniform Trade Secrets Act*, 64 MARQ. L. REV. 277, 282-84 (1980).

36. THE RESTATEMENT IN THE COURTS, *supra* note 29, at 9 (“The Restatement is not intended for adoption by legislatures as a code.”).

37. *Id.*

38. Klitzke, *supra* note 35, at 283.

39. In addition to offering a broad definition of a “trade secret,” comment b of the *Restatement* provided six factors to consider in determining what information constituted a trade secret. RESTATEMENT OF TORTS § 757 cmt. b (1939). Some courts address all six *Restatement* factors, others look to only three or four. Brandon B. Cate, Note, Saforo &

Third, the *Restatement* left certain procedural and remedial determinations under trade secret misappropriation unclear and failed to address others entirely.<sup>40</sup> The *Restatement* gave only cursory reference to possible remedies and courts widely disagreed over the appropriate measure of damages for misappropriation.<sup>41</sup> The statute of limitations for trade secret actions was left completely to courts' discretion;<sup>42</sup> courts applied different limitations periods in different jurisdictions.<sup>43</sup> More importantly, courts differed as to when the statute of limitations began to toll.<sup>44</sup> Some courts viewed a trade secret cause of action as commencing when the trade secret was first misappropriated, disclosed, or used.<sup>45</sup> Others viewed each new use of a trade secret as a new tort that gave rise to a new cause of action with its own limitations period.<sup>46</sup>

### C. The Uniform Trade Secrets Act

Trade secret law developed unevenly among the states, with economic centers developing convoluted bodies of common law and agricultural states developing little case law of their own.<sup>47</sup> In 1966, the Patent Section of the American Bar Association discussed a resolution supporting the enactment of a uniform state law on trade secrets.<sup>48</sup> The resolution was unsuccessful, yet it marked the recognition among the legal community that trade secret protection was state-specific, uneven, and in need of uniformity. In 1968, the Executive Committee of the National Conference of Commissioners on Uniform State Laws (NCCUSL) voted to appoint a Special Committee to investigate the drafting of a uniform act on trade secrets.<sup>49</sup> Recognizing that a statutory solution was essential to the syste-

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*Assocs., Inc. v. Porocel Corp.: The Failure of the Uniform Trade Secrets Act to Clarify the Doubtful and Confused Status of Common Law Trade Secret Principles*, 53 ARK. L. REV. 687, 711 (2000).

40. Klitzke, *supra* note 35, at 283.

41. *See, e.g.*, *Telex Corp. v. Int'l Bus. Machs. Corp.*, 510 F.2d 894, 930 (10th Cir. 1975) (“[U]nfortunately the general law as to the proper measure of damages in a trade secrets case is far from uniform.”).

42. Klitzke, *supra* note 35, at 283 n.33.

43. *See, e.g.*, *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288 (9th Cir. 1969) (applying two-year statute of limitations); *Underwater Storage, Inc. v. U.S. Rubber Co.*, 371 F.2d 950 (D.C. Cir. 1966) (applying three-year statute of limitations).

44. *See M & T Chems., Inc. v. IBM*, 403 F. Supp. 1145, 1148 (S.D.N.Y. 1975).

45. *See, e.g.*, *Monolith Portland Midwest*, 407 F.2d at 301.

46. *See, e.g.*, *Underwater Storage*, 371 F.2d at 963.

47. UNIF. TRADE SECRETS ACT, Prefatory Note (1985).

48. *Id.*

49. *Id.*

matic and predictable treatment of trade secrets, the Committee drafted the Uniform Trade Secrets Act.

When the ALI published the *Restatement (Second) of Torts* in 1979, it omitted trade secrets, believing that the influence of tort law on misappropriation was “largely of historical interest.”<sup>50</sup> “[T]he law of Unfair Competition and Trade Regulation,” the ALI stated, “is no more dependent upon Tort law than it is on many other general fields of the law.”<sup>51</sup> The *Restatement (Second) of Torts* thus abandoned trade secrets and left courts with no uniform guidance on how to resolve the interpretive and practical problems that arose in the application of the first *Restatement*.

NCCUSL approved the Uniform Trade Secrets Act in 1979, with minor amendments in 1985.<sup>52</sup> Forty-five states, the District of Columbia, and the Virgin Islands have adopted the UTSA, either in its original or amended form, or in some variation.<sup>53</sup> In the UTSA’s prefatory note, the Commissioners described the need for a uniform law,<sup>54</sup> citing both to the ALI’s abandonment of trade secret misappropriation in the *Restatement (Second) of Torts* and to the “confused” status of state common law on trade secrets.<sup>55</sup> The contribution of the UTSA was a “substitution of unitary definitions of trade secret and trade secret misappropriation” and a uni-

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50. RESTATEMENT (SECOND) OF TORTS, Division Nine, Introductory Note (1979).

51. *Id.*

52. UNIF. TRADE SECRETS ACT (1985).

53. UNIF. TRADE SECRETS ACT ANN. (West 2007). Five states—New York, Massachusetts, New Jersey, Texas, and Wyoming—do not follow any version of the UTSA. *Id.* Legal scholars, recognizing the disadvantages that non-UTSA states face in providing clear, uniform, and predictable trade secret protection, have proposed statutory reform modeled after the Uniform Trade Secrets Act. *See, e.g.,* Michael J. Hutter, *The Case for Adoption of a Uniform Trade Secrets Act in New York*, 10 ALB. L.J. SCI. & TECH. 1, 8 (1999) (arguing that without comprehensive UTSA-informed trade secrets legislation, “New York will be at a distinct disadvantage relative to the 45 other jurisdictions when providing a hospitable economic climate for firms and entrepreneurs”). The widespread acceptance of the Uniform Trade Secrets Act by state legislatures may suggest that uniformity in trade secret law is economically efficient. Larry E. Ribstein & Bruce H. Kobayashi, *An Economic Analysis of Uniform State Laws*, 25 J. LEGAL STUD. 131 (1996) (finding that “states efficiently sort between NCCUSL proposals in that they tend to adopt these proposals in which a cost-benefit analysis suggests that uniformity is efficient”).

54. Some legal scholars contend that national uniformity of trade secret protection can only be achieved through comprehensive federal legislation. *See, e.g.,* Rebel J. Pace, *The Case for a Federal Trade Secrets Act*, 8 HARV. J.L. & TECH. 427 (1995). For a general review of how state legislatures have deviated from the Act, see Linda B. Samuels & Bryan K. Johnson, *The Uniform Trade Secrets Act: The States’ Response*, 24 CREIGHTON L. REV. 49 (1990).

55. UNIF. TRADE SECRETS ACT, Prefatory Note (1985).

fied statute of limitations “for the various property, quasi-contractual, and violation of fiduciary relationship theories of non-contractual liability utilized at common law.”<sup>56</sup>

The UTSA cured a number of defects in the *Restatement*. First, it was a legislative enactment and thus served as binding authority on the courts. Second, it settled some remedial and procedural issues left open by the *Restatement*. It more clearly outlined the available remedies for misappropriation<sup>57</sup> and explicitly provided a statute of limitations for trade secret actions.<sup>58</sup> The UTSA signaled a move toward the property theory and away from the tort theory of trade secret protection. A cause of action for misappropriation under the UTSA arises only once: when the misappropriation was discovered or should have been discovered by reasonable diligence.<sup>59</sup> Unlike a tort, “a continuing misappropriation constitutes a single claim.”<sup>60</sup>

The goal of the UTSA was uniformity. Central to this goal were two key provisions of the Act, one that provided for uniformity of application and another that displaced conflicting common law claims.

### 1. *The Uniformity Provision*

Section 8 of the UTSA provides that the Act “shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this [Act] among states enacting it.”<sup>61</sup> Of all of the UTSA’s provisions, the uniformity provision has been least subject to alteration.<sup>62</sup> Only three of the forty-five states adopting the UTSA chose not to adopt the provision; the remaining forty-two states adopted the provision without substantial modification.<sup>63</sup>

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56. *Id.*

57. *Id.* §§ 2-3. Comment e to the *Restatement* stated that four remedies should be available in the appropriate circumstances. RESTATEMENT OF TORTS § 757 cmt. e (1939). However, the *Restatement* did not specify what circumstances would trigger specific remedies. *See id.*

58. UNIF. TRADE SECRETS ACT § 6 (1985).

59. *Id.*

60. *Id.*

61. The uniformity provision was unchanged between the original (1979) and the amended (1985) Act. UNIF. TRADE SECRETS ACT § 8 (1985).

62. *See generally* BRIAN M. MALSBERGER, TRADE SECRETS: A STATE-BY-STATE SURVEY (2006).

63. Neither the Arizona nor the South Carolina statute incorporates the uniformity provision. *Id.* Pennsylvania’s version of the UTSA also lacks the uniformity provision. 12 PA. CONS. STAT. §§ 5301-5308 (2004).

## 2. *The Preemption Provision*

Section 7 provides that the UTSA “displaces conflicting tort, restitutionary, and other law providing civil remedies for misappropriation of a trade secret.”<sup>64</sup> Exempt from displacement by the UTSA are civil remedies not based upon trade secret misappropriation and contractual and criminal remedies “whether or not based upon misappropriation of a trade secret.”<sup>65</sup> All states adopting the UTSA have incorporated the preemption clause in some form. Some states have made insubstantial modifications, such as exempting public disclosures or exempting an individual’s duty to disclose information when expressly required by law.<sup>66</sup>

## II. *BURBANK GREASE*

The Wisconsin legislature adopted the amended version of the Uniform Trade Secrets Act (WUTSA) in 1985.<sup>67</sup> The legislature codified section 7 and section 8 of the UTSA, the preemption and uniformity clauses, without substantial modification in section 134.90(6) and section 134.90(7) of the Wisconsin Statutes.<sup>68</sup>

### A. *Facts & Procedural Posture*

Burbank Grease Services, LLC (“Burbank”) collected and processed used restaurant fry grease, trap grease, and industrial grease.<sup>69</sup> Larry Sokolowski worked at Burbank for over three years, resigning in April of 2001.<sup>70</sup> At the time of his resignation, Sokolowski had reached the level of “procurement/territory manager,” a position in which he oversaw sales, handled customer relations, and compiled sales data for Burbank’s accountant.<sup>71</sup> After resigning from Burbank, Sokolowski began working for United Liquid, a waste hauling service for industrial, municipal, and commercial clients.<sup>72</sup> In October of 2001, Sokolowski and United Liquid

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64. UNIF. TRADE SECRETS ACT § 7(a) (1985).

65. *Id.* § 7(b). The preemption provision was substantially changed by the 1985 amendments to the UTSA. Prior to the amendments, UTSA preemption did not affect criminal or contractual liability not based upon trade secret misappropriation. POOLEY, *supra* note 31, § 2.03[6]. The amendments expanded the exemption to include criminal or contractual remedies “whether or not” based upon trade secret misappropriation. *Id.*

66. *See generally* MALSBERGER, *supra* note 62.

67. WIS. STAT. ANN. § 134.90 (West 2007).

68. *Id.* § 134.90(6)-(7).

69. Burbank Grease Servs., LLC v. Sokolowski, 693 N.W.2d 89, 91 (Wis. Ct. App. 2005).

70. *Id.*

71. *Id.*

72. *Id.* at 92.

formed United Grease, which began collecting and processing fry grease, trap grease, and industrial grease in direct competition with Burbank.<sup>73</sup>

According to Sokolowski, sometime after United Grease was formed, he realized that he still possessed paper and digital copies of Burbank's customer information, including a customer list with contact and pricing information, a spreadsheet of Burbank's industrial clients, and a spreadsheet of Burbank's customers organized by driver route.<sup>74</sup> Sokolowski testified that he entered Burbank's customer information into United Liquid's computer system and that he used the industrial client spreadsheet to solicit industrial customers for United Grease.<sup>75</sup> Sokolowski estimated that United Grease acquired 80 fry grease customers, almost all of which were former Burbank customers, 157 grease trap customers, almost half of which were former Burbank customers, and one or two of Burbank's former industrial customers.<sup>76</sup>

When it realized that Sokolowski was soliciting its customers, Burbank brought suit, alleging that Sokolowski misappropriated Burbank's trade secrets, that Sokolowski breached his fiduciary duty to Burbank, and that United Grease and United Liquid aided and abetted Sokolowski's breach of his fiduciary duty.<sup>77</sup> The trial court granted the defendants' motion for summary judgment, concluding that the customer information at issue did not constitute a trade secret: the information was generally known and readily ascertainable and, alternatively, Burbank did not take reasonable efforts to maintain the secrecy of the information.<sup>78</sup> Further, the trial court ruled that Burbank's breach of fiduciary duty claims against Sokolowski were preempted by the Wisconsin Uniform Trade Secrets Act.<sup>79</sup>

The Court of Appeals affirmed the trial court's ruling that the information at issue was not a trade secret: it did not meet the statutory definition, because it was readily ascertainable by proper means.<sup>80</sup> The Court of Appeals also affirmed the trial court in holding that the breach of fiduciary duty claims were preempted by the WUTSA. The court reasoned that "the

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73. *Id.*

74. *Id.*

75. *Id.* at 92-93.

76. *Id.*

77. *Id.*

78. *Id.* at 93.

79. *Id.*

80. *Id.* at 97 (finding that the pricing information at issue was not a trade secret because "[t]here is no evidence that Burbank's prices are based on information not known to the customers.").

majority of cases in other jurisdictions addressing this issue have decided that such claims are preempted” and that the purpose of the preemption provision was “to preserve a single tort action under state law.”<sup>81</sup> Burbank appealed the court’s decision on the fiduciary claim, and the Supreme Court of Wisconsin selected the case for review.

## B. Supreme Court of Wisconsin: The Majority

As the Supreme Court of Wisconsin framed the issue, the question before the court was whether the WUTSA preempted civil claims that were based on the misappropriation of confidential, but not “trade secret,” information.<sup>82</sup> That is, are claims based on confidential information that does not meet the statutory definition of a trade secret preempted by the WUTSA?<sup>83</sup>

In analyzing the issue of preemption, the court first turned to the text of the statute, focusing its attention on the UTSA preemption provision codified in section 134.90(6)<sup>84</sup> of the Wisconsin Statutes. Interpreting the statute from a “plain language” interpretive posture, the court focused its analysis on the term “trade secret.”<sup>85</sup> A “trade secret,” the court reasoned, is defined under the Act; therefore, the plain language of the preemption provision authorizes the WUTSA to displace only those civil claims based on the misappropriation of a statutorily-defined trade secret.<sup>86</sup> Further, the court reasoned, the dictionary definition of “any” bolsters such a plain language interpretation: “‘Any’ is a very broad term. Accordingly, we conclude that its use [in section 134.90(6)(b)2] evinces a broad range of

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81. *Id.* at 98.

82. Whether the information qualified as a trade secret was not at issue before the Wisconsin Supreme Court because Burbank did not appeal on that point. *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 788 (Wis. 2006).

83. *Id.* at 785.

84. Section 134.90(6) states:

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

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

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

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

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

WIS. STAT. ANN. § 134.90(6) (West 2007).

85. *Burbank*, 717 N.W.2d at 789.

86. *Id.*

civil remedies that are not precluded by paragraph (6)(a).<sup>87</sup> The majority thus determined that section 134.90(6)(b)2 exempts from preemption all remaining civil remedies for the protection of confidential information.<sup>88</sup> This, the court stated, is the only reasonable interpretation of the statute.<sup>89</sup>

The court then turned to the WUTSA uniformity clause.<sup>90</sup> The court concluded that according to its analysis of the preemption clause, particularly section 134.90(6)(b)2 and the “plain meaning” of uniformity clause itself, the uniformity provision related only to misappropriation of statutorily-defined trade secrets.<sup>91</sup> This reading of the uniformity clause promoted the Act’s goal of uniformity because “the statutory definition of a trade secret is made uniform throughout the states [enacting UTSA].”<sup>92</sup>

Confident in its statutory analysis, the court cited legislative history to “confirm a plain-meaning interpretation.”<sup>93</sup> Quoting a Staff Brief of the Special Committee on the UTSA that summarized the Commissioners’ comments, the court stated that the UTSA was not enacted to be an “exclusive remedy.”<sup>94</sup> Further, while cases from other jurisdictions may be useful as “extrinsic sources,” they “cannot substitute for [the court’s own] construction of the relevant Wisconsin statute.” The court concluded that its review of the legislative history of the Act and of the relevant case law of other jurisdictions supported its plain language interpretation.<sup>95</sup>

### C. Supreme Court of Wisconsin: The Dissent

In their dissent, Justices Bradley and Abrahamson criticized the majority for its narrow statutory interpretation.<sup>96</sup> “This court,” the dissent announced, “is not interpreting [the WUTSA] in a vacuum . . . . What is remarkable about the majority opinion is its disregard of the legislative directive that [WUTSA] be interpreted to ‘make uniform the law relating to misappropriation of trade secrets among the states.’”<sup>97</sup> The dissent con-

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87. *Id.*

88. *Id.*

89. *Id.* at 791.

90. Section 134.90(7) states: “*Uniformity of application and construction.* This section shall be applied and construed to make uniform the law relating to misappropriation of trade secrets among states enacting substantially identical laws.” WIS. STAT. ANN. § 134.90(7) (West 2007).

91. *Burbank*, 717 N.W.2d at 790.

92. *Id.*

93. *Id.* at 791.

94. *Id.*

95. *Id.* at 793.

96. *Id.* at 798 (Bradley, J. dissenting).

97. *Id.* at 798-99.

cluded that while the majority listed preemption cases from other jurisdictions in support of its plain-meaning interpretation, such a listing is “no substitute for the mandated uniformity analysis.”<sup>98</sup>

The dissent noted that an essential goal of the UTSA is to unify trade secret law in the states adopting it.<sup>99</sup> Agreeing with the court of appeals, the dissent determined that the majority’s reasoning would effectively render the preemption provision meaningless and would undermine the uniformity and clarity of the Act by allowing for the continued vitality of the varied common law claims for unauthorized use of confidential information.<sup>100</sup>

### III. ANALYSIS

This Note argues that the *Burbank* court’s understanding of the WUTSA preemption and uniformity provisions contradicts a “plain language” interpretation of the UTSA and is misguided as a matter of policy. The UTSA’s uniformity provision acts as a legislative directive, mandating that courts take into account the interpretations of other jurisdictions. Preemption of common law claims necessarily entails the application of the Act as a whole. Given the varied state common law claims for protection of confidential information, UTSA preemption is essential to the uniform application of the Act.

#### A. “Plain Meaning” Interpretation

A statute is not merely a random combination of words and phrases. A legislative enactment has an objective: to remedy a perceived defect in the law.<sup>101</sup> Thus, for a statute to make sense, it must be interpreted in light of its purpose.<sup>102</sup> “A statute merely declaring a rule, with no purpose or objective, is nonsense.”<sup>103</sup> Likewise, a court construing a legislative enactment without recognizing its clear and stated purpose is terribly, and dangerously, misguided.

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98. *Id.* at 799.

99. *Id.*

100. *Id.* at 800.

101. See Harold P. Southerland, *Theory and Reality in Statutory Interpretation*, 15 ST. THOMAS L. REV. 1, 21 (2002).

102. See Karl N. Llewellyn, *Remarks on the Theory of Appellate Decision and the Rules or Canons About How Statutes Are to be Construed*, 3 VAND. L. REV. 395, 402-406 (1950). Karl Llewellyn was the principal draftsman of the Uniform Commercial Code, acting as Chief Reporter for the Code from its inception in 1940 until his death in 1962. John M. Breen, *Statutory Interpretation and the Lessons of Llewellyn*, 33 LOY. L.A. L. REV. 263, 267-68 (2000).

103. Llewellyn, *supra* note 102, at 402-406.

Wisconsin courts follow a “statutory meaning,” or “plain language,” approach to statutory interpretation.<sup>104</sup> A court interpreting a Wisconsin statute must give the enacted language “its common, ordinary, and accepted meaning.”<sup>105</sup> Extrinsic evidence of legislative intent is relevant only if the text itself is unclear.<sup>106</sup> As Justice Holmes famously summarized, under a statutory meaning interpretive posture, “[w]e do not inquire what the legislature meant; we ask only what the statute means.”<sup>107</sup> Yet the statutory language cannot be interpreted alone. Rather, the language of the statute must be “interpreted in the context in which it is used; not in isolation but as part of a whole.”<sup>108</sup>

The objective of the Uniform Trade Secrets Act—namely, uniformity—is clear from its very title. Moreover, one finds the UTSA’s purpose in the text of its uniformity provision, which states that the UTSA “shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this [Act] among states enacting it.”<sup>109</sup> The plain language of the UTSA directs that all of its provisions, including the preemption provision, be applied and construed to promote uniformity. Uniformity is not merely *one* goal of the UTSA draftsmen, rather it is the *principal* goal. Each UTSA state, in enacting the uniformity clause, endorsed this primary purpose. The uniformity clause thus serves as a legislative directive mandating that courts promote uniformity across jurisdictions in their interpretations of the UTSA.<sup>110</sup> Notably, only three of

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104. *State ex rel. Kalal v. Circuit Court for Dane County*, 681 N.W.2d 110, 123-24 (Wis. 2004).

105. *Id.* at 124.

106. *Id.*

107. Oliver Wendell Holmes, *The Theory of Legal Interpretation*, 12 HARV. L. REV. 417, 419 (1898-99). A number of considerations support a “plain language” interpretive posture. Cass R. Sunstein, *Interpreting Statutes in the Regulatory State*, 103 HARV. L. REV. 405, 416 (1989). Restricting courts to the language of the statute curbs unconstitutional judicial legislating. *Id.* Legislators enacted the statutory text, not statutory intent, through the constitutional legislative process. A focus on the text incentivizes legislators to be cautious and clear when wording a statute, as “[i]t is the enacted law, not the unenacted intent, that is binding on the public.” *Kalal*, 681 N.W.2d at 124. Statutes with clear and simple language ensure that citizens understand the law and can alter their behavior in accordance with it. Sunstein, *supra* at 416.

108. *Kalal*, 681 N.W.2d at 124.

109. UNIF. TRADE SECRETS ACT § 8 (1985). While the WUTSA uniformity provision states that “[t]his *section* shall be applied and construed . . .” (emphasis added) and replaces “the subject of this [Act]” with “misappropriation of trade secrets,” these insubstantial deviations from the UTSA language have no effect on the practical application of the provision. WIS. STAT. ANN. § 134.90(7) (West 2007).

110. Steve Borgman, *The Adoption of the Uniform Trade Secrets Act: How Uniform is Uniform?*, 27 IDEA 73, 118 (1987) (“Certainly, in those states in which section eight

the forty-five states adopting the UTSA chose not to adopt the uniformity provision.<sup>111</sup>

Under this legislative directive, other courts' interpretations of the UTSA are not merely "useful extrinsic sources," as the *Burbank* majority claimed, but rather an integral component of the analysis.<sup>112</sup> In order to advance uniformity, courts' interpretations of the UTSA must necessarily entail an understanding of the UTSA's interpretive landscape. Simply put, a court cannot promote uniformity without viewing each UTSA case within a larger context. The plain language of the uniformity provision directs courts to consider the issue of uniformity prior to interpreting any other terms or provisions of the Act.

Courts have often turned to other states' construction of the UTSA to guide statutory interpretation.<sup>113</sup> Just four years before *Burbank Grease*, the Supreme Court of Wisconsin explicitly recognized the persuasive authority of other UTSA jurisdictions in *World Wide Prosthetic Supply, Inc. v. Mikulsky*.<sup>114</sup> Faced with interpreting the WUTSA phrase "actual loss," the court looked to the case law of other jurisdictions "for guidance."<sup>115</sup> The court's analysis relied heavily on a Seventh Circuit case, *Micro Data Base Systems, Inc. v. Dharma Systems, Inc.*<sup>116</sup> Recognizing that the provision at issue in *Micro Data*, a provision of the New Hampshire UTSA, was "materially the same" as the corresponding WUTSA provision, the court reasoned that, "[c]ourts are to construe the Uniform Act's provisions to make uniform the law among the states, and thus, *Micro Data* is highly persuasive."<sup>117</sup>

Yet while courts often look to the decisions of other UTSA states when interpreting a provision of the UTSA, they present the jurisdictional analysis as a matter of judicial discretion. In *Burbank*, a mere four years after *World Wide Prosthetic*, the Supreme Court of Wisconsin stated that other interpretations of the UTSA serve merely as "useful extrinsic

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has been enacted, the courts appear to be *directed* to apply and construe the Act so as to make uniform the law with respect to trade secrets.").

111. *Supra* text accompanying note 53.

112. *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 792 (Wis. 2006).

113. *See, e.g., Catalyst & Chem. Servs. Inc. v. Global Ground Support*, 350 F. Supp. 2d 1, 7 (D.D.C. 2004) ("[I]t is appropriate to consider how the courts in those states have interpreted their states' trade secret acts when interpreting the D.C. trade secrets statute."); *Dicks v. Jensen*, 768 A.2d 1279, 1282 (Vt. 2001) ("Thus, in interpreting [the Vermont UTSA] we draw from the decisions of our sister states.").

114. 640 N.W.2d 764 (Wis. 2002).

115. *Id.* at 767.

116. 148 F.3d 649 (7th Cir. 1998).

117. *World Wide Prosthetic*, 640 N.W.2d at 768 (citations omitted).

sources to assist in statutory construction, *if required*.”<sup>118</sup> The *Burbank* majority is dangerously misguided. In enacting the uniformity provision, the Wisconsin legislature explicitly endorsed the UTSA’s goal of uniformity. Indeed, the plain language of the WUTSA’s uniformity clause *directs* the court to conduct a uniformity analysis. This analysis necessarily entails a review of the relevant UTSA case law and an examination of alternative statutory interpretations and the effect of each interpretation on the UTSA’s goal of uniformity.

### **B. Advancing Uniformity Through Preemption**

The importance of uniformity in trade secret protection has grown in parallel with the rise of interstate commerce.<sup>119</sup> State trade secret laws have the potential to create significant interstate externalities, making multi-state transactions unnecessarily complex.<sup>120</sup> Without uniformity, plaintiffs are free to forum-shop and subject defendants to strikingly different substantive trade secret laws. Uniformity allows businesses to predict litigation and act rationally.<sup>121</sup> Without a reliable guide as to what information is protected under the law, businesses are unable to make efficient investments in innovation. Widespread adoption of the UTSA is the first step toward uniformity. Uniformity of application is the next necessary and logical step.

The *Burbank* majority claimed that its construction of the Act was “in accord with the promotion of uniformity” because “the statutory definition of a trade secret is made uniform throughout the states enacting a version of the Uniform Trade Secrets Act (UTSA), and our application of that definition has been in accord with other UTSA jurisdictions.”<sup>122</sup> The court’s statement belies the severity of its misinterpretation of the UTSA’s purpose. The objective of the UTSA, as embodied in the uniformity clause, which guarantees “[u]niformity of application and construction,” is uniform application of the Act as a whole. A unitary definition of “trade secret” is merely one application of the UTSA.

Judges interpreting the UTSA will generally promote uniformity simply by sharing a uniform interpretation of the Act across jurisdictions. With most provisions of the UTSA, uniformity relies not on the substance of the

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118. *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 792 (Wis. 2006) (emphasis added).

119. For a discussion of the economic costs and benefits of uniform laws, see Ribstein & Kobayashi, *supra* note 53.

120. See POOLEY, *supra* note 31, § 2.03[7][c].

121. Ribstein & Kobayashi, *supra* note 53, at 138-40.

122. *Burbank*, 717 N.W.2d at 790.

interpretation but merely on the consistency of its application by the courts. An interpretation of a term or provision will promote uniformity so long as all judges apply the same interpretation. For example, in *World Wide Prosthetic*, the Supreme Court of Wisconsin was faced with interpreting the scope and meaning of “actual loss” under the WUTSA.<sup>123</sup> The court ultimately held, as the Seventh Circuit did in *Micro Data*, that “actual loss” may include lost profits.<sup>124</sup> Here, defining “actual loss” either to include or to exclude lost profits would have no effect on the general uniformity of trade secret law. It is consistency among the courts in interpreting the phrase that promotes uniformity.

Uniformity in the context of preemption, however, is more complex. The preemption clause is central to the UTSA’s application as a whole. It delineates the UTSA’s scope by defining its relation to existing law. In the world of common law trade secret protection, preemption of common law claims is inherently complicated. Each UTSA state enacts the Act with a different backdrop of trade secret common law. It is this convoluted common law that led to the drafting of the UTSA and to its widespread adoption by state legislatures. Here, a clear reading of the UTSA uniformity provision is of vital importance.

The majority of courts interpreting the preemption provision have found that the UTSA must preempt some claims involving the protection of confidential, but not trade secret, information.<sup>125</sup> Courts have generally found that only those common law claims that are based on allegations or factual showings that are solely dependent on trade secret misappropriation are preempted.<sup>126</sup> That is, courts have found that the UTSA preempts claims that are dependent on the same factual allegations as UTSA misappropriation and does not preempt claims that are based on allegations or facts that are separate from or in addition to those that form the basis for misappropriation under the Act.<sup>127</sup>

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123. *World Wide Prosthetic Supply, Inc. v. Mikulsky*, 640 N.W.2d 764, 768 (Wis. 2002).

124. *Id.*

125. Only a minority of courts have held that common law claims involving confidential information that does not meet the UTSA statutory definition of a trade secret are not preempted by the UTSA. *See, e.g.*, *Callaway Golf Co. v. Dunlop Slazenger Group Americas, Inc.*, 295 F. Supp. 2d 430, 437 (D. Del. 2003); *Stone Castle Fin., Inc. v. Friedman, Billings, Ramsey & Co.*, 191 F. Supp. 2d 652, 659 (E.D. Va. 2002).

126. *See, e.g.*, *Automated Techs., Inc. v. Eller*, 160 F. Supp. 2d 915 (N.D. Ill. 2001); *Paint Brush Corp. v. Neu*, 599 N.W.2d 384 (S.D. 1999).

127. *See, e.g.*, *Powell Prods., Inc. v. Marks*, 948 F. Supp. 1469 (D. Colo. 1996); *Smithfield Ham & Prods. Co. v. Portion Pac, Inc.*, 905 F. Supp. 346 (E.D. Va. 1995).

Such a reading makes good sense. It retains common law claims only where they are outside the scope of the UTSA and thus deals with the application of the UTSA as a unitary enactment. It promotes the UTSA's stated goal of uniformity while the *Burbank* majority's narrow reading of the preemption provision thwarts it. Retaining common law remedies for the misappropriation of confidential, but not "trade secret," information duplicates the remedies provided under the Act.<sup>128</sup> Under such a reading, the UTSA offers merely another form of recovery and trade secret law is reverted to its confused pre-UTSA state.

#### IV. CONCLUSION

The *Burbank* majority announced that, "[t]o adopt the court of appeals' interpretation, as the defendants advocate, would require us to expressly contradict the principle that it is the legislature that chooses the words of a statute."<sup>129</sup> Indeed, the language of the WUTSA was enacted by the Wisconsin legislature. The Wisconsin legislature adopted the uniformity provision, which mandates that the WUTSA be applied and construed to promote the UTSA's primary goal of uniformity. In *Burbank Grease Services, LLC v. Sokolowski*, the Supreme Court of Wisconsin narrowly interpreted the scope of the WUTSA and disregarded the legislative directive embodied in the uniformity clause. In doing so, it reverted trade secret law to its pre-UTSA state, leaving trade secret protection state-specific, uneven, and uncertain.

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128. See Borgman, *supra* note 110, at 112.

129. *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 790 (Wis. 2006).