

ILLINOIS TRADE SECRET LAW: THE PECULIAR PROBLEM OF PREEMPTION

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“The past is never dead. It’s not even past.”**

I. INTRODUCTION

In passing the Illinois Trade Secrets Act (ITSA) in 1987,¹ the Illinois General Assembly largely codified existing Illinois trade secret law.² One feature of the ITSA, however, had no pre-ITSA counterpart: the preemption provision found in Section 8. Section 8(a), the “positive” or pro-preemption clause, purports to displace “conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret.”³ In stark contrast stand the ITSA’s

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+ This article is dedicated to my brother and best friend, Robert V. Schaller, a man of honor and an attorney without peer.

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** WILLIAM FAULKNER, *REQUIEM FOR A NUN* 73 (Vintage Books ed. 2011) (1950).

¹ 765 ILL. COMP. STAT. 1065/1-1065/9 (2016).

² Melvin F. Jager, *Illinois Returns to the Mainstream of Trade Secret Protection*, 2 CHI. B. ASSOC. REC. 18, 18-21 (1988) (discussing ITSA’s numerous departures from the Uniform Trade Secret Act in order to maintain, restore, and codify Illinois common law). The ITSA did work some changes, though, such as expressly overruling *Disher v. Fulgoni*, 124 Ill. App. 3d 257, 464 N.E.2d 639 (1st Dist. 1984), and *Cincinnati Tool Steel Co. v. Breed*, 136 Ill. App. 3d 267, 482 N.E.2d 170 (2d Dist. 1985). See Caroline Patricia Jamieson, Comment, *Protecting Proprietary Information in Illinois: A Response to the Illinois Trade Secrets Act from a Drafting Perspective*, 41 DEPAUL L. REV. 885, 905 (1992) (briefly reviewing the legislative history of the ITSA and the preemption provisions in Sections 8(a) and 8(b)(2), but mainly focusing on the extent to which Section 8(b)(1) overruled *Disher v. Fulgoni* and *Cincinnati Tool Steel Co. v. Breed*). It also impliedly overruled certain pre-ITSA cases. See, e.g., *Lucini Italia Co. v. Grappolini*, No. 01-C-6405, 2003 U.S. Dist. LEXIS 7134, at *54 (N.D. Ill. April 28, 2003) (ITSA provides for injunctive relief and thus superseded the general equity requirements of irreparable harm and inadequate remedy at law for injunctions); *Learning Curve Toys, L.P. v. PlayWood Toys, Inc.*, No. 94-C-6884, 1999 U.S. Dist. LEXIS 11262, at *17-19 (N.D. Ill. July 20, 1999) (ITSA impliedly overruled Illinois decisions, such as *Schulenburg v. Signatrol, Inc.*, 50 Ill. App. 2d 402, 200 N.E.2d 615 (4th Dist. 1964), requiring “the defendant profited” as a trade secret claim element).

³ 765 ILL. COMP. STAT. 1065/8(a) (2018).

“negative” or anti-preemption clauses. Section 8(b)(1) cautions that the ITSA does not affect “contractual remedies, whether or not based upon misappropriation of a trade secret,”⁴ and Section 8(b)(2) further cautions that the ITSA does not affect “other civil remedies that are not based upon misappropriation of a trade secret.”⁵ These seemingly straightforward subsections have vexed Illinois state and federal courts for over 30 years on an important question: What claims, if any, do companies and individuals have if their business information does not rise to the level of a “trade secret” within the meaning of the ITSA?

This question takes on added importance in light of the Defend Trade Secrets Act (DTSA),⁶ the new federal trade secret act Congress passed⁷ and President Obama signed⁸ in 2016. This federal statute, which when proposed was sharply criticized by some⁹ and strongly supported by others,¹⁰ allows

⁴ *Id.* § 1065/8(b)(1). See generally Richard F. Dole, Jr., *The Contract Exception to the Uniform Trade Secrets Act and Its Implications for the Federal Defend Trade Secrets Act*, 34 SANTA CLARA HIGH TECH. L.J. 362 (2018) (discussing the impact of DTSA and UTSA on state restrictive covenant law).

⁵ *Id.* § 1065/8(b)(2).

⁶ 18 U.S.C. § 1836 (2018).

⁷ See Siobhan Hughes, *Bill to Bolster Trade Secrets*, WALL ST. J., April 5, 2016, at A2 (reporting Senate’s 87-0 vote to pass a federal bill allowing trade secret owners to sue in federal court and to seize offending materials via court order).

⁸ See Gregory Korte, *Obama Signs Trade Secrets Bill, Allowing Companies to Sue*, USA TODAY (May 11, 2016), <https://www.usatoday.com/story/news/politics/2016/05/11/obama-signs-trade-secrets-bill-allowing-companies-sue/84244258/> (reporting signing of new legislation creating a federal court civil cause of action for trade secret theft).

⁹ See David Levine, *New Professors’ Letter Opposing the Defend Trade Secrets Act of 2015*, CYBERLAW.STANFORD.EDU (Nov. 17, 2015, 9:41 AM), <http://cyberlaw.stanford.edu/blog/2015/11/new-professors-letter-opposing-defend-trade-secrets-act-2015>; David S. Levine & Sharon K. Sandeen, *An Open Letter to the Sponsors of the Revised Defend Trade Secrets Act*, INFOJUSTICE.ORG (Aug. 12, 2015), www.infojustice.org/archives/34837 (criticizing proposed federal trade secret legislation for failing to address the cyberespionage it purports to solve and pointing out the proposed law’s “many downsides,” including its likely creation of “a new intellectual property predator: the heretofore unknown ‘trade secret troll,’ an alleged trade secret owning entity that uses broad trade secret law to exact rents via dubious threats of litigation directed at unsuspecting defendants.”); David S. Levine & Sharon K. Sandeen, *Here Come the Trade Secret Trolls*, 71 WASH. & LEE L. REV. ONLINE 230, 234-235 (2015) (arguing that trade secret trolls may undermine trade secret law and create significant concerns and costs for innovators in all industries); Christopher B. Seaman, *The Case Against Federalizing Trade Secrecy*, 101 VA. L. REV. 317 (2015) (extended argument against proposed federal trade secret laws); Brook K. Baker et al., *Professors’ Letter in Opposition to the “Defend Trade Secrets Act of 2014” (S.2267) and the “Trade Secrets Protection Act of 2014” (H.R.5233)*, CYBERLAW.STANFORD.EDU (Aug. 26, 2014), <http://cyberlaw.stanford.edu/files/blogs/FINAL%20Professors%27%20Letter%20Opposing%20Trade%20Secret%20Legislation.pdf> (letter from 31 professors to sponsors of the “Defend Trade Secrets Act of 2014” and the “Trade Secrets Protection Act of 2014,” urging Congress to reject those bills seeking to create a new private cause of action under the Economic Espionage Act of 1996).

¹⁰ James Pooley, *The Myth of the Trade Secret Troll: Why We Need a Federal Civil Claim for Trade Secret Misappropriation*, 23 GEO. MASON L. REV. 1045 (2016) (challenging the 31 law professors’ “open letter” claims that the proposed federal statute would “harm small business, unduly restrict labor mobility, increase the cost of litigation, and de-harmonize trade secret law,” and arguing

virtually all trade secret actions to be brought in federal court under a new federal cause of action, and it will almost certainly shift most trade secret litigation from state court to federal court. The DTSA does not alter the status of state trade secret laws or any other state laws, however; in fact, it expressly leaves other laws unaffected.¹¹ This can be significant in certain cases; important ideas not rising to the level of trade secrets under the DTSA might still be protectable under state law, as the famous “Facebook idea” case amply illustrates.¹² Thus, from a federal substantive law perspective, non-trade secret claims under Illinois state law remain an option for plaintiffs who wish to bring them in lieu of or together with a federal law trade secret action – assuming, of course, that the ITSA itself does not preempt such state law claims. But again, which Illinois state law claims remain viable? And, perhaps more important, which should remain viable, and why?

To answer these and related questions, in this paper I examine at length the ITSA’s “positive” and “negative” preemption provisions. I begin in Part II with a brief review of non-trade secret theories before the ITSA’s passage – such as fiduciary duty, unjust enrichment, “idea” and “tort of misappropriation” claims – that Illinois courts routinely used to protect not only trade secrets, but also information not rising to the level of trade secrets. Given this history, and given the plain language of Section 8, I would have expected standard Illinois or federal statutory construction principles to cause

forcefully “that the specter of a new species of ‘trade secret troll’ is so completely untethered to the realities of trade secret rights and disputes that it can safely be ignored,” contrary to the “trade secret trolls” concern raised by Professors Levine and Sandeen in their 2015 Washington & Lee Law Review article).

¹¹ See 18 U.S.C. § 1838 (2018) (“Except as provided in section 1833(b), this chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal, provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation of a trade secret, or to affect the otherwise lawful disclosure of information by any Government employee under section 552 of title 5 (commonly known as the Freedom of Information Act)”; Brittany S. Bruns, *Criticism of the Defend Trade Secrets Act of 2016: Failure to Preempt*, 32 BERKELEY TECH. L.J. 469, 492-99 (2017) (DTSA’s failure to preempt state laws discourages uniformity, encourages forum shopping, leaves employees uncertain about applicable law, allows states to be trade secret laboratories, and “may resuscitate common law claims which were preempted by state trade secret statutes”).

¹² Facebook, Inc. v. Pac. Nw. Software, Inc., 640 F.3d 1034, 1037 (9th Cir. 2011) (enforcing “Term Sheet & Settlement Agreement” reached after a daylong mediation and rejecting the Winklevoss twins’ stolen idea claims against Mark Zuckerberg in connection with the founding of Facebook). In addition, as Ken Vanko and Dave Bohrer recently pointed out, “inevitable disclosure” injunctions may not be available in federal court under the DTSA itself, yet might still be granted in federal court under the ITSA or other Illinois laws thanks to Section 1838. See Kenneth J. Vanko, *Revisiting the Seventh Circuit’s Decision in PepsiCo: Inevitable Disclosure Injunctions in the Wake of the Federal Defend Trade Secrets Act of 2016*, THE CIR. RIDER, April 2017, at 46, 50 (arguing that 18 U.S.C. §1836(b)(3)(A)(i)(I) limits inevitable disclosure claims under federal law, but not under Illinois state law); David Bohrer, *Threatened Misappropriation of Trade Secrets: Making a Federal (DTSA) Case Out of It*, 33 SANTA CLARA HIGH TECH. L.J. 506, 527-28 (2017) (reviewing language and legislative history reflecting DTSA’s rejection of “inevitable disclosure” doctrine in §1836(b)(3)(A)(i)(I)).

Illinois courts to apply Section 8(a)'s "positive" or pro-preemption clause sparingly, as I explain in Part III. Yet, as I show in Part IV, formal statutory construction analyses have seldom surfaced in Illinois Appellate Court decisions addressing ITSA preemption decisions. The same has been true of Seventh Circuit Court of Appeals opinions examining ITSA preemption, typical of which is the Seventh Circuit's 2014 "total preemption" opinion in *Spitz v. Proven Winners North America, LLC*,¹³ as I demonstrate in Part V. I devote Part VI to the late Judge Shadur's 2012 anti-preemption opinion in *Miller UK Ltd. v. Caterpillar, Inc.*,¹⁴ the only notable exception to this trend. Judge Shadur invoked traditional Illinois statutory construction canons and focused on the ITSA's definition of "trade secret" to narrow Section 8(a)'s pro-preemption reach before concluding that the ITSA does not preempt claims based upon confidential information not rising to the level of a trade secret.

For the most part I agree with Judge Shadur's *Miller* analysis but go further, in Part VII, by arguing that abolition of common law trade secret actions and nothing more was the true purpose of the ITSA's positive preemption provision. To the extent "double recovery" is an additional concern here, I believe proper application of the traditional "single recovery" rule adequately addresses it.¹⁵ I also see no basis for federal patent law preemption of Illinois claims outside the ITSA, at least where non-trade secret information is not in the public domain. I therefore urge the Illinois Supreme Court to take up this important issue, which has new urgency in

¹³ 759 F.3d 724 (7th Cir. 2014).

¹⁴ 859 F. Supp. 2d 941 (N.D. Ill. 2012).

¹⁵ See, e.g., *Harris v. Manor Healthcare Corp.*, 111 Ill. 2d 350, 365-66, 489 N.E.2d 1374, 1381 (1986) (trial courts should enter judgment in the alternative on statutory and common law claims so that plaintiff recovers only one satisfaction); *People v. Artis*, 232 Ill. 2d 156, 161-68, 902 N.E.2d 677, 681-85 (2009) (recognizing the comparable criminal law concept of the "one act, one crime" rule when convictions are based upon the same physical act, such as invading a home); *In re Javaun I.*, 2014 IL App (4th) 130189, 5 N.E.3d 304 (4th Dist. 2014) (following *Artis* on the "one act, one crime" rule). The single recovery rule can also come into play when plaintiff sues two or more defendants for a single, indivisible injury and then obtains and collects a judgment against one of them. See, e.g., *Janusz v. City of Chicago*, 832 F.3d 770 (7th Cir. 2016) (invoking "single recovery" rule to bar federal court civil rights case against certain defendants based upon plaintiff's successful state court action against other defendants that went to judgment and resulted in a release and satisfaction); *Thornton v. Garcini*, 237 Ill. 2d 100, 111, 928 N.E.2d 804, 811 (2010) (obtaining a judgment against one tortfeasor will not bar a plaintiff from bringing claims against any other tortfeasors, but plaintiff may receive only one full compensation for his or her injuries; double recovery for the same injury is not allowed); *Saichek v. Lupa*, 204 Ill. 2d 127, 137, 787 N.E.2d 827, 833 (2003) ("The initial judgment, however, will normally serve as a limit on the plaintiff's entitlement to redress. . . . The reason is straightforward. Once the amount of the loss has been judicially determined and a valid and final judgment has been entered, a plaintiff may not relitigate the question of her damages in a subsequent proceeding."); Jerry R. Selinger & Jessica W. Young, *Suing an Infringing Competitor's Customers: Or, Life Under the Single Recovery Rule*, 31 J. MARSHALL L. REV. 19 (1997) (discussing tactics to avoid the single recovery rule's application in patent cases).

light of the Seventh Circuit's mistaken *Spitz* opinion¹⁶ – an opinion that will dominate Illinois state law claims as they increasingly move to federal court under the new federal trade secret act.

II. LIFE BEFORE THE ITSA: WHAT LIES BENEATH?

Before the ITSA, Illinois had a long and sophisticated history of business information protection. I have reviewed this history in detail elsewhere,¹⁷ so here I offer an illustrative rather than exhaustive discussion.¹⁸

The place to start, in my view, is the fiduciary duty of confidence reflected in Sections 395 and 396 of the Restatement (Second) of Agency adopted in 1958.¹⁹ Section 395 states, in substance, that during an agency relationship the agent is not to use or disclose his principal's confidential information for any purpose other than to advance the principal's interests.²⁰ Section 396 makes this prohibition applicable after termination of the agency relationship as well.²¹ This general duty of confidence is of course subject to the standard limitations that the information is not “a matter of general knowledge”²² or “general information.”²³ Broadly speaking, these are the

¹⁶ See Anna A. Onley, *A Proposal for Eliminating Adjudicative Loopholes Under Statutory Law of Trade Secrets in the Seventh Circuit*, 11 SEVENTH CIR. REV. 333, 333 (2016) (characterizing *Spitz* as a “radical decision” on statutory preemption of common law claims).

¹⁷ See William Lynch Schaller, *Growing Pains: Intellectual Property Considerations for Illinois Small Businesses Seeking to Expand*, 35 LOY. U. CHI. L.J. 845, 935-38 (2004) (discussing fiduciary duty and “idea” law in Illinois).

¹⁸ See Robert Unikel, *Bridging the “Trade Secret” Gap: Protecting “Confidential Information” Not Rising to the Level of Trade Secrets*, 29 LOY. U. CHI. L.J. 841, 854-67 (1998) (exhaustive review of common law claims protecting confidential information other than trade secrets).

¹⁹ RESTATEMENT (SECOND) OF AGENCY §§ 395, 396 (AM. LAW INST. 1958).

²⁰ Section 395 provides:

Unless otherwise agreed, an agent is subject to a duty to the principal not to use or communicate information confidentially given him by the principal or acquired by him during the course of or on account of his agency or in violation of his duties as agent, in competition with or to the injury of the principal, on his own account or on behalf of another, although such information does not relate to the transaction in which he is then employed, unless the information is a matter of general knowledge.

²¹ Section 396(b) provides in relevant part:

Unless otherwise agreed, after termination of the agency, the agent . . . (b) has a duty to the principal not to use or to disclose to third persons, on his own account or on account of others, in competition with the principal or to his injury, trade secrets, written lists of names, or other similar confidential matters given to him only for the principal's use or acquired by the agent in violation of duty.

²² Section 395 ends with the caveat, “unless the information is a matter of general knowledge.” See, e.g., *Hughes v. West Publ'g Co.*, 225 Ill. App. 58, 65 (1st Dist. 1922) (holding that at common law there was no property right in a publicly disclosed system, device, plan, or scheme and therefore rejecting plaintiff's claim that he had a property interest in originating the idea behind West Publishing's famous “Key Number System”).

²³ Section 396(b) ends with this caveat: “The agent is entitled to use general information concerning the method of business of the principal and the names of the customers retained in his memory, if not acquired in violation of his duty as agent.” See, e.g., *Revcor, Inc. v. Fame*, 85 Ill. App. 2d 350, 357, 228 N.E.2d 742, 746 (2d Dist. 1967) (“One who works for another cannot be compelled to erase from his mind all of the general skills, knowledge, acquaintances and the over-all experience

same confidentiality duties Illinois trade secret law imposed on fiduciaries before the ITSA,²⁴ and for that matter, the same confidentiality duties Illinois law has long imposed on attorneys.²⁵ Section 200 of the original Restatement of Restitution is to the same effect.²⁶

These traditional breach of confidence principles were in issue in *Comedy Cottage v. Berk*,²⁷ an Illinois Appellate Court case decided a year before the ITSA's passage. Berk managed Comedy Cottage's comedy club business.²⁸ When its lease came up from renewal, Berk had the lease put in his own name.²⁹ He then opened a rival comedy club at the site.³⁰ The Illinois Appellate Court rejected Berk's contention that Comedy Cottage's breach of fiduciary duty claim was somehow improper simply because the lease renewal information did not constitute a trade secret: "The fact that the

which he acquired during the course of his employment. The success of a person who is engaged in sales depends largely upon his personal friendships and the confidences inherent therein.")

²⁴ See, e.g., *ILG Indus., Inc. v. Scott*, 49 Ill. 2d 88, 93, 273 N.E.2d 393, 396 (1971) ("A business which may invest substantial time, money and manpower to develop secret advantages over its competitors, must be afforded protection against the wrongful appropriation of confidential information by a prior employee, who was in a position of confidence and trust."); *Victor Chem. Works v. Iliff*, 299 Ill. 532, 540, 132 N.E. 806, 809 (1921) (reciting essentially the same duty of confidence and trade secret rules, but holding that plaintiff's manufacturing process was "common knowledge" and hence not a trade secret).

²⁵ See, e.g., ILL. SUP. CT. R. OF PROF'L CONDUCT 1.6(a) ("A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, or the disclosure is permitted by paragraph (b) or required by paragraph (c)"); David L. Hudson, Jr., *Client Consent Is Key: Lawyers Have an Enhanced Duty of Confidentiality When Engaging in Public Commentary*, 104 A.B.A. J. 5, 24 (2018) (discussing ABA Formal Opinion 480, dealing with Rule 1.6(a): "The opinion places significance on the fact that the duty of confidentiality applies even to information 'contained in a public document or record.'"); *People v. Adam*, 51 Ill. 2d 46, 48, 280 N.E.2d 205, 207 (1972) (reciting traditional elements for establishing the attorney-client privilege); Deborah A. DeMott, *The Lawyer as Agent*, 67 *FORDHAM L. REV.* 301, 313 n.46, 314 n.51 (1998) (citing and discussing Sections 395 and 396 of the Restatement (2d) of Agency); *In re American Express Anti-Steering Rules Antitrust Litig.*, 08CV2315NGGRER, 2016 U.S. Dist. LEXIS 3332 (E.D.N.Y. Aug. 4, 2015) (refusing to approve proposed class action settlement on the ground that lead class counsel Gary Friedman had been sharing confidential information with opposing counsel Keila Ravelo); Robin Sidel, *Lawyer's Offstage Acts Threaten Record Pact*, *WALL ST. J.*, Aug. 31, 2015, at C1 (reporting federal criminal investigation of prominent antitrust attorney Keila Ravelo for allegedly participating in a fraudulent billing scheme with her husband Melvin Feliz and, separately, for allegedly receiving confidential information from opposing counsel Gary Friedman, thereby jeopardizing a major antitrust class action settlement in which Friedman represented the plaintiff class members); Robin Sidel, *Lawyer Confirms Rival Helped Her, Attorney Who Worked for Mastercard in Settlement Says She Got Confidential Information*, *WALL ST. J.*, Sept. 2, 2015, at C5 (according to Ravelo's affidavit, "I drew upon all the information in my possession that affected Mastercard's interests, including the information I was provided by Gary Friedman").

²⁶ RESTATEMENT (FIRST) OF RESTITUTION § 200 (AM. LAW INST. 1937) provides: "Where a fiduciary in violation of his duty to the beneficiary acquires property through the use of confidential information, he holds the property so acquired upon a constructive trust for the beneficiary."

²⁷ 145 Ill. App. 3d 355, 495 N.E.2d 1006 (1st Dist. 1986).

²⁸ *Id.* at 356, 495 N.E.2d at 1009.

²⁹ *Id.*

³⁰ *Id.*

information involved in this case does not rise to the level of a trade secret does not negate the existence of a fiduciary duty with respect to this transaction.”³¹ *Comedy Cottage* made this point, I assume, because the Restatement of Torts definition of “trade secret,” adopted in 1939 and found in Section 757, excluded one-time bids and other information not in continuous use in the trade secret owner’s business,³² and some Illinois Supreme Court trade secret opinions, too, had emphasized the presence of a “plan, process, tool or compound,”³³ thereby suggesting the need for continuous use.

Tortious interference was also invoked as a separate basis for relief in pre-ITSA cases dealing with information protection. An interesting instance of this appeared in *Paul L. Pratt, P.C. v. Blunt*.³⁴ In that case two attorneys departed Pratt’s firm, set up their own law firm, and then solicited multiple clients to leave Pratt’s firm for theirs.³⁵ Although the facts showed a fiduciary relationship, Pratt instead sued for tortious interference with his client relationships and sought a preliminary injunction.³⁶ The trial court found that the two defendants had not originated clients while with Pratt and further found that they had contact with Pratt’s clients solely as result of their positions of trust and responsibility with Pratt.³⁷ The trial court also found “the defendants were able to obtain a computerized list identifying the names and addresses of important clients”³⁸ – an apparent instance of customer list trade secret theft. The Illinois Appellate Court upheld the trial court’s tortious interference preliminary injunction as to prospective clients but reversed it as to clients who had already been lost during the one year plaintiff waited to sue the defendants.³⁹ In short, trade secret relief was neither sought

³¹ *Id.* at 361, 495 N.E.2d at 1012-13.

³² RESTATEMENT OF TORTS § 757 cmt. b (AM. LAW INST. 1939) (“Definition of trade secret”), stated: [A trade secret] differs from other secret information in a business 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 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. A trade secret is a process or device for continuous use in the operation of the business.

(citation omitted). See also Eric R. Claeys, *The Use Requirement at Common Law and Under the Uniform Trade Secrets Act*, 33 HAMLIN L. REV. 583 (2010) (exploring the “use” requirement and questioning its role in cases where trade secret owners abandon their secrets).

³³ See *Schulenburg v. Signatrol, Inc.*, 33 Ill. 2d 379, 385, 212 N.E.2d 865, 868 (1965) (describing the “controlling definition of a trade secret in Illinois” as a “secret *plan* or process, tool, mechanism or compound known only to its owners and those of his employees to whom it is necessary to confide it”) (citing *Victor Chem. Works v. Iloff*, 299 Ill. 532, 540, 132 N.E. 806, 811 (1921) (emphasis in original)).

³⁴ 140 Ill. App. 3d 512, 488 N.E.2d 1062 (5th Dist. 1986).

³⁵ *Id.* at 518, 488 N.E.2d at 1066-67.

³⁶ *Id.* at 514, 488 N.E.2d at 1064.

³⁷ *Id.* at 518, 488 N.E.2d at 1067.

³⁸ *Id.* at 516, 488 N.E.2d at 1065.

³⁹ *Id.* at 524, 488 N.E.2d at 1070.

nor needed in *Pratt*; tortious interference law sufficed to protect the information there.⁴⁰

Illinois courts also employed conversion and unjust enrichment theories to protect confidential information before the ITSA, as exemplified by *Conant v. Karris*.⁴¹ That dispute arose in the context of a common real estate scam: the buyer's broker outbidding his own buyer. Broker Karris attempted to defend on the bizarre notion that his principal Conant knew of his competition, even though Conant had objected to that competition.⁴² As one would expect, the Illinois Appellate Court approved Conant's breach of fiduciary duty claim against Karris in light of Karris' self-evident disloyalty, and it also approved Conant's collusion claim against Karris' brother.⁴³ The appellate court went further, however, and upheld Conant's conversion and unjust enrichment claims against Karris based upon confidential information Conant had shared with Karris, information allegedly supplied via a computer printout.⁴⁴ That such information constituted an "intangible" asset made no difference.⁴⁵

"Idea" law was also well established before the ITSA.⁴⁶ An instructive example can be found in the Illinois Appellate Court's 1950 decision in *Jones v. Ulrich*.⁴⁷ Jones invented a mechanical spreader, approached welding shop

⁴⁰ Other forms of tortious interference with attorney-client relations have been recognized, independent of client list theft. *See, e.g.*, *Herman v. Prudence Mutual Cas. Co.*, 38 Ill. 2d 98, 230 N.E.2d 231 (1967) (insurer and claims adjusters interfered with relationship between plaintiff's counsel and personal injury plaintiffs by attempting to settle claims without the knowledge of plaintiff's counsel).

⁴¹ 165 Ill. App. 3d 783, 520 N.E.2d 757 (1st Dist. 1987).

⁴² *Cf. Patient Care Servs., S.C. v. Segal*, 32 Ill. App. 3d 1021, 337 N.E.2d 471 (1st Dist. 1975) (fiduciary Segal's disclosure of his competition for hospital emergency room services contract was no defense to corporate opportunity claim by his principal that was seeking the same contract).

⁴³ 165 Ill. App. 3d at 792, 520 N.E.2d at 763.

⁴⁴ *Id.*

⁴⁵ *See Stathis v. Gelderman*, 295 Ill. App. 3d 844, 856, 692 N.E.2d 798, 807 (1st Dist. 1998) (following *Conant* on a confidential information conversion claim and explicitly rejecting defense argument that conversion does not apply to "intangible" assets). *But see In re Karavidas*, 2013 IL 115767, 999 N.E.2d 296 (2013) (holding that lawyer breached his fiduciary duties and committed "conversion," under the specialized meaning of "conversion" announced in *In re Thebus*, in lending estate funds to himself without appropriate documentation and on unfair terms); *In re Thebus*, 108 Ill. 2d 255, 483 N.E.2d 1258 (1998) (discussing common law of conversion and noting that, at least in the attorney disciplinary context, only tangible property is subject to conversion); *Fire 'Em Up, Inc. v. Technocarb Equip. (2004) Ltd.*, 799 F. Supp. 2d 846, 851 (N.D. Ill. 2011) (following *In re Thebus* and holding that intangible intellectual property is not subject to conversion).

⁴⁶ *See, e.g.*, Robert C. Denicola, *The New Law of Ideas*, 28 HARV. J. L. & TECH. 195, 198 (2014) (noting occasional success of idea claims before the UTSA); Arthur R. Miller, *Common Law Protection for Products of the Mind: An "Idea" Whose Time Has Come*, 119 HARV. L. REV. 705, 718-32 (2006) (reviewing idea claims before the UTSA); Andrew Beckerman-Rodau, *Are Ideas Within the Traditional Definition of Property?*, 47 ARK. L. REV. 603, 617-25 (1994) (reviewing common law of ideas); Margreth Barrett, *The "Law of Ideas" Reconsidered*, 71 J. PAT. & TRADEMARK OFF. SOC'Y (1989) (reviewing the history of idea claims); Melville Nimmer, *The Law of Ideas*, 27 S. CAL. L. REV. 119 (1954) (seminal article reviewing then-emerging idea law claims).

⁴⁷ 342 Ill. App. 16, 95 N.E.2d 113 (3d Dist. 1950).

operator Ulrich to build a prototype, and thereafter licensed Ulrich to manufacture and sell such spreaders.⁴⁸ The parties never entered into a formal nondisclosure agreement, but Jones claimed they had a confidentiality understanding.⁴⁹ The Illinois Appellate Court rejected Ulrich's argument that the disclosed information had to be subject to formal secrecy measures to be protectable under Illinois law: "While there was no express agreement that defendant was to hold the information so disclosed as a confidential matter and to make no use of it unless it should purchase the invention, we think that in equity and good conscience such an agreement was implied; and having obtained the disclosure under such circumstances, defendant ought not be heard to say that there was no obligation to respect the confidence thus reposed in it."⁵⁰ To the defendant's argument that the complaint failed to allege a "trade secret" or process (an apparent reference to Section 757 of the Restatement of Torts), the court in *Jones* observed that "[i]n cases of this type what is really protected by the court of equity is not the secret invention or process but the secret of it in certain circumstances."⁵¹ After quoting Justice Holmes' famed "breach of confidence" opinion in *E.I. DuPont de Nemours Powder Co. v. Masland*,⁵² the *Jones* court then quoted from the Illinois Appellate Court's earlier "idea" decision in *Pidot v. Zenith Radio Corp.* in rejecting Ulrich's argument that the idea needed to be new and novel to be protectable: "We agree with the contention of plaintiffs that the basis of recovery is breach of confidence and that it is not necessary for plaintiffs to establish that their design was new and novel as to the entire world."⁵³

The same breach of confidence dynamics were at play in another pre-ITSA case, *Roberts v. Sears, Roebuck & Co.*⁵⁴ Although Illinois employers ordinarily do not owe their employees fiduciary duties outside the ERISA

⁴⁸ *Id.* at 18, 95 N.E.2d at 114.

⁴⁹ *Id.*

⁵⁰ *Id.* at 26-27, 95 N.E.2d at 118 (quoting *Hoeltke v. C.M. Kemp Mfg. Co.*, 80 F.2d 912, 923 (4th Cir. 1936)). The *Jones* court made the same point earlier in its opinion. *Id.* at 26, 95 N.E.2d at 117 ("The complaint alleges an agreement between plaintiff and defendant, the sole purpose of which was to provide for continuing manufacture and sale of the spreader with ensuing royalties to be paid the plaintiff. Such an agreement in itself implies a confidential relationship because without such confidence, such an agreement in practicality would be a nullity.").

⁵¹ *Id.* at 32, 95 N.E.2d at 120.

⁵² *Id.* at 30, 95 N.E.2d at 119 ("Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be.") (quoting *E.I. DuPont de Nemours Powder Co. v. Masland*, 224 U.S. 100, 102 (1917) (Holmes, J.)).

⁵³ *Id.* at 33, 95 N.E.2d at 120-21 (quoting *Pidot v. Zenith Radio Corp.*, 308 Ill. App 197, 215, 31 N.E.2d 385, 393 (1st Dist. 1941)).

⁵⁴ 573 F.2d 976 (7th Cir. 1978). The case returned to the Seventh Circuit on two subsequent appeals. See *Roberts v. Sears, Roebuck & Co.*, 617 F.2d 460 (7th Cir. 1980) (holding that Roberts could not seek restitution/unjust enrichment as equitable relief since he had "elected" his remedy of damages by submitting his claim to the jury); *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983) (*en banc*) (addressing jury's role in patent invalidity disputes).

context,⁵⁵ the unusual facts in *Roberts* produced precisely such a duty. Roberts, an 18-year-old Sears sales clerk with “only a high school education and no business experience,” created a socket wrench during his off hours in 1963.⁵⁶ Since Roberts was not hired to invent and did not use Sears’ time and materials to pursue his invention, Sears had no right to Roberts’ wrench absent a contract for that purpose.⁵⁷ At the suggestion of his Massachusetts manager, Roberts formally submitted his idea to Sears in 1964 and left Sears shortly thereafter.⁵⁸ “[B]y early 1965, it was clear to Sears that this invention was very useful and probably would be quite profitable.”⁵⁹ Negotiations commenced in earnest, with Sears downplaying the value of Roberts’ wrench, even though Sears had secretly concluded the wrench was highly valuable.⁶⁰ Roberts received a patent on his wrench in May 1965, and the parties in July 1965 negotiated an assignment of Roberts’ patent to Sears in return for a pittance.⁶¹ The jury agreed with Roberts that a confidential relationship had arisen and that this relationship imposed a fiduciary duty of full disclosure upon Sears, a duty which Sears had plainly breached.⁶² The jury awarded Roberts \$1,000,000 as damages for past profits through trial.⁶³ The Seventh Circuit, applying Illinois law, affirmed and observed that a confidential relationship can arise based upon many factors, such as the “disparity of age, education and business experience between the parties” as well as “the existence of an employment relationship and the exchange of confidential information from one party to the other.”⁶⁴ The Seventh Circuit remanded for a determination as to whether Roberts was entitled to have his patent re-assigned to him, since this relief addressed future harm to Roberts.⁶⁵

All of these examples involved fiduciaries and secret information, but before the ITSA’s passage the Illinois Supreme Court made it clear in another landmark decision, *Board of Trade v. Dow Jones & Co.*,⁶⁶ that information

⁵⁵ See, e.g., *Tibble v. Edison Int’l*, 135 S. Ct. 1823 (2015) (ERISA imposes continuing fiduciary duty to monitor investment options); Matthew T. Bodie, *Employment as a Fiduciary Relationship*, 105 GEO. L.J. 819, 827 (2017) (“However, employer duties have been imposed almost entirely by statute; as a matter of fiduciary law, courts have not made employers into fiduciaries and for the most part have not imposed significant common law fiduciary duties on them.”).

⁵⁶ *Roberts*, 573 F.2d at 978.

⁵⁷ See William Lynch Schaller, *Growing Pains: Intellectual Property Considerations for Illinois Small Businesses Seeking to Expand*, 35 LOY. U. CHI. L.J. 845, 913-14 (2004) (discussing “hired to invent” and “shop right” patent case law).

⁵⁸ *Roberts*, 573 F.2d at 978.

⁵⁹ *Id.* at 979.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.* at 980.

⁶³ *Id.*

⁶⁴ *Id.* at 983. Accord, *In re Estate of Long*, 311 Ill. App. 3d 959, 964, 726 N.E.2d 187, 191 (4th Dist. 2000) (reciting similar factors for establishing *de facto* fiduciary relationship).

⁶⁵ *Roberts*, 573 F.2d at 986.

⁶⁶ 98 Ill. 2d 109, 456 N.E.2d 84 (1983).

can be protected even when fiduciary relationships and secrecy are absent. In that case the Chicago Board of Trade “devoted more than two years to developing its own index to be used as the basis for its stock index futures contract.”⁶⁷ When that index could not be pursued for regulatory reasons, the Board of Trade changed course by applying for and receiving federal regulatory approval to launch a contract market for “Chicago Board of Trade Portfolio Futures Contracts.”⁶⁸ “No mention of the Dow Jones name appeared in the application, but the stocks used in each of the indexes were identical to those used in the Dow Jones averages.”⁶⁹ After an interesting discussion of who has the burden of “proving a negative” in an Illinois declaratory judgment action,⁷⁰ the Illinois Supreme Court endorsed the “tort of misappropriation” based on the famous “hot news” misappropriation claim approved in *International News Service v. Associated Press*⁷¹ and held that the Board of Trade had misappropriated Dow Jones’ property right by using Dow Jones’ indexes and averages without Dow Jones’ consent.⁷² Indeed, the Illinois Supreme Court so held even though the parties were not in competition with one another: “The publication of the indexes involves valuable assets of defendant, its good will and its reputation for integrity and accuracy. Despite the fact that plaintiff’s proposed use is not in competition with the use defendant presently makes of them, defendant is entitled to protection against their misappropriation.”⁷³

I end where I started, with fiduciary duty law, to make a final point: the complete absence of a stolen information claim does not necessarily mean plaintiff is left with nothing, as underscored by *Vendo Co. v. Stoner*,⁷⁴ arguably the Illinois Supreme Court’s leading fiduciary duty case. Stoner

⁶⁷ *Id.* at 113, 456 N.E.2d at 86.

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.* at 115-16, 456 N.E.2d at 87 (“When an issue of fact is tendered by the complaint and denied by the answer, the plaintiff must prove its complaint, even though it is a complaint for a declaratory judgment.”) (quoting *Int’l Hotel Co. v. Libbey*, 158 F.2d 717, 721 (7th Cir. 1946)).

⁷¹ 248 U.S. 215 (1918). The dissents of Justice Holmes and Justice Brandeis, arguing that uncopyrightable news cannot be protected, failed to carry the day in *International News Service*. *Id.* at 246-48, 248-67. Controversy continues to this day over the viability and reach of *International News Service*. See Jeena Moon, Note, *The “Hot News” Misappropriation Doctrine, the Crumbling Newspaper Industry, and Fair Use as Friend and Foe: What is Necessary to Preserve “Hot News”?*, 28 CARDOZO ARTS & ENT. L.J. 631 (2011) (noting that *International News Service* was decided before *Erie* and has never been explicitly reaffirmed by the Supreme Court).

⁷² 98 Ill. 2d at 121, 456 N.E.2d at 90 (“We conclude that the possibility of any detriment to the public which might result from our holding that defendant’s indexes and averages may not be used without its consent in the manner proposed by plaintiff are outweighed by the resultant encouragement to develop new indexes specifically designed for the purpose of hedging against the ‘systematic’ risk present in the stock market.”).

⁷³ *Id.* See also *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997) (discussing Copyright Act’s partial preemption of New York state law “hot news” misappropriation claim in connection with surreptitious real-time broadcasting of play-by-play via hand-held devices of fans).

⁷⁴ 58 Ill. 2d 289, 321 N.E.2d 1 (1974).

sold his company to Vendo but stayed on as Vendo's president, a "figurehead" position Stoner resented.⁷⁵ Dissatisfied with his lack of duties, Stoner secretly began assisting some ex-employees in their efforts to build a rival vending machine – a machine Vendo's owners eventually discovered at a trade show.⁷⁶ Stoner found himself caught in a massive conflict of interest when Vendo's owners asked him to approach the ex-employees about acquiring their machine for Vendo, unaware "Stoner had a foot in each camp."⁷⁷ When Vendo's owners later discovered Stoner's disloyalty, they sued him for breaching his noncompetition agreement and for misappropriating Vendo's trade secrets, pointing to Stoner's secret financial support of Vendo's ex-employees⁷⁸ and their access to a vending machine concept Vendo had contemplated but never pursued.⁷⁹ For reasons not important here, the Illinois Appellate Court rejected Vendo's trade secret claim in the first appeal after a trial⁸⁰ and then rejected Vendo's noncompetition agreement claim in the second appeal after another trial.⁸¹ Yet, on review after these two trials and two appeals, the Illinois Supreme Court had no difficulty holding that Vendo was entitled to damages exceeding \$7 million on its fiduciary duty claim alone – a claim on which the case had not been tried, no less. The high court explicitly ruled that Vendo's fiduciary duty claim was independent of Vendo's noncompetition agreement claim,⁸² and it necessarily implied the same as to the trade secret claim, as it noted that claim, too, had been rejected by the Illinois Appellate Court.⁸³ In other words, even though failure to disclose a conflict of interest could be thought of as an "information" claim, it did not need to be cast as such to be successful in *Vendo*.

Simplicity is a virtue in litigation as in everything else, and it would be natural to ask at this point what practical difference it makes to preserve these common law and equity claims from ITSA preemption, especially given the robust relief the ITSA generally offers. First, there are remedial differences between these claims and ITSA claims. Unlimited punitive damages and compensation forfeiture are available under fiduciary duty law but not under

⁷⁵ *Id.* at 304, 321 N.E.2d at 9.

⁷⁶ *Id.* at 297, 321 N.E.2d at 6.

⁷⁷ *Id.* at 304, 321 N.E.2d at 9.

⁷⁸ *Vendo Co. v. Stoner*, 105 Ill. App. 2d 261, 269-76, 245 N.E.2d 263, 267-71 (2d Dist. 1969).

⁷⁹ *Id.* at 269-72, 245 N.E.2d at 267-69.

⁸⁰ *Id.* at 298-99, 245 N.E.2d at 282.

⁸¹ *Vendo Co. v. Stoner*, 13 Ill. App. 3d 291, 295, 300 N.E.2d 632, 636 (2d Dist. 1973).

⁸² 58 Ill. 2d at 303, 321 N.E.2d at 9 ("Quite apart from any liability which may be predicated upon a breach of the covenants against competition contained in the sales agreement and the employment contract, it is clear that Stoner violated his fiduciary duties to plaintiff during the period when he was a director and an officer of plaintiff.").

⁸³ *Id.* at 301-02, 321 N.E.2d at 8.

the ITSA,⁸⁴ for example, and there is some question as to whether the standard fiduciary duty remedy of prime rate prejudgment interest⁸⁵ – or indeed any prejudgment interest – is available under the ITSA.⁸⁶ Second, the burdens of proof are not the same. In fiduciary duty cases the burden of proof can be and often is placed on the defendant, a burden of clear and convincing proof at that.⁸⁷ The ITSA has no equivalent proof burden-shifting scheme; the burden of proof rests with plaintiff on all elements and the burden of persuasion may even rest with plaintiff on defenses like independent development and reverse engineering.⁸⁸

Third, and perhaps most important, virtually all pre-ITSA common law and equity cases dealt with informal relationships in which plaintiff took little or no secrecy measures, choosing instead to trust the defendants, often with good reason. But Illinois cases interpreting the ITSA have insisted it requires “affirmative” secrecy measures,⁸⁹ a standard most of the pre-ITSA plaintiffs would have failed – which would have left them with no claim had total preemption under the ITSA applied. One can see this dichotomy on vivid display in *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*,⁹⁰ the famous “Thomas the Tank Engine” case in which that toy’s owner, Learning Curve Toys, approached PlayWood to create a toy track that would make “clickety clack” sounds as the toy train’s wheels rolled over it.⁹¹ To Learning Curve’s complete surprise, PlayWood at their first meeting cut grooves in a piece of wood and immediately produced the desired sound, leaving Learning Curve “stunned.”⁹² At trial, PlayWood said the parties had an oral secrecy agreement, while Learning Curve said they didn’t; the jury sided with PlayWood and awarded it approximately \$6 million.⁹³ On post-trial motions,

⁸⁴ See William Lynch Schaller, *Growing Pains: Intellectual Property Considerations for Illinois Small Businesses Seeking to Expand*, 35 LOY. U. CHI. L.J. 845, 931 (2004) (collecting Illinois cases).

⁸⁵ *Id.* (citing *Martin v. Heinold Commodities, Inc.*, 163 Ill. 2d 33, 78-93, 643 N.E.2d 734, 755-59 (1994)).

⁸⁶ *Compare* C&F Packing Co. v. IBP, Inc., 224 F.3d 1296, 1308 (Fed. Cir. 2000) (applying Illinois law) (reversing prejudgment interest award under ITSA) *with* *Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 1123 (Fed. Cir. 1996) (applying Illinois law) (affirming prejudgment interest award under ITSA).

⁸⁷ See William Lynch Schaller, *Corporate Opportunities and Corporate Competition in Illinois: A Comparative Discussion of Fiduciary Duties*, 46 J. MARSHALL L. REV. 1, 13-15 (2012) (collecting Illinois cases).

⁸⁸ See William Lynch Schaller, *Growing Pains: Intellectual Property Considerations for Illinois Small Businesses Seeking to Expand*, 35 LOY. U. CHI. L. J. 845, 854-58 (2004) (collecting Illinois cases).

⁸⁹ See, e.g., *Jackson v. Hammer*, 274 Ill. App. 3d 59, 68, 653 N.E.2d 809, 816 (4th Dist. 1995) (“[T]he Act requires a plaintiff to take ‘affirmative measures’ to prevent others from using information.”).

⁹⁰ 342 F.3d 714 (7th Cir. 2003).

⁹¹ *Id.* at 718.

⁹² *Id.* at 720.

⁹³ *Id.* at 716; see also *Learning Curve Int’l, Inc. v. Seyfarth Shaw LLP*, 392 Ill. App. 3d 1068, 1072, 911 N.E.2d 1073, 1077 (1st Dist. 2009) (legal malpractice action describing value of PlayWood

however, the district court ruled PlayWood had failed to meet the ITSA's requirement of "affirmative" secrecy measures for its impromptu "Clickety-Clack Track" idea to qualify as a trade secret.⁹⁴ Since it had already concluded on summary judgment that the ITSA preempted all of PlayWood's non-trade secret claims, the district court took away the jury's trade secret award of \$6 million.⁹⁵ This disaster was only avoided when the Seventh Circuit on appeal subsequently held oral secrecy satisfied the ITSA "affirmative" secrecy measures standard⁹⁶ and therefore reinstated the \$6 million jury verdict.⁹⁷ The Court of Appeals noted but did not reach the question of whether the ITSA preempted PlayWood's "idea" theft and other non-trade secret claims, as PlayWood chose not to appeal that issue.⁹⁸

The larger lesson to be drawn from these and similar Illinois cases, then, is that Illinois common law and equity theories before the ITSA's passage were more than accommodating when it came to claims for wrongful competition or information misuse in or near the zone covered by trade secret principles. Information did not have to rise to the level of trade secrets to be protectable under these branches of Illinois common law or equity.⁹⁹ The drafters of the ITSA had to have understood this, and they plainly did, as reflected in both their contemporaneous commentary¹⁰⁰ and the positive and negative preemption provisions they included in the ITSA itself.¹⁰¹

III. ILLINOIS AND FEDERAL STATUTORY CONSTRUCTION PRINCIPLES: THE ROAD RARELY TAKEN

Basic Illinois and federal statutory construction principles, I think, should yield a fairly simple answer to the statutory construction question at the heart of this paper. The rules themselves have not been the problem; judicial inattentiveness to them has been.

federal jury verdict as "about \$6 million" and noting Learning Curve ultimately settled the PlayWood federal case by paying PlayWood over \$11 million).

⁹⁴ *Id.* at 721.

⁹⁵ *Id.* at 722. *See generally* Trygve Meade, *Indecision: The Need to Reform the Reasonable Secrecy Precautions Requirement Under Trade Secret Law*, 37 S. ILL. U. L.J. 717 (2013) (lamenting significant judicial inconsistency as to when secrecy measures are sufficient).

⁹⁶ 342 F.3d at 731.

⁹⁷ *Learning Curve Int'l, Inc.*, 392 Ill. App. 3d at 1072, 911 N.E.2d at 1077.

⁹⁸ *Learning Curve Toys*, 342 F.3d at 720 n.1.

⁹⁹ *See generally*, Unikel, *supra* note 18, at 854-67 (collecting cases from multiple jurisdictions); Michael Starr & Christopher N. Franciose, *Disloyalty and the UTSA*, NAT'L L.J., April 20, 2009, at 13 (collecting cases).

¹⁰⁰ *See* Jager, *supra* note 2, at 19-21 (discussing the ITSA's many departures from the UTSA in an effort to preserve important aspects of pre-existing Illinois law, but barely commenting on preemption: "[C]onflicting 'unfair competition' laws are expressly displaced (Section 8(a))").

¹⁰¹ *See* 765 ILL. COMP. STAT. 1065/8(a)-(b) (2018).

Illinois statutory construction principles apply to the ITSA just as they apply to all Illinois statutes. This unremarkable observation is remarkable for only one reason: Illinois decisions have almost never invoked Illinois statutory construction commands in ITSA preemption cases.¹⁰² In my view, general Illinois statutory construction rules should be followed when construing the ITSA's preemption provisions, and trade secret preemption decisions from other jurisdictions should carry no special weight beyond the persuasive force of their analysis, as in any other case.¹⁰³ These conclusions are reinforced by the ITSA's omission of the "uniform construction" provision found in the Uniform Trade Secret Act, even though the ITSA is loosely modelled on the UTSA.¹⁰⁴

Illinois statutory construction canons are both familiar and settled.¹⁰⁵ The cardinal rule of statutory construction is to determine the Illinois General Assembly's intent, and to this end statutory language should be given its plain and ordinary meaning.¹⁰⁶ Illinois courts should "not depart from the plain language of a statute by reading into it exceptions, conditions, or limitations that the legislature did not express."¹⁰⁷ In addition, terms of art should be afforded their customary legal definitions,¹⁰⁸ and constructions should seek to give effect to all language found in the statute,¹⁰⁹ with no part of the

¹⁰² See Marvin N. Benn, *Illinois Trade Secrets Act*, 27 PAT., TRADEMARK & COPYRIGHT NO. 1, at 1 (Oct. 1987) (analyzing ITSA remedies without mentioning statutory construction principles); Marvin N. Benn, *ISBA Trade Secret Act Passed*, CHI. DAILY L. BULL., Jan. 14, 1988 (discussing ITSA's passage and provisions without mentioning statutory construction principles); Marvin N. Benn, *Illinois Trade Secrets Act: An Overview*, at 3-13 (1989) (commenting that Section 8(a) was not intended to preempt the "doctrine of tortious [sic] misappropriation," without mentioning statutory construction principles).

¹⁰³ A rare exception to this straightforward approach concerns the weight Illinois courts should give federal court federal law precedents in general, and Seventh Circuit Court of Appeals federal law precedents in particular, in the interest of uniformity in Illinois litigation. See *State Bank of Cherry v. CGB Enterprises, Inc.*, 2013 IL 113836, ¶¶ 33-35, 984 N.E.2d 449, 458-59 (2013) (discussing weight to be given lower federal court opinions on federal law).

¹⁰⁴ See UNIF. TRADE SECRET ACT § 8 (UNIF. LAW COMM'N 1985) "This [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."

¹⁰⁵ The Illinois Supreme Court's consistency in applying these principles has been the subject of criticism, however. See Steven J. Macias, *Survey of Illinois Law: Statutory Interpretation*, 37 S. ILL. U. L.J. 845 (2013) (reviewing Illinois Supreme Court decisions applying the "plain and ordinary meaning" rule, reconciling conflicting statutes, resorting to legislative history, and invoking the "absurdity" rule).

¹⁰⁶ See *Hennings v. Chandler*, 229 Ill. 2d 18, 24, 890 N.E.2d 920, 923 (2008) (quoting *Orlak v. Loyola Univ. Health Sys.*, 228 Ill. 2d 1, 8, 885 N.E.2d 999, 1004-05 (2007)).

¹⁰⁷ *Skaperdas v. Country Cas. Ins. Co.*, 2015 IL 117021, ¶ 15, 28 N.E.3d 747, 752 (2015).

¹⁰⁸ See, e.g., *id.* ¶ 20, 28 N.E.3d at 753 (noting that Black's Law Dictionary included the term "producer" in the definitions of both "insurance agent" and "insurance broker"); *Harris v. Manor Healthcare Corp.*, 111 Ill. 2d 350, 364, 489 N.E.2d 1374, 1380 (1986) ("When a statute employs words having a well-known legal significance, courts will, in the absence of any expression to the contrary, assume the legislature intended the words to have that meaning.").

¹⁰⁹ See *Hennings*, 229 Ill. 2d at 24, 890 N.E.2d at 923 ("In determining the plain meaning of a statute's terms, we consider the statute in its entirety, keeping in mind the subject it addresses, and the

statutory text “rendered meaningless or superfluous.”¹¹⁰ In other words, “[t]o ascertain legislative intent, [courts] must examine the language of the entire statute and consider each part or section in connection with every other part or section.”¹¹¹ As a corollary, the Illinois General Assembly’s intent in passing legislation should ordinarily be determined from the language of the legislation itself.¹¹² Only when language is ambiguous should Illinois courts resort to other interpretive aids like legislative history.¹¹³ And, of course, statutes in derogation of the common law should be strictly construed.¹¹⁴

This last rule, about statutes in derogation of the common law, deserves additional comment. It not only teaches that statutes purporting to change the common law should be interpreted narrowly; it necessarily teaches that statutes purporting to preserve the common law should be read expansively. The Illinois Supreme Court’s views in *Rush University Medical Center v. Sessions*¹¹⁵ are instructive:

We begin our analysis by noting the following well-settled principles that govern legislative abrogation of a common law rule. Common law rights and remedies remain in full force in this state unless expressly repealed by the legislature or modified by court decision. *Millennium Park Joint Venture*, 241 Ill.2d at 305, 349 Ill.Dec. 898, 948 N.E.2d 1. Any legislative intent to abrogate the common law must be plainly and clearly stated, and such intent will not be presumed from ambiguous or questionable

apparent intent of the legislature in enacting the statute.”) (quoting *Orlak*, 228 Ill. 2d at 8, 885 N.E.2d at 999).

¹¹⁰ *People v. Lloyd*, 2013 IL 113510, ¶ 25, 987 N.E.2d 386, 392 (2013).

¹¹¹ *In re Parentage of M.J.*, 203 Ill. 2d 526, 533, 787 N.E.2d 144, 148 (2003).

¹¹² *Hennings*, 229 Ill. 2d at 24, 890 N.E.2d at 923 (“[Legislative] intent is best gleaned from the words of the statute itself, and where the statutory language is clear and unambiguous, it must be given effect.”) (quoting *Orlak*, 228 Ill. 2d at 8, 885 N.E.2d at 999).

¹¹³ See *Skaperdas*, 2015 IL 117201, at ¶ 16, 28 N.E.3d at 752 (“When statutory language is ambiguous, however, courts may consider extrinsic aids of construction to discern the legislature’s intent.”); Matthew Hertko, *Statutory Interpretation in Illinois: Abandoning the Plain Meaning Rule for an Extratextual Approach*, 2005 U. ILL. L. REV. 377 (arguing in favor of more flexible statutory construction standards).

¹¹⁴ The derogation principle was recently addressed in the context of unmarried cohabitants fighting over joint property, with the Illinois Supreme Court giving sweeping preemptive effect to the Illinois General Assembly’s ban on common law marriage in Section 214 of the Illinois Marriage and Dissolution of Marriage Act, 750 ILL. COMP. STAT. 5/214 (2018). See *Blumenthal v. Brewer*, 2016 IL 118781, 69 N.E.3d 834 (2016) (reaffirming *Hewitt v. Hewitt*, 77 Ill. 2d 49, 394 N.E.2d 1204 (1979)). The court took this position in part based upon the legislature’s failure to overrule *Hewitt*. In any event, unlike the ITSA, the IMDMA contains no anti-preemption provision. Whether equitable claims – as opposed to common law claims – should be subject to the “derogation” rule is a separate question. See David J. Seipp, *Trust and Fiduciary Duty in the Early Common Law*, 91 B.U. L. REV. 1011, 1012 (2011) (“Trusts were enforced by chancery, a court of equity, not by courts of common law. Fiduciary duties and the law of trusts thus seemed to have grown up outside the common law, in a different court that developed later than the common law courts and was sometimes regarded as their adversary or rival.”).

¹¹⁵ 2012 IL 112906, 980 N.E.2d 45 (2012).

language. *Maksimovic v. Tsogalis*, 177 Ill.2d 511, 518, 227 Ill.Dec. 98, 687 N.E.2d 21 (1997). Thus, Illinois courts have limited all manner of statutes in derogation of the common law to their express language, in order to effect the least — rather than the most — alteration in the common law. *Adams v. Northern Illinois Gas Co.*, 211 Ill.2d 32, 69, 284 Ill.Dec. 302, 809 N.E.2d 1248 (2004) (collecting cases).

The implied repeal of the common law is not and has never been favored. See *People v. Spann*, 20 Ill.2d 338, 341, 169 N.E.2d 781 (1960); *People ex rel. Nelson v. West Englewood Trust & Savings Bank*, 353 Ill. 451, 460, 187 N.E. 525 (1933). Thus, a statute that does not expressly abrogate the common law will be deemed to have done so only if that is what is "necessarily implied from what is expressed." *Acme Fireworks Corp. v. Bibb*, 6 Ill.2d 112, 119, 126 N.E.2d 688 (1955). But in such cases, there must be an "irreconcilable repugnancy" between the statute and the common law right such that both cannot be carried into effect. *West Englewood*, 353 Ill. at 460, 187 N.E. 525. Where the common law rule in question provides greater protection than the statute at issue, but the rule is not inconsistent with the general purpose of the statute, "it is better to say that the law was intended to supplement or add to the security furnished by the rule of the common law rather than to say that it is repugnant to that rule." *West Englewood*, 353 Ill. at 461, 187 N.E. 525. Moreover, where a remedy is given by statute and there are no negative words or provisions rendering it exclusive, "it will be deemed to be cumulative only and not to take away prior remedies." *Nottage v. Jeka*, 172 Ill.2d 386, 392-93, 217 Ill.Dec. 298, 667 N.E.2d 91 (1996).

It is undisputed that the Fraudulent Transfer Act does not contain any provision that purports to expressly abrogate any portion of the common law. Quite to the contrary, section 11 of the Act contains a provision expressing a clear intent to preserve common law remedies: "Unless displaced by the provisions of this Act, the principles of law and equity, including * * * the law relating to * * * fraud * * * supplement its provisions." (Emphasis added.) 740 ILCS 160/11 (West 2006). The only question here, then, is whether there is a clear inconsistency between the two laws so that both cannot be carried into effect. Furthermore, it is not enough to justify the inference of abrogation from the simple fact that a subsequent statute covers some, or even all, of the questions covered by the common law; there "must be an irreconcilable repugnancy." *West Englewood*, 353 Ill. at 460, 187 N.E. 525.¹¹⁶

There is some debate about whether state law statutory construction principles control in federal court diversity cases, a question the United States

¹¹⁶ *Id.* ¶¶ 16-18, 980 N.E.2d at 50-51.

Supreme Court has never answered,¹¹⁷ but at least in this instance the applicable federal statutory canons of construction are essentially the same as those of Illinois. For example, federal law cases call for use of dictionary definitions of terms with no common law meaning.¹¹⁸ However, when legal terms of art appear in a statute, the Supreme Court has held such words should be given their common law meaning.¹¹⁹ Consistent with this view, the Court has said that “statutes which invade the common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident.”¹²⁰ The Court has also stressed that every word and every provision should be given meaning¹²¹ and that “identical words used in different parts of the same Act are intended to have the same meaning.”¹²² Most important, federal statutory construction rules provide that if a statute’s words are clear and unambiguous, the court should look no further to find the meaning of a statute. “[E]ven the most formidable argument concerning the statute’s purposes [can] not overcome the clarity” of the statute’s text.¹²³

Although applying these general rules can be difficult in some cases, there is nothing difficult about their application to the preemption provisions found in Section 8 of the ITSA. Section 8’s language is, in fact, a model of clarity, especially when one takes into consideration Section 2(d)’s definition of the term “trade secret” – the key term used in Section 8. Section 2(d) provides:

(d) “Trade secret” means information, including but not limited to, technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers or suppliers, that:

(1) is sufficiently secret to derive economic value, actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use; and

¹¹⁷ See J. Stephen Tagert, *To Erie or Not to Erie: Do Federal Courts Follow State Statutory Interpretation Methodologies?*, 66 DUKE L.J. 211, 213 n.9 (2016); Abbe R. Gluck, *The Federal Common Law of Statutory Interpretation: Erie for the Age of Statutes*, 54 WM. & MARY L. REV. 753, 755 n.2 (2013).

¹¹⁸ See *MCI Commc’ns Corp. v. AT&T Co.*, 512 U.S. 218, 224-26 (1994).

¹¹⁹ See *Evans v. United States*, 504 U.S. 255, 261–64 (1992).

¹²⁰ *United States v. Texas*, 507 U.S. 529, 534 (1993) (quoting *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952)). See also *Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104, 108 (1991) (“Congress is understood to legislate against a background of common law adjudicatory principles.”).

¹²¹ *Montclair v. Ramsdell*, 107 U.S. 147, 152 (1883).

¹²² *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995).

¹²³ *Kloeckner v. Solis*, 568 U.S. 41, 55 n.4 (2012).

(2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality.

Section 8, in turn, states:

(a) Except as provided in subsection (b), this Act is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret.

(b) This Act does not affect:

- (i) contractual remedies, whether or not based upon misappropriation of a trade secret, provided however, that a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of durational or geographical limitation on the duty;
- (ii) other civil remedies that are not based upon misappropriation of a trade secret;
- (iii) criminal remedies, whether or not based upon misappropriation of a trade secret; or
- (iv) the definition of a trade secret contained in any other Act of this State.¹²⁴

Obviously, if information is not a “trade secret” as that term is defined in the ITSA, then it is not subject to preemption under the express terms of Section 8(b)(2). Indeed, it would be hard to give Section 8(b)(2) any other construction. This approach is also consistent with the construction canon calling for terms of art like “trade secret” to receive their ordinary legal meaning. “Trade secrets” are a subset of the broader category of “confidential information”; they are not twins.¹²⁵ Treating “trade secret” in this fashion also readily reconciles Section 8(a) with Section 8(b)(2) – the former simply abolishes common law trade secret claims in favor of statutory trade secret claims, while the latter preserves all other non-trade secret claims. This view gives every provision meaning instead of reading Section 8(b)(2) out of the ITSA. Yet surprisingly, of the nearly 50 Illinois state and federal court cases that have explored ITSA preemption, only one – Judge Shadur’s 2012 opinion in *Miller UK Ltd. v. Caterpillar Inc.*¹²⁶ – has offered

¹²⁴ 765 ILL. COMP. STAT. 1065/8(a)-(b) (2018).

¹²⁵ See *Patriot Homes, Inc. v. Forest River Hous., Inc.*, 512 F.3d 412 (7th Cir. 2008) (using “trade secret” and “confidential information” separately throughout opinion); *Miller UK, Ltd. v. Caterpillar Inc.*, 859 F. Supp. 2d 941, 944 (N.D. Ill. 2012) (“But not all confidential information is a trade secret, and Miller says that the Act does not preempt unjust enrichment and fraudulent inducement contentions when those theories are applied to non-trade-secret information—that is, information outside of the scope defined in Act § 2(d) [of the ITSA]”).

¹²⁶ 859 F. Supp. 2d 941 (N.D. Ill. 2012).

a traditional statutory construction analysis along these lines. In sharp contrast, no analysis of any kind – statutory or otherwise – has graced the pages of many Illinois Appellate Court and Seventh Circuit Court of Appeals ITSA preemption opinions, and those that have made an effort have followed the wrong path.

IV. ITSA PREEMPTION IN THE ILLINOIS APPELLATE COURT

I turn first to the Illinois Appellate Court’s handful of opinions to give context to Judge Shadur’s normative effort in *Miller*. The Illinois Appellate Court’s ITSA preemption decisions all share a common flaw: they construe an Illinois statute without following Illinois statutory construction rules.

A. Pope v. Alberto-Culver Co.

The Illinois Appellate Court’s first ITSA preemption sally, Justice Frossard’s opinion in *Pope v. Alberto-Culver Co.*,¹²⁷ concerned a 1998 “idea submission” case in which plaintiff sent a shampoo manufacturer an idea that resembled a lye-based hair relaxer product the manufacturer later pursued.¹²⁸ The court found nothing new or novel about plaintiff’s idea that distinguished it from similar products in the public domain, so the court rejected plaintiff’s trade secret claim under the ITSA.¹²⁹ The court then rejected plaintiff’s unjust enrichment claim as preempted by the ITSA,¹³⁰ citing without discussing *Web Communications Group, Inc. v. Gateway 2000, Inc.*,¹³¹ a district court decision that offered no statutory construction analysis and that failed to note the ITSA’s anti-preemption provision in Section 8(b)(2). Thus, *Pope* was mainly notable for both its complete absence of construction canon reasoning and its complete omission of the ITSA’s anti-preemption language.

B. Fabricare Equipment Credit Corp. v. Bell, Boyd & Lloyd

*Fabricare Equipment Credit Corp. v. Bell, Boyd & Lloyd*¹³² took an equally casual approach to the ITSA preemption issue. Issued in early 2002, *Fabricare Equipment* addressed a legal malpractice action in which the underlying case was tried on an “idea” claim and restitution was pressed as a secondary theory, but no ITSA claim was pursued. Employing the traditional “case within a case” legal malpractice methodology, the Illinois Appellate

¹²⁷ 296 Ill. App. 3d 512, 694 N.E.2d 615 (1st Dist. 1998).

¹²⁸ *Id.* at 513-14, 694 N.E.2d at 616.

¹²⁹ *Id.* at 518, 694 N.E.2d at 619.

¹³⁰ *Id.* at 519, 694 N.E.2d at 619.

¹³¹ 889 F. Supp. 316 (N.D. Ill. 1995).

¹³² 328 Ill. App. 3d 784, 767 N.E.2d 470 (1st Dist. 2002).

Court stressed that the trial court in the underlying case had found that “the concept of contractually tying-in services with other services or products is not unique, original or confidential, but is a concept accessible to and utilized in the public and business communities.”¹³³ The Illinois Appellate Court agreed with this position and rejected plaintiff’s underlying common law idea claim as neither new nor novel: “Matters of public or general knowledge in an industry or the community cannot be appropriated since they are not novel.”¹³⁴

Justice Theis’ opinion for the court said next to nothing about preemption, simply citing “Section 8” and *Pope* for this conclusory statement: “Moreover, where FECC also alleged a failure to pursue a cause of action under the Illinois Trade Secrets Act, a claim for unjust enrichment would be preempted under the Act.”¹³⁵ Perhaps no statutory construction approach was attempted in *Fabricare Equipment* because, like *Pope*, the public domain finding doomed plaintiff’s claims under any theory. Regardless, *Fabricare Equipment* subtly extended *Pope* by approving Section 8(a) preemption even though no ITSA claim had been made.

C. *Delta Medical Systems v. Mid-America Medical Systems, Inc.*

Delta Medical Systems v. Mid-America Medical Systems, Inc.,¹³⁶ decided in late 2002 by the same panel that decided *Fabricare Equipment*, followed the same minimalist approach on ITSA preemption. The bulk of the court’s opinion dealt with whether certain mammography customer and equipment data amounted to trade secrets. In part the battle was over the fact that much of the contested information was in the public domain, either as general skill and knowledge or as easily obtainable from customers themselves, and in part the battle was over plaintiff-employer Delta’s failure to adequately segregate, identify and guard its secret information.¹³⁷ In a thorough opinion, Justice Theis concluded none of the challenged information constituted trade secrets under the ITSA and therefore reversed the trial court’s preliminary injunction.

After rejecting the trade secret preliminary injunction claim, Justice Theis turned to the Delta’s duty of loyalty and tortious interference claims against two of the defendants, Donati and Ottum. Justice Theis made short work of these:

Initially, we note that Delta makes no argument and cites no authority as to what evidence supports its claim of tortious interference with prospective

¹³³ *Id.* at 788-89, 767 N.E.2d at 474-75.

¹³⁴ *Id.* at 789, 767 N.E.2d at 475.

¹³⁵ *Id.*

¹³⁶ 331 Ill. App. 3d 777, 772 N.E.2d 768 (1st Dist. 2002).

¹³⁷ *Id.* at 779-81, 772 N.E.2d at 772-73.

economic advantage, and we therefore do not address it. 188 Ill.2d R. 341(e)(7). Furthermore, to the extent that these claims involve an alleged misappropriation of Delta's trade secrets, they are preempted by the Act. 765 ILCS 1065/8 (West 2000).¹³⁸

Like *Pope* and *Fabricare Equipment*, *Delta Medical Systems* announced a result without formal statutory construction analysis, without citing Section 8(b)(2)'s anti-preemption rule, and without offering any rationale, on the assumption that information not rising to the level of a trade secret was not protectable outside the ITSA trade secret regime.

D. Alpha School Bus Company, Inc. v. Wagner

Barely better was Justice O'Malley's 2009 trade secret preemption decision for the Illinois Appellate Court's in *Alpha School Bus Company, Inc. v. Wagner*.¹³⁹ *Alpha School Bus* involved employees who breached their fiduciary duties by competing against their employer while still employed.¹⁴⁰ Somewhat simplified, Alpha School Bus alleged that its employees, Wagner and Meister, "prepared the [SWCCCASE school district bus] contract bids for both Alpha, their employer, and Southwest, Alpha's competitor."¹⁴¹ Their goal was to make Alpha School Bus' bid higher than Southwest's bid, thereby allowing Southwest to win the bidding and to overbill the school district.¹⁴² Alpha School Bus also alleged that Wagner and Meister sought to reduce competition by putting Alpha School Bus out of business. In addition, Alpha School Bus brought civil conspiracy and inducement of breach of fiduciary duty claims against Southwest for participating in the foregoing bid rigging, for fraudulently inducing Alpha's "employees, drivers and mechanics to terminate their employment with Alpha, and [for] converting Alpha's assets."¹⁴³ The question, therefore, was whether the ITSA preempted Alpha School Bus' fiduciary duty and tort claims, given that all rested at least in part on stolen information, namely Alpha School Bus' secret bid terms known to Wagner and Meister by virtue of their employment.¹⁴⁴

Unlike the earlier Illinois Appellate Court opinions in *Pope*, *Fabricare Equipment* and *Delta Medical Systems*, Justice O'Malley's *Alpha School Bus* opinion acknowledged both the positive and negative preemption provisions of Section 8 and even noted the ITSA's definition of the term "trade secret" in Section 2(d). After quoting Section 8(a) and Section 8(b)(2), the court

¹³⁸ *Id.* at 796, 772 N.E.2d at 784.

¹³⁹ 391 Ill. App. 3d 722, 910 N.E.2d 1134 (1st Dist. 2009).

¹⁴⁰ *Id.* at 727, 910 N.E.2d at 1142.

¹⁴¹ *Id.* at 728, 910 N.E.2d at 1142-43.

¹⁴² *Id.*

¹⁴³ *Id.*

¹⁴⁴ *Id.* at 736, 910 N.E. 2d at 1149.

focused on Wagner and held the ITSA did not preempt Alpha School Bus' breach of fiduciary duty claims concerning Wagner's secret competing business, his solicitation of Alpha School Bus employees, and his conversion of Alpha School Bus' property.¹⁴⁵ The court also held that Alpha School Bus' bid theft fiduciary duty claim was not preempted: "Although plaintiffs' claim includes allegations that Wagner used trade secrets in preparing the bid, this claim is not dependent upon the misappropriation of trade secrets."¹⁴⁶ The court further held that civil conspiracy claims against a third party, Hackel, were not preempted other than those directly alleging trade secret theft:

Plaintiffs also claim Hackel induced Wagner into breaching his fiduciary duty to Alpha. Specifically, plaintiffs alleged that Hackel, although aware of Wagner's fiduciary duty to Alpha, colluded and participated with Wagner in the breach of his fiduciary duties by: (1) acting as a nominee of Southwest with Wagner controlling and dominating its affairs; (2) conspiring with Wagner to rig the SWCCCASE bid; (3) conspiring with Wagner to usurp Alpha's trade secrets; (4) soliciting Alpha's employees and customers; and (5) otherwise assisting Wagner in competing with Alpha while he was still an employee. Clearly, plaintiffs' third allegation – that Hackel induced Wagner into breaching his fiduciary duty by conspiring with him to misappropriate Alpha's trade secrets – is based upon the misappropriation of Alpha's trade secrets and thus preempted by the Trade Secrets Act. The other allegations, however, do not appear to be "based upon" the misappropriation of trade secrets, and preemption would not occur. This claim, therefore, is not preempted by the Trade Secrets Act, and the trial court erred in dismissing this count with respect to Hackel.¹⁴⁷

I do not generally have a problem with the results in *Alpha School Bus*; most of Alpha School Bus' fiduciary duty and tort claims, such as pre-resignation competition, pre-resignation solicitation of fellow employees and pre-resignation asset conversion, were not "dependent upon" or "based upon" trade secret misappropriation in any sense and thus should not have been preempted, as the appellate court held. And the bid information claims plainly came within the ITSA's reach to the extent the bid itself was a trade secret, as the appellate court also correctly held. In between, however, was the possibility – impossible to resolve definitively on a motion to dismiss, the procedural posture of *Alpha School Bus*¹⁴⁸ – that the bid information did not rise to the level of a trade secret yet was still protectable under Illinois

¹⁴⁵ *Id.* at 737, 910 N.E. 2d at 1149-50.

¹⁴⁶ *Id.* at 737, 910 N.E. 2d at 1150.

¹⁴⁷ *Id.* at 739, 910 N.E.2d at 1151.

¹⁴⁸ *Id.* at 734, 910 N.E.2d at 1147.

common law and equity theories, such as breach of fiduciary duty and civil conspiracy.

This inquiry called for application of traditional Illinois statutory construction principles, but the *Alpha School Bus* court failed to cite any; indeed, the *Alpha School Bus* court even failed to cite *Pope, Fabricare Equipment* or *Delta Medical Systems*. While the *Alpha School Bus* court's citation to Section 2(d)'s "trade secret" definition and Section 8(b)(2)'s anti-preemption language were improvements on *Pope, Fabricare Equipment* and *Delta Medical Systems*, citing these ITSA sections without more was not a substitute for formal statutory analysis. The *Alpha School Bus* court was right to treat the defined term "trade secret" as the dividing line between Section 8(a) and Section 8(b)(2), but the court was wrong to then assume all competitive information claims fall within the definition of "trade secret." The *Alpha School Bus* court instead should have turned to the long history of non-trade secret claims under Illinois law to show that competitive information can be protectable without rising to the level of a trade secret. On this premise, the court then should have recognized that plaintiff's pursuit of trade secret and non-trade secret claims was consistent with the language of Section 2(d) and the language of Section 8(a) and Section 8(b)(2) – a reading giving effect to all statutory terms while narrowly abrogating existing Illinois law. Per Ockham's Razor,¹⁴⁹ the simplest answer was the best: Section 8(b)(2) preserves all claims falling short of Section 2(d)'s statutorily defined "trade secret" mark.

V. ITSA PREEMPTION IN THE SEVENTH CIRCUIT COURT OF APPEALS

Strangely enough, Illinois Appellate Court preemption opinions played no role in the Seventh Circuit's ITSA preemption analysis before *Spitz*, despite the Supreme Court's *Erie* command that they be considered in diversity cases where no controlling Illinois Supreme Court precedent exists.¹⁵⁰ Their absence is apparent simply from a chronological examination

¹⁴⁹ See, e.g., LARRY SIEDENTOP, *INVENTING THE INDIVIDUAL: THE ORIGINS OF WESTERN LIBERALISM* 306-20 (Harv. Univ. Press 2014) (discussing life and work of William of Ockham, including his Razor's "economy of explanation," his reconstructed idea of justice and his revised test for scientific truth, thereby laying the "the foundations for what we now call 'liberal secularism' as well as for what we call experimental or 'empirical' science"); R.H. Hemholtz, *Ockham's Razor in American Law*, 21 TUL. EUR. & CIV. L.F. 109, 110-11 (2006) (describing William of Ockham's importance in philosophy, theology and political theory, and describing his "principle of parsimony" as "[s]impler explanations are to be preferred").

¹⁵⁰ See *Stoner v. N.Y. Life Ins. Co.*, 311 U.S. 464, 467 (1940) (stating that federal courts sitting in diversity "must follow the decisions of intermediate state courts in the absence of convincing evidence that the highest court of the state would decide differently"); *Instant Tech. LLC v. DeFazio*, 793 F.3d 748, 751 (7th Cir. 2015) (Easterbrook, J.) (analyzing Illinois employee restrictive covenant law under Illinois Supreme Court's "totality of the circumstances" test

of the Seventh Circuit's preemption opinions. Presumably this lack of analytic rigor by the Seventh Circuit itself contributed to the Seventh Circuit's cursory approach to ITSA preemption in its 2014 opinion in *Spitz*, as the Court of Appeals there offered no formal statutory construction analysis and even overlooked its own ITSA preemption precedents. The *Spitz* court instead just relied upon the Illinois Appellate Court's opinion in *Pope* – an Illinois Appellate Court decision that itself offered no formal statutory construction analysis and failed to cite Section 8(b)(2)'s anti-preemption clause.

To appreciate the wobbly foundation of *Spitz*, it helps to unpack the Seventh Circuit's ITSA preemption precedents. The principal problem, I show below, has been neglect of counsel. The appellate briefs in these Seventh Circuit cases either barely addressed ITSA preemption or, in the case of *Spitz*, failed to address it at all. Handicapped by these limited presentations, the Court of Appeals has not had occasion to consider the proper analytic framework, to review the history of pre-ITSA information claims, or to ponder the policy behind Section 8's pro-preemption and anti-preemption provisions.

A. Composite Marine Propellers v. Van Der Woude

The first Seventh Circuit opinion to address ITSA preemption was arguably the worst. In *Composite Marine Propellers, Inc. v. Van Der Woude*,¹⁵¹ a 1992 case, the purported trade secret owner, Composite Marine Propellers ("CMP"), a designer and seller of marine propellers made of metal-plastic composite, entered into a nondisclosure and non-competition agreement with its principal supplier, Injection Structural Plastics, Ltd. ("ISPL"), and then shared its secrets with ISPL.¹⁵² Importantly, the CMP-ISPL contract required ISPL "to obtain similar pledges from its employees."¹⁵³ ISPL, however, did not bother to obtain "no disclosure" and "no competition" promises from its workers, "and CMP did not check to see

announced in *Reliable Fire Equipment Co. v. Arredondo*, 2011 IL 111871, 965 N.E.2d 393 (2011), while criticizing *Reliable Fire's* vague test and its potentially detrimental impact on both employers and employees; but acknowledging *Erie* and then observing: "Reforming that law, or trying to undermine it, is beyond our remit."); *Reiser v. Residential Funding Corp.*, 380 F.3d 1027, 1029 (7th Cir. 2004) (Easterbrook, J.) (for *Erie* purposes, intervening decisions by state intermediate appellate courts "assuredly ... do not themselves liberate district judges from the force of our decisions," nor should they cause the court of appeals to reconsider: "Instead of guessing over and over, it is best to stick with one assessment until the state's supreme court, which alone can end the guessing game, does so."); Benjamin C. Glassman, *Making State Law in Federal Court*, 41 GONZ. L. REV. 237, 263-67 (2007) (discussing and critiquing various *Erie* approaches of federal appeals courts).

¹⁵¹ 962 F.2d 1263 (7th Cir. 1992) (per curiam).

¹⁵² *Id.* at 1264.

¹⁵³ *Id.*

what steps ISPL had taken to protect [CMP's] intellectual property."¹⁵⁴ Thus, when ISPL president Whitmore, ISPL employee Van Der Woude, and other ISPL employees broke away to form a rival firm making plastic-only propellers, CMP found itself unable to identify a direct contract either between CMP and ISPL's ex-employees or between ISPL and ISPL's ex-employees.¹⁵⁵ Even so, a jury returned a verdict for substantial compensatory and punitive damages in favor of CMP and against ISPL's ex-employees.¹⁵⁶

All three judges on the Seventh Circuit panel – Judges Easterbrook, Kanne and Ripple – voted to reverse the jury verdict and to enter judgment for the defendants on the ground of insufficient evidence, a ground Judge Ripple in his concurrence rightly called “a rare judicial event and one that ought to be taken only after the most careful inspection of the record.”¹⁵⁷ The panel split two to one, however, on their reasoning behind their reversal.¹⁵⁸ The majority in an unsigned *per curiam* opinion held the CMP-ISPL contract did not extend to ISPL's employees individually; avoided the impact of Illinois fiduciary duty and unfair competition law by holding such claims were preempted by the ITSA;¹⁵⁹ and then found CMP's eight identified secrets either were not used by the ex-ISPL employees, were owned by the ex-ISPL employees themselves, or were not secrets at all.¹⁶⁰ Judge Ripple concurred in the judgement reversal but wrote separately, arguing that Illinois fiduciary duty and unfair competition law might well have applied to the ex-ISPL employees.¹⁶¹ However, he found the complaint did not allege these defendants breached their duties under these Illinois laws by competing against CMP, apparently unaware that Rule 15 of the Federal Rules of Civil Procedure permits amendment of pleadings to conform to the proof even after judgment.¹⁶²

There's a lot not to like about the *per curiam* majority opinion, beginning with its wooden treatment of contract law. To say CMP lacked contractual privity with the defendants begged the question of whether they could still be contractually liable to CMP without having signed the CMP contract in their individual capacities. Why did CMP find itself in this position? Because ISPL's president, defendant Whitmore – of all people –

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Id.* at 1265.

¹⁵⁷ *Id.* at 1268.

¹⁵⁸ *Id.* at 1265-68.

¹⁵⁹ *Id.* at 1265.

¹⁶⁰ *Id.* at 1268.

¹⁶¹ *Id.* at 1269.

¹⁶² *Id.* at 1268; FED. R. CIV. P. 15(b)(2) (“When an issue not raised by the pleadings is tried by the parties’ express or implied consent, it must be treated in all respects as if raised in the pleadings. A party may move—at any time, even after judgment—to amend the pleadings to conform them to the evidence and to raise an unpleaded issue. But failure to amend does not affect the result of the trial of that issue.”).

had failed to secure individual promises of confidentiality and noncompetition from himself and his subordinates, despite ISPL's contractual duty to do so. Worse, both Whitmore and co-defendant Van Der Woude knew of their nondisclosure and noncompetition obligations under the CMP-ISPL contract given their supervisory positions at ISPL, according to Judge Ripple's concurrence,¹⁶³ and Whitmore had actually signed the CMP-ISPL contract as president of ISPL – facts the majority omitted from its *per curiam* opinion. But more startling and more determinative were additional facts the district court offered but the majority and concurring appellate opinions both overlooked: Whitmore was a co-owner of ISPL when CMP and ISPL were working together, Van Der Woude eventually became the principal owner of ISPL during that period,¹⁶⁴ and then Whitmore and Van Der Woude organized the new competing entity, Van Der Woude Plastics Corp.¹⁶⁵ Everyone in their small company should have known what their obligations were to CMP, and Whitmore and Van Der Woude most certainly did know, as the jury no doubt concluded.¹⁶⁶ To be sure, Whitmore and Van Der Woude also had to know that the CMP-ISPL nondisclosure and noncompetition agreement contained an additional provision requiring ISPL to first offer to CMP any new development improvements by ISPL or ISPL's employees.¹⁶⁷

¹⁶³ 962 F.2d at 1269 (Ripple, J., concurring). Judge Ripple observed:

The contract not to compete and not to divulge trade secrets is between CMP and ISPL. However, ISPL was a small organization. The evidence makes clear that Mr. Whitmore, one of the defendants, signed the contract on behalf of ISPL and, as president of ISPL, surely had sufficient responsibility for compliance with the contract to permit a jury to expect he would secure the contemplated agreement of ISPL's employees. A reasonable jury could also conclude that Mr. Van Der Woude, another defendant, had sufficient responsibility in ISPL to make him aware that the essence of CMP's expectation was that neither he nor Mr. Whitmore would use to their own advantage the information procured from CMP while working on its project. There was also significant testimonial evidence from Mr. Cray, CMP's president, that the relationship was considered by all to be one of special trust and not simply a contractual business relationship.

¹⁶⁴ See *Composite Marine Propellers, Inc. v. Van Der Woude*, 741 F. Supp. 873, 875 (D. Kan. 1990) (“During the time of cooperation between ISPL and plaintiff, ISPL was a small, closely held corporation owned by Roy Van Der Kamp and defendant Whitmore. Defendant Van Der Woude was one of ISPL's few employees, and was responsible for manufacturing plaintiff's composite marine propellers. Eventually, through the acquisition of company stock, defendant Van Der Woude became the principal owner of ISPL.”).

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ *Id.* (“The Agreement acknowledged, among other things, that plaintiff was in possession of highly valuable, confidential proprietary information and trade secrets. It provided that ISPL and ISPL employees would: (a) not use or disclose plaintiff's proprietary information for two years following the termination of the contract; (b) not directly or indirectly engage in a competing business for two years; and (c) first offer any developmental improvement conceived by ISPL or ISPL employees pursuant to a licensing agreement contained in the Agreement.”).

Whitmore and Van Der Woude were plainly profiting by their own wrong and they knew it.¹⁶⁸ The Court of Appeals could easily have disregarded the corporate forms and invoked alter ego law on these facts to prevent a fraud,¹⁶⁹ as other Illinois courts have done in similar noncompete evasion cases.¹⁷⁰ But the Seventh Circuit refused to do so, citing *Sea-Land Services, Inc. v. Pepper Source*,¹⁷¹ an alter ego case in which the Court of Appeals declined to pierce the corporate veil in the far less compelling debtor-creditor/judgement collection context.¹⁷² Yet even *Sea-Land Services* supported CMP, as the Seventh Circuit there noted that alter ego/veil piercing is often permitted in settings other than judgement collection to avoid promoting injustice.¹⁷³ Indeed, the *Sea-Land Services* alter ego formulation could hardly have supported CMP more: “[s]ome element of unfairness, something akin to fraud or deception or the existence of a compelling public interest must be present in order to disregard the corporate fiction.”¹⁷⁴ The

¹⁶⁸ See, e.g., *Diaz v. United States*, 223 U.S. 442, 458 (1912) (“Neither in criminal nor in civil cases will the law allow a person to take advantage of his wrong.”).

¹⁶⁹ The facts of *Composite Marine Propellers* differed greatly from those in *Astor Chauffeured Limousine Co. v. Runnfeldt Investment Corp.*, 910 F.2d 1540 (7th Cir. 1990), a case Judge Easterbrook authored about 18 months earlier but not cited in *Composite Marine Propellers*. The employees who broke away to form a rival in *Astor Chauffeured Limousine* did so without the knowledge of their former firm Centennial Custom Limousine’s owners, a state court found. *Astor Chauffeured Limousine*, 910 F.2d at 1549. This factual determination precluded plaintiff’s later securities fraud claim against those owners in federal court because the fraud claim assumed the owners knew the employees were planning to break away at the time the owners sold the company to plaintiff. *Id.* In sharp contrast, Whitmore and Van Der Woude, the owners of ISPL, led the employee break away from ISPL, an obvious subterfuge effort to allow ISPL’s former employees to escape ISPL’s contractual obligations to CMP. *Composite Marine Propellers*, 741 F. Supp. at 875.

¹⁷⁰ See, e.g., *Arwell Div. of Orkin Exterminating Co. v. Kendrick*, 131 Ill. App. 3d 632, 634, 267 N.E.2d 352, 354 (3d Dist. 1971) (enforcing husband’s noncompete agreement against wife where she was his alter ego: “her conduct of the business was a thinly veiled subterfuge designed to avoid her husband’s obligation under the contract.”).

¹⁷¹ 941 F.2d 519 (7th Cir. 1991).

¹⁷² *Id.* at 522-23 (“The prospect of an unsatisfied judgment looms in every veil-piercing action; why else would a plaintiff bring such an action? Thus, if an unsatisfied judgment is enough for the ‘promote injustice’ feature of the test, then every plaintiff will pass on that score, and *Van Dorn [Co. v. Future Chem. & Oil Corp.]*, 753 F.2d 565 (7th Cir. 1985) collapses into a one-step ‘unity of interest and ownership’ test.”).

¹⁷³ *Id.* at 524. The *Sea-Land Services* court observed:

Generalizing from these [Illinois] cases, we see that the courts that properly have pierced corporate veils to avoid ‘promoting injustice’ have found that, unless it did so, some ‘wrong’ beyond a creditor’s inability to collect would result: the common sense rules of adverse possession would be undermined; former partners would be permitted to skirt the legal rules concerning monetary obligations; a party would be unjustly enriched; a parent corporation that caused a sub’s liabilities and its inability to pay for them would escape those liabilities; or an intentional scheme to squirrel assets into a liability-free corporation while heaping liabilities upon an asset-free corporation would be successful.

¹⁷⁴ *Id.* at 523 (quoting *Pedersen v. Paragon Pool Enters.*, 214 Ill. App. 3d 815, 822, 574 N.E.2d 165, 169 (1st Dist. 1991)).

Seventh Circuit in *Composite Marine Propellers* thus sidestepped the more difficult question of whether CMP's nondisclosure and noncompetition agreement was directly enforceable against ISPL's ex-employees – particularly Whitmore and Van Der Woude – on alter ego grounds.¹⁷⁵ If so, the licensing agreement included within likely granted CMP ownership over all of the patent and trade secret rights at issue no matter when and by whom they were created, and the licensing agreement would have been excluded from preemption by Section 8(b)(1) of the ITSA.

CMP as an alternative argued Illinois fiduciary duty law operated to extend fiduciary duties of confidence and loyalty to CMP on the part of the ex-ISPL employees.¹⁷⁶ The Court of Appeals divided on this crucial issue – crucial because the majority in its *per curiam* opinion acknowledged that Van Der Woude and the other ex-ISPL employees developed and were using certain technical information (ideas about water line configuration molding, hub cooling methods in molding, and secondary sprue trimming) that might have belonged to CMP had they been fiduciaries,¹⁷⁷ even if other CMP information was in the public domain (gas counter back pressure, marketing plans disclosed to 50 or 60 sales representatives) or was not used by the defendants (propeller blade flex, material characteristics, and test data). But the Seventh Circuit's majority *per curiam* opinion avoided this problem by dispatching CMP's fiduciary duty claims on ITSA preemption grounds with a few superficial statements, no citation to case law, and no analysis of Section 8(b)(2)'s anti-preemption command:

One ground other than the CMP-ISPL contract might supply a footing for unfair competition and fiduciary duty claims: defendants' use of CMP's secret information. Yet Illinois has abolished all common law theories of misuse of such information. Ill. Rev. Stat. ch. 140 ¶ 358(a). Unless defendants misappropriated a (statutory) trade secret, they did no legal wrong. We therefore turn to CMP's claim under the statute.¹⁷⁸

Whether Illinois fiduciary duty law is malleable enough to accommodate an unfair competition claim on these facts against non-employees is an interesting question. Judge Ripple in his concurring opinion thought it might well be, citing *Lecrone v. Leckrone*,¹⁷⁹ a case in which family

¹⁷⁵ *Composite Marine Propellers*, 962 F.2d at 1265-67.

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* at 1267.

¹⁷⁸ *Id.* at 1265.

¹⁷⁹ *Id.* at 1269 (Ripple, J., concurring) (citing *Lecrone v. Leckrone*, 220 Ill. App. 3d 372, 580 N.E.2d 1233, 1238 (1st Dist. 1991)). Judge Ripple on the same page later in his concurrence also cited another *de facto* confidential relationship case: *Carey Electric Contracting, Inc. v. First National Bank of Elgin*, 74 Ill. App. 3d 233, 392 N.E.2d 759 (2d Dist. 1979) (recognizing *de facto* confidential relationship principles but rejecting fiduciary claim on the facts).

members appeared to repose trust and confidence in one another, thereby triggering constructive trust as a restitutionary remedy against a brother who was had dissipated inherited property he was supposed to share. In other words, while ISPL's employees may not have been in a *de jure* fiduciary relationship with CMP in the same way CMP's own employees would have been, as in *Radiac Abrasives, Inc. v. Diamond Tech. Inc.*,¹⁸⁰ ISPL's ex-employees arguably could have been in a *de facto* fiduciary relationship with CMP based upon trust and confidence reposed and accepted, as in *Lecrone*. Indeed, according to Judge Ripple, not only did defendant Whitmore know about his own firm's confidentiality obligations to CMP by virtue of his ISPL presidency and his signature on the CMP-ISPL contract; so did defendant Van Der Woude as a result of his responsibilities at ISPL,¹⁸¹ not to mention (as the district court did) his principal ownership of ISPL along with Whitmore. And "[t]here was also significant testimonial evidence from Mr. Cray, CMP's president, that the relationship was considered by all to be one of special trust and not simply a contractual business relationship,"¹⁸² a critical fact the jury could have accepted, a controlling fact in virtually all of the pre-ITSA cases reviewed in Part II above, and a controlling fact in the Seventh Circuit's own famous decision (albeit under Pennsylvania law) in *Smith v. Dravo Corp.*¹⁸³ on facts analogous to those in *Composite Marine Propellers*.¹⁸⁴ Illinois law before the ITSA was certainly flexible enough to

¹⁸⁰ 177 Ill. App. 3d 628, 532 N.E.2d 428 (2d Dist. 1988). See also *Foodcomm Int'l v. Barry*, 328 F.3d 300, 304 (7th Cir. 2003) (citing *Radiac* with approval); William Lynch Schaller, *Disloyalty and Distrust: The Eroding Fiduciary Duties of Illinois Employees*, 3 DEPAUL BUS. L.J. 1, 38-47 (1990) (analyzing *Radiac* and its implications).

¹⁸¹ *Composite Marine Propellers*, 962 F.2d at 1269 (Ripple, J., concurring). Judge Ripple observed: The contract not to compete and not to divulge trade secrets is between CMP and ISPL. However, ISPL was a small organization. The evidence makes clear that Mr. Whitmore, one of the defendants, signed the contract on behalf of ISPL and, as president of ISPL, surely had sufficient responsibility for compliance with the contract to permit a jury to expect he would secure the contemplated agreement of ISPL's employees. A reasonable jury could also conclude that Mr. Van Der Woude, another defendant, had sufficient responsibility in ISPL to make him aware that the essence of CMP's expectation was that neither he nor Mr. Whitmore would use to their own advantage the information procured from CMP while working on its project.

¹⁸² *Id.*

¹⁸³ 203 F.2d 369 (7th Cir. 1953) (describing plaintiff Leatham D. Smith's inventions and trade secrets that resulted in shipping containers that were forerunner of modern shipping containers universally found on today's mammoth "box boats"). See generally BRIAN J. CUDAHY, *BOX BOATS: HOW CONTAINER SHIPS CHANGED THE WORLD* (Fordham Univ. 2006) (comprehensive history of the rise of modern container ships and the crucial role standardized, intermodal containers played); Witold Ryczynski, *Shipping News*, N.Y. REV. BOOKS (Aug. 10, 2006), <https://www.nybooks.com/articles/2006/08/10/shipping-news/> (reviewing Cudahy's *Box Boats* and two similar books).

¹⁸⁴ 203 F.2d at 373 (business seller justifiably relied on trust and confidence in disclosing secret information as part of potential business sale between competitors, even though no confidentiality agreement had been signed: "Stripped of surplusage, the averment is that defendant obtained, through a confidential relationship, knowledge of plaintiffs' secret designs plans and prospective customers, and then wrongfully breached that confidence by using the information to its own

protect non-confidential information collections as well, as the Illinois Supreme Court explicitly held in adopting the infamous and amorphous “tort of misappropriation” in *Board of Trade v. Dow Jones & Co.*,¹⁸⁵ another case Judge Ripple cited in his concurrence.¹⁸⁶

As should be apparent by now, Illinois law before the ITSA plainly protected both confidential and non-confidential information under theories other than trade secret law, and Illinois law certainly extended fiduciary duties of confidence and noncompetition to non-employees independent of trade secrets, as discussed in Part II with respect to *Jones v. Ulrich*¹⁸⁷ and *Pidot v. Zenith Corp.*¹⁸⁸ Section 8(b)(2) preserves these non-trade secret causes of action in the absence of a viable trade secret cause of action – the exact circumstances presented in *Composite Marine Propellers*.¹⁸⁹ If the majority had bothered to recite standard Illinois or federal statutory construction principles – specifically, statutes in derogation of the common law should be strictly construed, statutory terms should be given their defined meaning, and every statutory provision should be given effect – it would have been forced to excise its sweeping statements in favor of more modest holdings along the lines of Judge Ripple’s concurrence.

Thus, the *Composite Marine Propellers* majority opinion was mistaken in its alter ego treatment of CMP’s nondisclosure and noncompetition agreement claims; was careless in failing to discuss pre-ITSA decisions recognizing the very claims CMP was making; was careless in failing to discuss or even cite Section 8(b)(2)’s express anti-preemption language; misstated the law in asserting “Illinois has abolished all common law theories of misuse of such information”;¹⁹⁰ and misstated the law again in concluding “[u]nless defendants misappropriated a (statutory) trade secret, they did no legal wrong.”¹⁹¹ To be sure, the majority was hampered by the appellants’ superficial treatment of the preemption question,¹⁹² and Judge Ripple did not

advantage and plaintiffs’ detriment.”). Cf. *Cloud v. Standard Packaging Corp.*, 376 F.2d 384, 388-89 (7th Cir. 1967) (“Where the facts show that a disclosure is made in order to further a particular relationship, a relationship of confidence may be implied, e. g. disclosure to a prospective purchaser to enable him to appraise the value of the secret, disclosure to a prospective lender to assure him of the prospects of the borrower’s business, disclosure to agent, partner, or joint adventurer.”).

¹⁸⁵ 98 Ill. 2d 109, 456 N.E.2d 84 (1983).

¹⁸⁶ *Composite Marine Propellers*, 962 F.2d at 1269 (Ripple, J., concurring).

¹⁸⁷ 342 Ill. App. 3d 16, 95 N.E.2d 113 (3d Dist. 1950).

¹⁸⁸ 308 Ill. App. 197, 31 N.E.2d 385 (1st Dist. 1941).

¹⁸⁹ See generally *Composite Marine Propellers*, 962 F.2d 1263.

¹⁹⁰ *Id.* at 1265.

¹⁹¹ *Id.*

¹⁹² The seven appellants (Charles Whitmore, Gerbrig Van Der Woude, Advanced Plastics Partnership, Van Der Woude Plastics Corporation, Advanced Plastics Technology, Ltd., T.S. Moore & Associates, Inc., and Paul Lancour) devoted a scant four paragraphs of their 48-page opening brief to preemption. See Brief of Appellants at 39-40, *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263 (7th Cir. 1992) (No. 91-1724). They merely quoted Section 8(a)’s preemption language while ignoring Section 8(b)(2)’s anti-preemption language, offered no

help matters by failing to address the preemption question himself in his separate opinion. In addition, no reported Illinois Appellate Court or Illinois Supreme Court decision had construed the ITSA's dueling preemption provisions as of the time *Composite Marine Propellers* was decided in 1992. Nevertheless, carelessness has consequences: the *Composite Marine Propellers* majority's vast overstatement of the preemption principle resulted in district courts seriously misapplying this defense for decades, as I show in a separate paper.¹⁹³

B. PepsiCo, Inc. v. Redmond

A few years after *Composite Marine Propellers*, the Seventh Circuit offered a better but still incomplete ITSA preemption discussion in its 1995 decision in *PepsiCo, Inc. v. Redmond*.¹⁹⁴ That landmark trade secret opinion has become primarily and justly famous for its nuanced embrace of trade secret "inevitable disclosure,"¹⁹⁵ a doctrine permitting prophylactic injunctive relief in the absence of actual or even threatened misappropriation.¹⁹⁶ Two less-noted aspects of that opinion concerned the ITSA's positive preemption provision in Section 8(a) and its negative preemption provision in Section 8(b)(1). I take them in reverse order in the interest of analytic clarity.

Section 8(b)(1)'s anti-preemption clause states that Section 8(a) does not preempt "contractual remedies, whether or not based upon

statutory construction analysis, and cited only one case: *Ace Novelty Co., Inc. v. Vijuk Equipment, Inc.*, No. 90-C-3116, 1990 U.S. Dist. LEXIS 11525 (N.D. Ill. Aug. 31, 1990) – a case which itself ignored Section 8(b)(2)'s anti-preemption language, offered no statutory construction analysis and cited no case or other authority. The Seventh Circuit majority did not discuss or even cite *Ace Novelty* in its *per curiam* opinion; Judge Ripple completely overlooked *Ace Novelty* in his separate opinion as well.

¹⁹³ See William Lynch Schaller, *Method Matters: Statutory Construction Principles and the Illinois Trade Secrets Act Preemption Puzzle in the Northern District of Illinois*, 39 N. ILL. U. L. REV. ____ (2019) (forthcoming).

¹⁹⁴ 54 F.3d 1262 (7th Cir. 1995).

¹⁹⁵ See, e.g., *Destiny Health, Inc. v. Conn. Gen. Life Ins. Co.*, 2015 IL App (1st) 142530, 39 N.E.3d 275 (1st Dist. 2015) (refusing to apply *PepsiCo* inevitable disclosure doctrine in case between two commercial entities that shared information before their contemplated deal failed); John Bostjancich & Patricia S. Smart, *Survey of Illinois Law: Intellectual Property Law Developments*, 19 S. ILL. U. L.J. 855, 861-64 (1995) (discussing *PepsiCo* decision); Kenneth J. Vanko, *Revisiting the Seventh Circuit's Decision in PepsiCo: Inevitable Disclosure Injunctions in the Wake of the Federal Defend Trade Secrets Act of 2016*, THE CIR. RIDER, at 46, 46-50 (April 2017) (reviewing the increasingly narrow treatment of *PepsiCo* in recent court decisions around the country).

¹⁹⁶ See, e.g., William Lynch Schaller, *Trade Secret Inevitable Disclosure: Substantive, Procedural and Practical Implications of an Evolving Doctrine (Part I)*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 336 (2004); William Lynch Schaller, *Trade Secret Inevitable Disclosure: Substantive, Procedural and Practical Implications of an Evolving Doctrine (Part II)*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 411 (2004).

misappropriation of a trade secret.”¹⁹⁷ Section 8(b)(1) then offers an oddly-worded proviso: “provided however, that a contractual or other duty to maintain secrecy or limit use of a trade secret shall not be deemed to be void or unenforceable solely for lack of durational or geographical limitation on the duty.”¹⁹⁸ The Court of Appeals cited this proviso in rejecting Redmond’s appeal from the district court’s finding that he would inevitably violate his nondisclosure agreement with PepsiCo.¹⁹⁹ The Seventh Circuit correctly noted, in footnotes seven and ten of its opinion, that Section 8(b)(1) expressly operates to save nondisclosure agreements from the sorts of geographic and time-limit challenges found in the monumentally mixed-up Illinois Appellate Court opinions in *Disher v. Fulgoni*²⁰⁰ and *Cincinnati Tool Steel Co. v. Breed*,²⁰¹ pre-ITSA opinions upon which the Seventh Circuit had relied in its own pre-ITSA nondisclosure agreement opinion in *AMP Inc. v. Fleischhacker*.²⁰² Redmond did not attack his nondisclosure agreement on geographic or temporal grounds,²⁰³ and thus the Court of Appeals’ comments about the straightforward language in Section 8(b)(1) were primarily matters of judicial craftsmanship on the part of Judge Flaum, the author of *PepsiCo*. As such, they did not warrant formal statutory construction analysis, and I thus have no quarrel with those asides.

The same can be said of the remaining preemption observations in *PepsiCo*: they were evidently included in the interest of thoroughness rather than to resolve a disputed issue on appeal. These passages appear in two places, the first near the beginning of the Court of Appeals’ analysis and the second near the end:

It should be noted that *AMP*, which we decided in 1987, predates the ITSA, which took effect in 1988. The ITSA abolishes any common law remedies or authority contrary to its own terms. 765 ILCS 1065/8. The ITSA does not, however, represent a major deviation from the Illinois common law of unfair trade practices. *Elmer Miller, Inc. v. Landis*, 253 Ill. App. 3d 129, 192 Ill. Dec. 378, 381, 625 N.E.2d 338, 341 (1st Dist. 1993), *appeal denied*, 154 Ill.2d 559, 197 Ill. Dec. 485, 631 N.E.2d 707 (1994); *Colson Co. v. Wittel*, 210 Ill. App. 3d 1030, 155 Ill. Dec. 471, 473, 569 N.E.2d 1082, 1084 (4th Dist.), *appeal denied*, 141 Ill.2d 537, 162 Ill. Dec. 484, 580 N.E.2d 110 (1991). The ITSA mostly codifies rather than modifies the common law doctrine that preceded it. Thus, we believe

¹⁹⁷ 765 ILL. COMP. STAT. 1065/8(b)(1) (2018).

¹⁹⁸ *Id.*

¹⁹⁹ 54 F.3d at 1269 n.7, 1272 n.10.

²⁰⁰ 124 Ill. App. 3d 257, 464 N.E.2d 639 (1st Dist. 1984).

²⁰¹ 136 Ill. App. 3d 267, 482 N.E.2d 170 (2d Dist. 1985).

²⁰² 823 F.2d 1199 (7th Cir. 1987).

²⁰³ *PepsiCo*, 54 F.3d at 1271-72.

that *AMP* continues to reflect the proper standard under Illinois's current statutory scheme.²⁰⁴

* * *

Although it does not affect our decision to uphold the preliminary injunction, we disagree with the district court's conclusion that PepsiCo is likely to prevail on its claim of trade secret misappropriation under Illinois common law. As noted earlier, the ITSA abolished common law causes of action for misappropriation of trade secrets. 765 ILCS 1065/8(a); *Composite Marine Propellers v. Van Der Woude*, 962 F.2d 1263, 1265 (7th Cir. 1992) (*per curiam*); *see also Micro Display Systems, Inc. v. Axtel, Inc.*, 699 F. Supp. 202, 204-05 (D. Minn. 1988) (holding same for Minnesota Uniform Trade Secrets Act). PepsiCo's claim here has no merit; it cannot prevail on a claim that does not exist. PepsiCo's silence on the issue in its appellate brief indicates that it concedes the point.²⁰⁵

As to the first paragraph, it is true that “[t]he ITSA abolishes any common law remedies or authority contrary to its own terms,”²⁰⁶ but it is more accurate to say the ITSA by its terms both abolishes and preserves common law remedies, depending on the setting. In Section 8(a) it displaces “conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret,”²⁰⁷ but these other civil remedies are expressly permitted under Section 8(b)(2) when these “other civil remedies . . . are not based upon misappropriation of a trade secret.”²⁰⁸ When a plaintiff loses its trade secret claim or simply never brings one, any relief it does obtain is by definition “not based upon misappropriation of a trade secret” and thus is explicitly saved by Section 8(b)(2).²⁰⁹ In this sense it is fair to say, as *PepsiCo* did, that common law remedies are preempted if contrary to the ITSA's terms.²¹⁰ In the same sense it is also true, as *PepsiCo* repeated in the second paragraph quoted above, that “the ITSA abolished common law causes of action for misappropriation of trade secrets.”²¹¹

But unlike *Composite Marine Propellers*, which *PepsiCo* cited for this proposition, the plaintiff in *PepsiCo* prevailed on its trade secret claim by securing the inevitable disclosure injunction it sought, and unlike the plaintiff in *Composite Marine Propellers*, the plaintiff in *PepsiCo* tried to bring a

²⁰⁴ *Id.* at 1269.

²⁰⁵ *Id.* at 1271.

²⁰⁶ *Id.* at 1269.

²⁰⁷ 765 ILL. COMP. STAT. 1065/8(a) (2018).

²⁰⁸ 765 ILL. COMP. STAT. 1065/8(b)(2) (2018).

²⁰⁹ *Id.*

²¹⁰ *PepsiCo*, 54 F.3d at 1269.

²¹¹ *Id.* at 1271.

“common law trade secret claim” – the one claim that is by definition surely preempted by Section 8(a) in all circumstances. Given these very different claim configurations, the Seventh Circuit had no occasion in *PepsiCo* to ponder the propriety of the inverse proposition embraced in *Composite Marine Propellers*, namely, that a plaintiff which does *not* have a trade secret claim also does *not* have any common law or equitable claims. This probably explains the absence of any citation to Section 8(b)(2)’s negative preemption provision in Judge Flaum’s otherwise thorough and well-reasoned *PepsiCo* opinion: Section 8(b)(2) simply was not in issue.

C. Hecny Transportation, Inc. v. Chu

Hecny Transportation, Inc. v. Chu,²¹² decided in 2005, represents the Seventh Circuit’s third installment in this preemption saga. Although all three involved employees “jumping ship” to join or form a rival, *Hecny Transportation* had a dimension *Composite Marine Propellers* and *PepsiCo* did not: the employee there, Chu, allegedly stole company property other than just trade secrets.²¹³

In particular, as recited in Judge Easterbrook’s opinion for the Court of Appeals, Chu was Hecny Transportation’s station manager in Chicago between 1989 and 1998, and after his departure Hecny Transportation realized through an audit that “he had used Hecny’s assets and personnel to operate his own ventures out of the Chicago station.”²¹⁴ Hecny Transportation therefore sued Chu for “breach of his fiduciary obligations and several related torts, plus breach of contract.”²¹⁵ The complaint charged “Chu with diverting its assets (its physical plant, its employees’ time, and its information such as customer lists) to competing businesses, which Chu allowed to operate from Hecny’s premises.”²¹⁶ These activities, Judge Easterbrook noted, could “be classified as the diversion of corporate opportunities, as fiduciary defalcations, and as outright theft.”²¹⁷ Included among the factual allegations were these: “[W]hen Chu left he took files, computers, software, and other office equipment with him, adding theft of physical assets to theft of business.”²¹⁸ Without taking evidence, the district court granted summary judgment in favor of the defendants, primarily on the ground that the ITSA preempted most of Hecny’s Transportation’s claims, even though the district court found Hecny Transportation had no secrets.²¹⁹

²¹² 430 F.3d 402 (7th Cir. 2005).

²¹³ *Id.* at 403.

²¹⁴ *Id.*

²¹⁵ *Id.*

²¹⁶ *Id.* at 403-04.

²¹⁷ *Id.* at 404.

²¹⁸ *Id.*

²¹⁹ *Id.*

Unsurprisingly, the district court cited *Composite Marine Propellers* in support of its total preemption decision.²²⁰

Judge Easterbrook offered this analysis:

Section 8(a) of the Illinois Trade Secrets Act, 765 ILCS 1065/8(a), is the basis on which the district judge resolved most of the case. This statute abolishes claims other than those based on contract arising from misappropriated trade secrets, replacing them with claims under the Act itself. Hecny accused Chu of misusing customer information, which Hecny calls a trade secret. The district judge thought that this knocked out all of Hecny's other claims. As for Hecny's trade-secret claims (based on both contracts with Chu and the statute): the judge ruled that the identity of Hecny's customers is not a trade secret in the first place, so Chu prevailed on this theory too. This part of the disposition, at least, is correct. Hecny does not contend that its customers' identities were confidential information; they were (it concedes) widely known in the trade, and it did not take any steps (such as encryption or restricted-access rooms) to maintain their confidentiality. 765 ILCS 1065/2(d)(2). But the absence of trade secrets does not doom Hecny's other contentions.

Section 8(a) says that "this Act is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret." Misappropriation of a trade secret differs from other kinds of fiduciary defalcations, which the statute therefore does not affect. If Hecny had put its customer list on its web site for the world to ogle, that would not have permitted its managers to go into covert competition using Hecny's own depot and staff, or to walk off with computers and fax machines, as Hecny alleges Chu did. Trade secrets just have nothing to do with Hecny's principal claims.

Illinois courts have had very little to say about the effect of § 8(a), perhaps because it is unimaginable that someone who steals property, business opportunities, and the labor of the firm's staff would get a free pass just because none of what he filched is a trade secret. Both sides have cited decisions by federal district judges interpreting Illinois law, but no pertinent decisions by the state judiciary. Decisions of federal district courts on issues of state law have neither authoritative nor precedential force, see, e.g., *Old Republic Ins. Co. v. Chuhak & Tecson, P.C.*, 84 F.3d 998, 1003-04 (7th Cir. 1996); *Anderson v. Romero*, 72 F.3d 518, 525 (7th Cir. 1995), so we need not analyze them.

Because the Illinois Trade Secrets Act is based on the Uniform Trade Secrets Act of 1985, we can check our intuition about its preemptive force by asking how other states have understood its scope. The dominant view

²²⁰ Hecny Transp., Inc. v. Chu, No. 98-c-7335, 2004 WL 725466, at *6 (N.D. Ill. March 30, 2004).

is that claims are foreclosed only when they rest on the conduct that is said to misappropriate trade secrets. *R.K. Enterprise, L.L.C. v. Pro-Comp Management, Inc.*, 356 Ark. 565, 158 S.W.3d 685 (2004); *Savor, Inc. v. FMR Corp.*, 812 A.2d 894 (Del. 2002); *Weins v. Sporleder*, 2000 SD 10, 605 N.W.2d 488 (S.D. 2000). The Uniform Law Commissioners' comment to the model act supports this approach, stating: "The [provision] does not apply to duties imposed by law that are not dependent upon the existence of competitively significant secret information, like an agent's duty of loyalty to his or her principal." We would be shocked if the Supreme Court of Illinois were to disagree; nothing in its jurisprudence suggests that it would. This is not a close question. An assertion of trade secret in a customer list does not wipe out claims of theft, fraud, and breach of the duty of loyalty that would be sound even if the customer list were a public record.²²¹

I do not doubt the result reached in *Hecny Transportation*. On any view, Illinois fiduciary duty law is independent of and not preempted by Illinois trade secret law when the facts do not involve information theft, as was the case in *Hecny Transportation* with respect to the stolen computers, files, office equipment and other physical assets, as well as the diverted employee time.²²² But the harder question not addressed in *Hecny Transportation*, and the one addressed in *Composite Marine Propellers*, was whether Illinois fiduciary duty law protected information on the computers and in the files Chu stole, even assuming some of that information (such as customer identities) did not rise to the level of a trade secret.²²³ Judge Easterbrook's failure to cite or discuss *Composite Marine Propellers* was somewhat perplexing given the district court's reliance on it,²²⁴ given *Hecny Transportation*'s reliance on it,²²⁵ and given Judge Easterbrook's participation in and (judging by its distinctive style and rhetorical flourishes)

²²¹ *Hecny Transp.*, 430 F.3d at 404-05.

²²² For example, *Foodcomm Int'l v. Barry*, 328 F.3d 300 (7th Cir. 2003), decided just two years before *Hecny Transportation*, interpreted Illinois fiduciary duty law in this manner. See William Lynch Schaller, *Corporate Opportunities and Corporate Competition in Illinois: A Comparative Discussion of Fiduciary Duties*, 46 J. MARSHALL L. REV. 1 (2012) (explaining that trade secret law is separate from fiduciary duty law and then collecting and comparing Illinois cases on employee corporate opportunity usurpation with Illinois cases on employee pre-termination competition).

²²³ *Hecny* argued that it had a range of trade secrets beyond mere public names. See Opening Brief for Plaintiff-Appellant at 26, *Hecny Transp., Inc. v. Chu*, Nos. 05-1273 & 05-1399 (7th Cir. May 4, 2005) ("Hecny presented evidence of trade secrets comprising its customer lists and order details, pricing information, and computer software.").

²²⁴ *Hecny Transp., Inc. v. Chu*, No. 98-c-7335, 2004 WL 725466, at *7 (N.D. Ill. 2004) (Der-Yeghiayan, J.) (citing *Composite Marine Propellers*).

²²⁵ See Response Brief for Defendants-Appellees And Opening Brief for Defendant-Appellee-Cross-Appellant George Chu, et al, at 18, *Hecny Transp., Inc. v. Chu*, Nos. 05-1273 and 05-1399 (7th Cir. June 3, 2005) (citing *Composite Marine Propellers* for the following proposition: "The ITSA explicitly displaces all non-contractual common law theories of recovery arising from facts that arguably constitute the misappropriation of confidential business information.").

probable authorship of it.²²⁶ Thus, we are left to wonder about the scope of ITSA preemption and the reach of *Composite Marine Propellers* in the wake of *Hecny Transportation*.

Also perplexing was Judge Easterbrook's circuitous approach in *Hecny Transportation* – highlighting the definition of what is preempted under Section 8(a) and then pointing out that this definition doesn't speak to conduct not involving a "trade secret."²²⁷ This is true as far as it goes, but Judge Easterbrook should have discussed Section 8(b)(2)'s anti-preemption provision, which supplied the direct rule of decision for the case. The reason Section 8(b)(2)'s negative preemption rule and Section 8(a)'s positive preemption rule both arrive at the same place on facts like those in *Hecny Transportation* is that they are meant to fit together, as both teach the same, simple lesson: claims not based upon a statutorily-defined "trade secret" are not preempted because they do not conflict with the ITSA's trade secret protection scheme.

More troubling than ignoring the controlling statutory provision found in Section 8(b)(2)'s anti-preemption edict, however, was Judge Easterbrook's choice to check his "intuition" by examining non-Illinois trade secret preemption cases decided under other versions of the Uniform Trade Secrets Act.²²⁸ It is true, as Judge Easterbrook noted, that the ITSA is broadly modeled on the UTSA, and it also true that both have nearly identical positive and negative preemption provisions, as a comparison of Section 8 of the ITSA and Section 7 of the UTSA shows.²²⁹ Nevertheless, the ITSA and the UTSA diverge in many respects, and one of them is uniformity. The ITSA is not a "uniform act" and does not contain a "uniformity" command, a conscious omission by the Illinois General Assembly given the ITSA's many departures from the Uniform Trade Secrets Act.²³⁰

²²⁶ See Frank H. Easterbrook, *The Absence of Method in Statutory Interpretation*, 84 U. CHI. L. REV. 81 (2017) (Judge Easterbrook reviewing his own work on statutory construction); Albert W. Alschuler, *How Frank Easterbrook Kept George Ryan in Prison*, 50 VAL. U. L. REV. 7, 8-11 (2015) (collecting differing assessments of Judge Easterbrook's work); Special Issue, *Celebrating Judge Easterbrook's 25 Years on the Bench*, 77 U. CHI. L. REV. 959 (2010) (collecting 16 separate articles generally praising Judge Easterbrook's work).

²²⁷ *Hecny Transp.*, 430 F.3d at 404.

²²⁸ *Id.* at 404-05.

²²⁹ UNIF. TRADE SECRETS ACT §7 (UNIF. LAW COMM'N 1985), captioned "Effect on Other Law," provides:

- (a) Except as provided in subsection (b), this [Act] displaces conflicting tort, restitutionary, and other law of this State providing civil remedies for misappropriation of a trade secret.
- (b) This [Act] does not affect: (1) contractual remedies, whether or not based upon misappropriation of a trade secret; (2) other civil remedies that are not based upon misappropriation of a trade secret; or (3) criminal remedies, whether or not based upon misappropriation of a trade secret.

²³⁰ See Jager, *supra* note 2, at 18 ("The Illinois Act, which varies substantially from the Uniform Act, returns Illinois law to the mainstream by correcting some recent aberrations in the case law.").

In the absence of a uniformity command, the place to start is with Illinois or federal statutory construction canons, not cases from other states. This choice matters because standard statutory construction rules lead to the conclusion that Section 8(b)(2) *preserves* common law and equity claims protecting information not rising to the level of a trade secret, as I demonstrated above in Part III. This “no preemption” approach and result are found in both Judge Shadur’s opinion in *Miller*²³¹ and the Wisconsin Supreme Court’s opinion in *Burbank Grease Services, LLC v. Sokolowski*,²³² as I discuss below. These cases are directly *contrary* to the UTSA preemption opinions cited by Judge Easterbrook in *Hecny Transportation*, namely *R.K. Enterprise, L.L.C. v. Pro-Comp Management*,²³³ *Savor, Inc. v. FMR Corp.*,²³⁴ and *Weins v. Sporleder*.²³⁵ In addition, *Miller* and *Burbank Grease Services* are both directly contrary to the Uniform Law Commissioners’ commentary accompanying the UTSA – cited by Judge Easterbrook in *Hecny Transportation*²³⁶ – to the extent the Commissioners’ commentary implies that “the existence of competitively significant information” demands preemption of all non-trade secret claims. Thus, even though *Hecny Transportation* found no preemption on its facts, for other contexts it implicitly and inadvertently points to the “dominant view” (as Judge Easterbrook put it)²³⁷ – total preemption for information not rising to the level of trade secrets – based on both its choice of UTSA preemption precedent and its failure to follow established canons of statutory construction.

D. Spitz v. Proven Winners North America, LLC

Things have not improved with the Seventh Circuit’s most recent ITSA preemption effort, *Spitz v. Proven Winners North America, LLC*,²³⁸ a 2014 opinion in which the Seventh Circuit overlooked the defective analyses in

²³¹ 859 F. Supp. 2d 941 (N.D. Ill. 2012).

²³² 717 N.W.2d 781 (Wis. 2006).

²³³ 158 S.W.3d 685 (Ark. 2004) (claims of tortious conversion and conspiracy to convert trade secret were preempted under Arkansas Trade Secrets Act based upon UTSA).

²³⁴ 812 A.2d 894 (Del. 2002) (unfair competition and conspiracy claims were preempted under Delaware Trade Secrets Act based upon UTSA).

²³⁵ 605 N.W.2d 488, 492 (S.D. 2000) (claims for fraud and deceit were preempted under South Dakota Trade Secrets Act based upon UTSA, citing, *inter alia*, *Composite Marine Propellers v. Van Der Woude*, 962 F.2d 1263 (7th Cir. 1992) (claims of unfair competition and breach of fiduciary duty were found to be displaced)).

²³⁶ See *Hecny Transp.*, 430 F.3d at 405 (“The Uniform Law Commissioners’ comment to the model act supports this approach, stating: ‘The [provision] does not apply to duties imposed by law that are not dependent upon the existence of competitively significant secret information, like an agent’s duty of loyalty to his or her principal.’”).

²³⁷ *Id.*

²³⁸ 759 F.3d 724 (7th Cir. 2014).

Composite Marine Propellers and *Hecny Transportation* and instead fell under the spell of the non-analysis in *Pope*. Spitz, a freelance copywriter, came up with an idea involving “pet safe plants” to pitch to pet supply stores.²³⁹ She disclosed her idea to Amerinova after first securing a confidentiality agreement.²⁴⁰ Amerinova passed on the project, but its owners later began using the idea on their website for another company they partially owned, Proven Winners North America.²⁴¹ Judge Kanne, writing for the Court of Appeals, rejected Spitz’ idea claim, framed in quasi-contract/unjust enrichment terms, as preempted by the ITSA in light of *Pope*:

Spitz further argues that Proven Winners and/or Euro are liable to her under a quantum meruit or unjust enrichment theory because they misappropriated her “pet safe plants” idea. But these claims, when based on misappropriation of a trade secret, have been replaced under Illinois law by the Illinois Trade Secrets Act (the “ITSA”). That statute “is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret.” 765 ILCS 1065/8. Because unjust enrichment and quantum meruit are essentially claims for restitution, Spitz’s claim fails. *Pope v. Alberto-Culver Co.*, 296 Ill. App. 3d 512, 694 N.E.2d 615, 619, 230 Ill. Dec. 646 (Ill. App. 1998).

Spitz contends that since the district court found her idea was not a trade secret, her claim is not preempted by the ITSA. But Illinois courts have read the preemptive language in the ITSA to cover claims that are essentially claims of trade secret misappropriation, even when the alleged “trade secret” does not fall within the Act’s definition. *See id.* (finding claim for unjust enrichment as a result of misappropriation of proposal preempted by the ITSA, even though the proposal itself was not a trade secret within the meaning of the Act).²⁴²

Like *Pope*, *Spitz* failed to undertake any Illinois or federal statutory construction analysis. Part of the problem in *Spitz* was that the district court did not reach the preemption question in its summary judgment opinion,²⁴³ and Spitz did not address it in either her opening appellate brief²⁴⁴ or her

²³⁹ *Id.* at 727.

²⁴⁰ *Id.*

²⁴¹ *Id.*

²⁴² *Id.* at 733.

²⁴³ *See Spitz v. Proven Winners N. Am., LLC*, 969 F. Supp.2d 994, 1008 (N.D. Ill. 2013) (noting defense preemption argument but ruling as a factual matter that “[p]laintiff has not shown that she provided valuable services that were not compensated.”).

²⁴⁴ *See Opening Brief for Plaintiff-Appellant Susan Spitz, Spitz v. Proven Winners N. Am., LLC*, No. 13-3084, 2014 WL 407757 (7th Cir. Jan. 21, 2014).

appellate reply brief.²⁴⁵ Making matters worse, defendant Proven Winners North America, LLC also did not address preemption in its appellate response brief,²⁴⁶ and neither did co-defendant Euroamerican Propagators, LLC in its appellate response brief.²⁴⁷ Thus, the Seventh Circuit in *Spitz* apparently unearthed *Pope* on its own without appreciating the complexity of the ITSA “not rising to the level of a trade secret” preemption issue and the continuing importance of this issue in light of *Composite Marine Propellers* and *Hecny Transportation*.

Spitz obviously suffers from all the flaws of *Pope* that Judge Shadur identified in *Miller*, as I discuss below. Judge Shadur’s framing of the *Erie* issue in *Miller* holds true for *Spitz*: the *Erie* question for the Seventh Circuit in *Spitz* should have been whether *Pope* likely represents the Illinois Supreme Court’s views, not simply whether the Illinois Appellate Court had addressed the preemption issue. *Pope* is indeed “unreasoning and unreasoned,” as Judge Shadur pointedly observed in *Miller*, and the same must necessarily be said for *Spitz* in uncritically accepting *Pope*. Worse still, the Seventh Circuit in *Spitz* apparently raised the ITSA preemption defense *sua sponte*, an approach counter to the United States Supreme Court’s frequent admonition against deciding questions without the benefit of briefing and argument by the parties and their counsel.²⁴⁸ So understood, *Spitz* has been rightly called a “radical decision” on statutory preemption of common law claims.²⁴⁹ Nevertheless, for better or worse, the Seventh Circuit in *Spitz* has settled the preemption question against allowing claims for information not rising to the level of a trade secret, and lower Illinois federal courts must now follow suit until the Illinois Supreme Court speaks.²⁵⁰

²⁴⁵ See Reply Brief for Plaintiff-Appellant Susan Spitz, *Spitz v. Proven Winners N. Am., LLC*, No. 13-3084, 2014 WL 1879119 (7th Cir. May 1, 2014).

²⁴⁶ See Response Brief for Defendant-Appellee Proven Winners North America, LLC, *Spitz v. Proven Winners N. Am., LLC* No. 13-3084, 2014 WL 1309436 (7th Cir. March 27, 2014).

²⁴⁷ See Response Brief for Defendant-Appellee Euroamerican Propagators, LLC, No. 13-3084, 2014 WL 1309440 (7th Cir. Mar. 27, 2014).

²⁴⁸ See, e.g., *Elonis v. United States*, 135 S. Ct. 2001, 2012 (2015) (“[N]either *Elonis* nor the Government has briefed or argued that point, and we accordingly decline to address it. See *Dep’t of Treasury v. Fed. Labor Relations Auth.*, 494 U.S. 922, 933 (1990) (this Court is ‘poorly situated’ to address an argument the Court of Appeals did not consider, the parties did not brief, and counsel addressed in ‘only the most cursory fashion at oral argument’); *Salve Regina Coll. v. Russell*, 499 U.S. 225, 232 (1991) (“Without adequate study there cannot be adequate reflection; without adequate reflection there cannot be adequate discussion; without adequate discussion there cannot be that fruitful interchange of minds which is indispensable to thoughtful, unhurried decision and its formulation in learned and impressive opinions.”) (quoting *Dick v. N.Y. Life Ins. Co.*, 359 U.S. 437, 458-59 (1959) (Frankfurter, J., dissenting)).

²⁴⁹ Anna A. Onley, *A Proposal for Eliminating Adjudicative Loopholes Under Statutory Law of Trade Secrets in the Seventh Circuit*, 11 SEVENTH CIR. REV. 333, 333 (2016).

²⁵⁰ See, e.g., *Mkt. Track, LLC v. Efficient Collaborative Retail Mktg., LLC*, No. 14-C-4957, 2015 WL 3637740, at *17 (N.D. Ill. June 11, 2015) (declining to accept Market Track’s vigorous criticism of *Spitz* and then holding: “Even if some of the information at issue does not rise to the level of a trade secret, the ITSA preempts claims of misappropriation of confidential information even if that

VI. JUDGE SHADUR'S OPINION IN MILLER UK V. CATERPILLAR

I come then to Judge's *Miller* opinion in 2012. The facts of *Miller*, at least as revealed in the opinion, were prosaic: Miller supplied Caterpillar with parts for Caterpillar's construction machines, "assertedly utilizing both trade secrets and confidential information that d[id] not meet the statutory definition of a trade secret."²⁵¹ Miller claimed "it gave Caterpillar access to those trade secrets and that confidential information as part of its supply of parts to Caterpillar,"²⁵² and then "Caterpillar surreptitiously used those things to design its own versions of Miller's parts."²⁵³ The case was before Judge Shadur on Caterpillar's motion for summary judgment arguing preemption as to Miller's fraudulent inducement and unjust enrichment claims "relating to confidential but non-trade-secret information."²⁵⁴

To be sure, Judge Shadur's legal approach was a major step in the right direction: what was called for, he said, was a traditional Illinois statutory construction analysis.²⁵⁵ By its terms the ITSA expressly preempts all claims when they are applied to trade secrets, Judge Shadur noted, and thus the ITSA clearly preempted Miller's unjust enrichment and fraudulent inducement theories as applied to actual trade secrets, as Miller itself conceded.²⁵⁶ But Caterpillar's contention that the ITSA "displaces claims for misappropriation of all confidential information, not just misappropriation of trade secrets,"²⁵⁷ was quite another matter in his view. Judge Shadur therefore turned to the question of "how the Illinois Supreme Court would decide th[e] case if the issue were put to it,"²⁵⁸ as *Erie* requires in diversity cases, given the Illinois Supreme Court's silence on the question.²⁵⁹ "Illinois courts," he stressed,

information does not rise to the level of a trade secret, as the Seventh Circuit held in *Spitz v. Proven Winners North America, LLC*, 759 F.3d 724, 733 (7th Cir. 2014)."

²⁵¹ *Miller UK Ltd. v. Caterpillar Inc.*, 859 F. Supp. 2d 941, 942 (N.D. Ill. 2012).

²⁵² *Id.*

²⁵³ *Id.*

²⁵⁴ *Id.* Judge Shadur criticized Caterpillar's summary judgment motion as a procedurally improper attack on the pleadings, but chose to address the purely legal arguments under his issue-narrowing authority set forth in Rule 16. *Id.* at 943. There is room to doubt this procedural criticism, even though it came to nothing in *Miller*. Cf. Rule 12(h)(2)(b) and (c) (allowing the district court to dismiss a claim for failure to state a claim upon which relief can be granted at any time before and even at trial). See also *Charles Schwab & Co. v. Carter*, No. 04-C-7071, 2005 WL 2369815, at *1 n.1 (N.D. Ill. Sept. 27, 2005) (allowing existing defendants to join in newly-added defendants' Rule 12(b)(6) motion to dismiss on the ground that Rule "12(c) allows a party to move for judgment on the pleadings '[a]fter the pleadings are closed but within such time as not to delay trial'" and noting that Rule 12(c) motions and Rule 12(b)(6) motions are governed by the same standard, per *North Ind. Gun & Outdoor Shows, Inc. v. City of South Bend*, 163 F.3d 449, 452 (7th Cir. 1998)).

²⁵⁵ *Miller*, 859 F. Supp. at 945-46.

²⁵⁶ *Id.* at 942.

²⁵⁷ *Id.* at 945.

²⁵⁸ *Id.*

²⁵⁹ Judge Shadur did not question whether Illinois statutory construction principles are themselves a form of substantive state law requiring deference under *Erie*. See J. Stephen Tagert, *To Erie or Not*

“do not ignore the plain language of statutes in favor of what they perceive to be the legislative purpose.”²⁶⁰ Rather, “the plain language of the statute’ is ‘our best indicator of legislative intent.’”²⁶¹ On this score, he acknowledged his task was “much simplified” by the Seventh Circuit’s “reading of the [ITSA] in the non-trade-secret context”²⁶² in *Hecny Transportation v. Chu*.²⁶³

Three features of Judge Shadur’s *Miller* opinion stand out. First, he rightly refused to follow the Illinois Appellate Court’s opinion in *Pope v. Alberto-Culver Co.*,²⁶⁴ calling it “unreasoning and unreasoned” (i) for devoting a single paragraph to the unjust enrichment preemption issue,²⁶⁵ (ii) for citing Section 8(a)’s preemption language without noting that it uses the statutorily defined term “trade secret” and thus does not say “a word about the [ITSA] displacing civil remedies based upon the asserted misappropriation of non-trade-secrets,”²⁶⁶ (iii) for citing Section 8(a)’s preemption language without citing Section 8(b)(2)’s “diametrically opposed” anti-preemption language,²⁶⁷ and (iv) for failing to engage in any statutory construction analysis at all.²⁶⁸ Judge Shadur’s withering criticism of *Pope* as “unreasoned and unreasoning” could just as easily stand as a criticism of the Illinois Appellate Court’s preemption opinions in *Fabricare Equipment*²⁶⁹ and *Delta Medical Systems*²⁷⁰ on his first three points, and all three cases together with *Alpha School Bus*²⁷¹ were subject to his fourth – lack of formal statutory construction analysis.²⁷² Indeed, all four criticisms apply to *Composite Marine Propellers* as well, though Judge Shadur as a

to Erie: *Do Federal Courts Follow State Statutory Interpretation Methodologies?*, 66 DUKE L.J. 211, 214-15 (2016) (contrasting “methodological stare decisis” and “interpretive freedom” approaches to statutory construction).

²⁶⁰ *Miller*, 859 F. Supp. at 947.

²⁶¹ *Id.* (quoting *City of Chicago v. Comcast Cable Holdings, LLC*, 231 Ill. 2d 399, 412, 900 N.E.2d 256, 263 (2008)).

²⁶² *Id.* at 946.

²⁶³ 430 F.3d 402 (7th Cir. 2005).

²⁶⁴ 296 Ill. App. 3d 512, 694 N.E.2d 615 (1st Dist. 1998).

²⁶⁵ *Miller*, 859 F. Supp. at 944.

²⁶⁶ *Id.* at 945.

²⁶⁷ *Id.*

²⁶⁸ *Id.* at 945-46. Judge Shadur apparently felt it unnecessary to point out that the same flaws infected the Illinois Appellate Court’s post-*Pope* ITSA preemption decisions in *Delta Medical Systems v. Mid-America Medical Systems, Inc.*, 331 Ill. App. 3d 777, 772 N.E.2d 768 (1st Dist. 2002) and *Fabricare Equipment Credit Corp. v. Bell, Boyd & Lloyd*, 328 Ill. App. 3d 784, 767 N.E.2d 470 (1st Dist. 2002). Judge Shadur’s omission of *Alpha School Bus Company, Inc. v. Wagner*, 391 Ill. App. 3d 722, 910 N.E.2d 1134 (1st Dist. 2009), may be explained on the ground that “confidential information not rising to the level of a trade secret” – the issue in *Miller* – was not at issue in *Alpha School Bus*.

²⁶⁹ 328 Ill. App. 3d 784, 767 N.E.2d 470 (1st Dist. 2002).

²⁷⁰ 331 Ill. App. 3d 777, 772 N.E.2d 768 (1st Dist. 2002).

²⁷¹ 391 Ill. App. 3d 722, 910 N.E.2d 1134 (1st Dist. 2009).

²⁷² *Miller UK Ltd. v. Caterpillar Inc.*, 859 F. Supp. 2d 941, 945-46 (N.D. Ill. 2012).

judge of an inferior court in a hierarchal system understandably refrained from making that obvious point. Second, Judge Shadur properly brushed aside sweeping judicial decisions holding that all claims based upon any confidential information are preempted under some versions of the Uniform Trade Secret Act,²⁷³ emphasizing that the Illinois General Assembly in adopting the ITSA “‘did not choose the language’ that would preempt claims relating to non-trade-secret information”²⁷⁴ and instead “‘chose to displace only ‘laws of this State providing civil remedies for misappropriation of a trade secret.’”²⁷⁵ Third, he quoted *Hecny Transportation* for its own quotation of the Uniform Law Commissioners’ comment to the model act: “The [preemption provision] does not apply to duties imposed by law that are not dependent upon the existence of competitively significant secret information, like an agent’s duty of loyalty to his or her principal.”²⁷⁶ Fourth and finally, after noting that a court is “not free to add to [the ITSA’s language],”²⁷⁷ he emphasized that “[c]ases such as [the Illinois Supreme Court’s opinion in] *Comcast Holdings* reflect the policy of Illinois courts to adhere to the language actually found in a statute, rather than applying some presumed purpose not found in its plain language.”²⁷⁸ Judge Shadur therefore concluded by denying Caterpillar’s preemption motion in straightforward fashion:

Section 8, by displacing other laws that apply to the statutorily defined trade secret asset, makes those rights and remedies exclusive, preventing trade secret holders from taking an end run around the Act by claiming a whole set of other rights of the types set out in Act § 8(a). But the universe of the

²⁷³ *Id.* at 946-47 & n.6 (citing *Robbins v. Supermarket Equip. Sales, LLC*, 722 S.E.2d 55, 58 (Ga. 2012); *BlueEarth Biofuels, LLC v. Hawaiian Elec. Co.*, 235 P.3d 310, 325 (Haw. 2010); *Mortg. Specialists, Inc. v. Davey*, 904 A.2d 652, 663-64 (N.H. 2006); *CDC Restoration & Constr. LC v. Tradesmen Contractors, LLC*, 274 P.3d 37, 330-31 (Utah Ct. App. 2012)).

²⁷⁴ *Miller UK Ltd. v. Caterpillar, Inc.*, 859 F. Supp. 2d 941, 946 (N.D. Ill. 2012) (quoting *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 790 (Wis. 2006)).

²⁷⁵ *Id.* at 947 (quoting 765 ILL. COMP. STAT. 1065/8(a)).

²⁷⁶ *Id.* at 946 (quoting *Hecny Transp., Inc. v. Chu*, 430 F.3d 402, 404 (7th Cir. 2005)).

²⁷⁷ *Id.* at 947 (quoting *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 790 (Wis. 2006)).

²⁷⁸ *Id.* (citing *City of Chicago v. Comcast Cable Holdings, L.L.C.*, 231 Ill. 2d 399, 412, 900 N.E.2d 256, 263 (2008)). *Comcast Cable* was a curious choice, as it actually interpreted a federal statute (the Cable Communications Policy Act of 1984, 47 U.S.C. §547 (2012)) and cited federal statutory construction cases, although the chosen federal canons mirrored the Illinois Supreme Court’s own construction rules for Illinois statutes. The Illinois Supreme Court did cite one of its own opinions applying Illinois statutory interpretation rules, however. See *Comcast Cable*, 231 Ill. 2d at 412, 900 N.E.2d at 263 (“This argument ignores the plain language of the statute, our best indicator of legislative intent.”) (citing *Hennings v. Chandler*, 229 Ill. 2d 18, 24, 890 N.E.2d 920 (2008)). Perhaps Judge Shadur chose *Comcast Cable* precisely because it followed federal construction rules, in line with the *Erie* state statutory construction arguments presented in J. Stephen Tagert, *To Erie or Not to Erie: Do Federal Courts Follow State Statutory Interpretation Methodologies?*, 66 DUKE L.J. 211 (2016) and Abbe R. Gluck, *The Federal Common Law of Statutory Interpretation: Erie for the Age of Statutes*, 54 WM. & MARY L. REV. 753 (2013).

Act's exclusivity is limited by its plain language to the property that it has defined as "trade secrets."²⁷⁹

I agree with Judge Shadur's preemption analysis in all respects but two: his treatment of the Seventh Circuit's decision in *Hecny Transportation* and his omission of the Seventh Circuit's opinion in *Composite Marine Propellers*. To be sure, Judge Shadur's quotations from *Hecny Transportation* were accurate, and at no place in his opinion did Judge Shadur suggest that *Hecny Transportation* purported to directly decide the "confidential information not rising to the level of trade secrets" preemption issue before him, despite its somewhat ambiguous "not dependent upon the existence of competitively significant secret information" quotation from the Uniform Law Commissioners. But if I may be so bold, a careful scholar like Judge Shadur surely understood that *Hecny Transportation* did not explicitly address the "confidential information" question before him and that *Composite Marine Propellers* did – in the wrong way, for his purposes – so he simply omitted *Composite Marine Propellers* from his analysis.

The glaring absence of a formal Illinois statutory construction analysis in both *Hecny Transportation* and *Composite Marine Propellers* was likely not lost on Judge Shadur, nor was their failure to cite Section 8(b)(2), and thus he set forth the missing statutory analysis in *Miller* – the missing statutory analysis, I might add, commanded by *Erie*. I would only further add that Judge Shadur could have said statutes in derogation of the common law – like Section 8(a)'s preemption provision – are to be strictly construed, not broadly construed, under standard Illinois statutory construction rules.²⁸⁰ The Illinois General Assembly certainly knows how to change this default rule when it wants to do so.²⁸¹

²⁷⁹ *Miller UK Ltd*, 859 F. Supp. 2d at 947.

²⁸⁰ *See Adams v. N. Ill. Gas Co.*, 211 Ill. 2d 32, 69, 809 N.E.2d 1248, 1271 (2004) ("Illinois courts have limited all manner of statutes in derogation of the common law to their express language, in order to effect the least – rather than the most – change in the common law.").

²⁸¹ *See, e.g.*, Section 1-106 of the Illinois Code of Civil Procedure, 735 ILL. COMP. STAT. 5/1-106 (2016) ("The rule that statutes in derogation of the common law must be strictly construed does not apply to this Act or to the rules made in relation thereto."); Illinois Limited Liability Company Act, 805 ILL. COMP. STAT. 180/1-10(b) (2016) ("Nothing in this Section or Section 1-20 shall abrogate or limit the common law or statutory law of unfair competition or unfair trade practices, nor derogate from the common law or principles of equity or the statutes of this State or of the United States of America with respect to the right to acquire and protect copyrights, trade names, trademarks, service marks, service names, or any other right to the exclusive use of names or symbols.").

VII. THE TRUE PURPOSE OF ITSA PREEMPTION: ABOLISHING COMMON LAW “TRADE SECRET” CLAIMS AND NOTHING MORE

As this exhaustive treatment of Illinois state and federal court preemption decisions demonstrates, no Illinois decision other than *Miller* has offered a serious statutory construction analysis of the ITSA’s preemption provisions. As set forth in Part III, I believe these rules are easy to apply. If there are arguments against their straightforward application, they would have to be the need for “uniformity” with other states, the need to prevent “double recovery,” or, perhaps, the need to avoid conflict with federal patent law preemption. None of these is persuasive.

A. Uniformity Is Irrelevant; Illinois Is Not a UTSA State

The long history of non-trade secret jurisprudence in Illinois before the ITSA lies beneath Section 8(b)(2)’s anti-preemption policy, and no Illinois state or federal appellate opinion has explained why the Illinois General Assembly would want to abolish these well-established and flexible causes of action.²⁸² Illinois courts, when asked, never treated confidential information and trade secrets as interchangeable concepts in their pre-ITSA decisions, as *Comedy Cottage, Inc. v. Berk*²⁸³ and many other Illinois cases illustrate.²⁸⁴ Against this backdrop, the “strict construction” canon for statutes abolishing the common law, the use of Section 2(d)’s statutorily defined term “trade secret” in both Section 8(a) and Section 8(b)(2), the inclusion Section 8(b)(2)’s broad anti-preemption command explicitly

²⁸² Roger Milgrim’s caution comes to mind:

The preemption provisions can be somewhat worrisome if they are applied mechanically or overly conceptually. Our common law is richly flexible in redressing wrongs for improper conduct which in full or in part involves the use of information derived from the plaintiff. A readily cognizable tort, such as diversion of corporate opportunities, is essentially a mechanism of law intended to redress disloyal conduct and is likely to be applicable whether or not the underlying information is a trade secret. It would be a pity if courts apply the preemption statute provisions in such a way as to overlook the fact that our legal system encourages pleading in the alternative. One might believe that certain information is a trade secret and so plead it. However, even if it is not a trade secret, traditional tort theories prohibit its use in a disloyal or unfair fashion in limited and well defined circumstances, such as where the information is used to usurp a corporate opportunity.

Roger M. Milgrim & Eric E. Bensen, *MILGRIM ON TRADE SECRETS* § 1.01[4], at 1-68.14 (1996).

²⁸³ 145 Ill. App. 3d 355, 495 N.E.2d 1006 (1st. Dist. 1986).

²⁸⁴ See also *Millard Maint. Serv. v. Bernero*, 207 Ill. App. 3d 736, 746, 566 N.E.2d 379, 385 (1st Dist. 1990) (holding that confidential information need not rise to the level of a trade secret to be a protectable interest justifying enforcement of employee noncompete agreements); *Shapiro v. Regent Printing Co.*, 192 Ill. App. 3d 1005, 1011, 549 N.E.2d 793, 796 (1st Dist. 1989) (noting that a restrictive covenant will be enforced “where the former employee learned trade secrets or acquired other confidential information while in plaintiff’s employ and subsequently attempted to use it for his or her own benefit”).

preserving non-trade secret claims, and the need to give every statutory provision meaning, all counsel in favor of a narrow view of ITSA preemption. So understood, Section 8(a) by its terms preempts non-statutory claims for “trade secret” misappropriation and nothing more.

This is precisely the approach the Wisconsin Supreme Court took in its anti-preemption opinion in *Burbank Grease Services, LLC v. Sokolowski*,²⁸⁵ a case Judge Shadur discussed extensively in *Miller*. The Wisconsin Supreme Court engaged in a traditional Wisconsin statutory construction analysis and, as with all Wisconsin statutes, sought to give effect to all statutory provisions and to afford words their traditional legal meaning unless statutorily defined in the trade secret law itself.²⁸⁶ The Wisconsin statute, like the ITSA, defined “trade secret” and then used it throughout the positive and negative preemption provisions.²⁸⁷ The Wisconsin Supreme Court therefore held that confidential information falling outside the statutory definition of “trade secret” was not subject to preemption.²⁸⁸ The Wisconsin high court then castigated the lower court for judicially adding broad preemption words to the statute that the legislature did not choose to include.²⁸⁹ The Wisconsin Supreme Court even went a step further and noted something no Illinois court has pointed out: The UTSA Commissioners’ comments reveal the UTSA itself “[was] not intended to be a comprehensive remedy.”²⁹⁰

“Uniformity” with UTSA jurisdictions would seem to be a justification for broadly interpreting Section 8(a)’s preemption clause,²⁹¹ but no Illinois

²⁸⁵ 717 N.W.2d 781, 798 (2006).

²⁸⁶ *Id.* at 788.

²⁸⁷ *Id.*

²⁸⁸ *Id.* at 798.

²⁸⁹ *Id.* at 790 (criticizing the Wisconsin court of appeals for construing the Wisconsin statute as if it said, “Any civil remedy not based upon misappropriation of a trade secret *and not based on confidential business information*”) (emphasis in the Wisconsin Supreme Court’s opinion).

²⁹⁰ *Id.* at 791 (emphasis in the Wisconsin Supreme Court’s opinion).

²⁹¹ See Unikel, *supra* note 18, at 888 (noting that allowing non-trade secret claims to survive preemption in UTSA jurisdictions would “effectively negate the UTSA’s goal of promoting uniformity in ‘trade secrets’ law”). Elaborating on this topic, Michael A. Jacobs of Morrison & Forrester observed:

Before addressing the jurisdictional split of opinion, it is worth considering the historical purpose behind the UTSA. The drafters of the UTSA were concerned that the common law of misappropriation had developed unevenly state to state. The legal landscape presented diverse causes of action with distinct statutes of limitations, remedies, and definitional criteria for what business information could be protected and under what circumstances. Forum shopping was common. So too was uncertainty in the business community. The drafters hoped to lend parsimony to this landscape. They proposed a single vehicle for recovery to be adopted by all state legislatures. Preemption, as well as a provision requiring courts to follow the laws of other UTSA jurisdictions, was intended to secure uniformity.

Michael A. Jacobs, *Uniform Trade Secrets Act Preemption: An Obscure Doctrine Finally Gets Its Day in Court*, MORRISON FOERSTER (Sept. 11, 2007), <https://www.mofo.com/resources/-publications/uniform-trade-secrets-act-preemption-an-obscure-doctrine-finally-gets-its-day-in-court.html>.

case has actually said this, and if *Sokolowski* is any indication, it would not be a justification even then because the Wisconsin trade secret statute contained a UTSA “uniform construction” command.²⁹² In fact, the UTSA has been referenced on the preemption question in only two Illinois cases, *Hecny Transportation* and *Miller*. *Hecny Transportation* cited it as a “check” on the Court of Appeals’ “intuition”²⁹³ that Section 8 of the ITSA could not have been intended to reach traditional breach of fiduciary duty loyalty claims,²⁹⁴ and *Miller* cited it in asserting that the ITSA “is based on the Uniform Trade Secrets Act of 1985.”²⁹⁵ But both decisions failed to note that Illinois is *not* a UTSA state.

The ITSA’s principal draftsman, Melvin Jager, wrote shortly after the ITSA’s passage that Illinois purposefully departed from the UTSA in multiple places in an effort to maintain Illinois law as it stood prior to the ITSA and to overturn erroneous judicial decisions like *Disher v. Fulgoni* and *Cincinnati Tool Steel Co. v. Breed*.²⁹⁶ These and other Illinois-centric concerns, Jager explained in his 1988 article, were why Illinois omitted the “uniform construction” section from the ITSA.²⁹⁷ To be sure, Jager nowhere suggested that abolishing non-trade secret claims was an aim of the Illinois General Assembly; all he had to say about that was “conflicting ‘unfair competition’ laws are expressly displaced (Section 8(a)).”²⁹⁸ But, of course, Illinois non-trade secret laws do not “conflict” with the ITSA if one simply gives the definition of “trade secret” as stated in Section 2(d) its statutory meaning in Sections 8(a) and Section 8(b)(2), as *Miller* teaches. Thus, as to

²⁹² The Wisconsin Supreme Court observed:

The defendants also urge us to conclude that subsec. (7) of Wis. Stat. § 134.90, the uniformity clause, supports the court of appeals’ interpretation. Subsection (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.

The plain language of subsec. (7) relates only to the “misappropriation of trade secrets,” which, according to our analysis of subd. (6)(b)2 and the plain meaning of subsec. (7), requires a statutorily-defined trade secret as a prerequisite. Our construction in this regard is in accord with the promotion of uniformity by subsec. (7), 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.

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

²⁹³ *Cf. Sessions v. Dimaya*, 584 U.S. ___, 138 S. Ct. 1204, 1224 (2018) (Gorsuch, J., concurring) (criticizing Congress’ inclusion of a vague “aggravated felon” catch-all provision in the Immigration and Nationality Act, making deportation turn on the alien’s conviction of a crime involving a substantial risk of physical force: “The silence leaves judges to their intuitions and the people to their fate.”).

²⁹⁴ *Hecny Transp. Co. v. Chu*, 430 F.3d 402, 404-05 (7th Cir. 2005).

²⁹⁵ *Miller UK Ltd. v. Caterpillar, Inc.*, 859 F. Supp. 2d 941, 946 (N.D. Ill. 2012).

²⁹⁶ Jager, *supra* note 2.

²⁹⁷ *Id.* at 19-21.

²⁹⁸ *See id.* at 21.

the broad or “dominant” approach to preemption,²⁹⁹ even if *Sokolowski* is wrong and other UTSA jurisdictions are right, that is not the approach Illinois statutory construction principles dictate, as *Miller* properly ruled.

B. “Double Recovery” Is Not a Problem

A second justification for broad preemption seems to be preventing double recovery. Even though this concern was not raised in any of the appellate opinions reviewed above, several Northern District of Illinois cases have mentioned it, though none have sought to resolve it. At least two, *Thermodyne Food Service Products, Inc. v. McDonald’s Corp.*,³⁰⁰ and *Integrated Genomics v. Kyrpides*,³⁰¹ approved pleading in the alternative while reserving the double recovery or “duplicative” question for later,³⁰² and one, *Lucini Italia Co. v. Grappolini*,³⁰³ avoided the problem after trial by granting the maximum relief under the ITSA claim while leaving the other recoveries as alternative remedies in the event the ITSA claim failed on appeal. As I suspect this double recovery or duplication worry is an unspoken reason for permitting liberal preemption, I examine it below.

The place to begin is the Illinois Supreme Court’s opinion in *Harris v. Manor Healthcare Corp.*³⁰⁴ Harris sought to recover for her nursing home injuries under both common law and a statute, the Nursing Home Care Reform Act.³⁰⁵ The Act provided for treble damages and attorney’s fees, but Harris also sought compensatory and punitive damages at common law.³⁰⁶ The defense argued that allowing both punitive damages and treble damages would lead to an improper double recovery for a single injury.³⁰⁷ On the question of how to treat cumulative relief, the Illinois Supreme Court answered with the “one satisfaction” rule:

²⁹⁹ See Charles Tait Graves & Elizabeth Tippett, *UTSA Preemption and the Public Domain: How Courts Have Overlooked Patent Preemption of State Law Claims Alleging Employee Wrongdoing*, 65 RUTGERS L. REV. 59, 72-85 (2012) (collecting majority and minority court positions on UTSA preemption and noting limited scholarship on the issue); Peter J. Boyer, *Preemption of Business Torts Under the Uniform Trade Secrets Act*, AM. BAR ASS’N (Feb. 19, 2013), <https://www.americanbar.org/groups/litigation/committees/business-torts-unfair-competition/articles/2013/preemption-torts-uniform-trade-secrets.html>.

³⁰⁰ 940 F. Supp. 1300, 1310 (N.D. Ill. 2006).

³⁰¹ No. 06-C-6706, 2008 WL 630605, at *12 (N.D. Ill. March 4, 2008).

³⁰² See *Dowd & Dowd v. Gleason*, 181 Ill. 2d 460, 486, 693 N.E.2d 358, 371 (1998) (“We agree with the plaintiff that dismissal of the conspiracy count as duplicative of other theories of recovery alleged in the complaint is, at this point in the proceedings, premature. A plaintiff may plead and prove multiple causes of action, though it may obtain only one recovery for an injury.”).

³⁰³ No. 01-C-6405, 2003 WL 1989605, at *13 (N.D. Ill. April 28, 2003).

³⁰⁴ 111 Ill. 2d 350, 489 N.E.2d 1374 (1986).

³⁰⁵ *Id.* at 356, 489 N.E.2d at 1376.

³⁰⁶ *Id.* at 362, 489 N.E.2d at 1379.

³⁰⁷ *Id.*

In concluding that the plaintiff can recover either treble damages under the Act or common law punitive damages, but not both, we do not imply that the trial court should require an election of remedies. Since the statutory remedy under section 3-602 and the common law action for willful and wanton misconduct are not inconsistent, the election-of-remedies doctrine is inapplicable to this case. (*Fleming v. Dillon* (1938), 370 Ill. 325, 331-32; *Altom v. Hawes* (1978), 63 Ill. App.3d 659, 661-62; D. DOBBS, REMEDIES 13-23 (1982); Kiely, *Damages, Equity and Restitution — Illinois Remedial Options* (1975), 24 DePaul L. Rev. 274, 316-19.) In *Jackson v. Industrial Board* (1917), 280 Ill. 526, this court stated:

"The doctrine of the election of remedies is applicable only where a party has elected between inconsistent remedies for the same injury or cause of action. Familiar instances of this doctrine are where a party waives a tort and sues in *assumpsit*, or where he elects to sue in replevin for property unlawfully taken in preference to bringing a suit for money damages for the unlawful taking, or where a party elects to affirm a contract and sue for a breach thereof rather than to sue for a rescission of the contract, etc. The doctrine does not apply to concurrent remedies that are not inconsistent with each other and has no application to an election between suits based upon different statutes. Where one has a right of action at common law and also under the statute for the same injury, the bringing of either of said suits is not a bar to the other, and particularly where no recovery has been had under the one or the other." 280 Ill. 526, 531.)

A double recovery in the present case can be avoided simply by fashioning the judgment accordingly. If a verdict is returned in plaintiff's favor on both counts I and II, the trial court can enter judgment on the two verdicts in the alternative so that plaintiff recovers only one satisfaction.³⁰⁸

Applying the "one satisfaction" rule is straightforward in cases where recovery is predicated on theft of information, whether confidential or not.³⁰⁹

³⁰⁸ *Id.* at 365-66, 489 N.E.2d at 1381. *Accord* *Congregation of the Passion v. Touche Ross & Co.*, 159 Ill. 2d 137, 172, 636 N.E.2d 503, 519 (1994) ("Both the tort and contract counts were based on the same facts and sought recovery for the same injury. Plaintiff, therefore, could not recover under both counts. Plaintiff acknowledges this limitation on recovery of damages and concedes that \$3,819,352 is the maximum amount of its allowable recovery."); *McLane v. Russell*, 131 Ill. 2d 509, 523, 546 N.E.2d 499, 506 (1989) ("It has been long recognized that a plaintiff shall have only one satisfaction for an injury."); *Dial v. City of O'Fallon*, 81 Ill. 2d 548, 558, 411 N.E.2d 217, 222 (1980) ("[Illinois courts] have long recognized the legal principle that a plaintiff shall have only one satisfaction for an injury irrespective of the availability of multiple theories that recovery for the injury can be sought under.") (citations omitted). See also Dan Booth, *The One Satisfaction Rule: A New Approach to Curbing Copyright Trolls*, LANDSLIDE MAGAZINE, Vol. 7, No. 3 at 22 (Jan./Feb. 2015).

³⁰⁹ See *205 Corp. v. Brandow*, 517 N.W.2d 548, 551 (Iowa 1994). It should be noted that while an information owner may assert actions for breach of contract, breach of loyalty, and fraud, in addition to or along with a claim for misappropriation of trade secrets, an information owner may not obtain

For example, assuming the test becomes something like the one established in *Alpha School Bus* – whether a claim is “dependent upon” or “based upon” trade secret misappropriation in some sense – I would expect trial courts to engage in an exercise akin to the one Magistrate Judge Denlow employed in *Lucini Italia*: awarding relief on each claim and then having plaintiff choose its remedy before judgment is entered. Indeed, this is one implication of Judge Shadur’s aside in *Miller* that each count is supposed to be devoted to a separate claim, not a separate theory.³¹⁰

As in *Lucini Italia*, not all awards line up neatly. One reason the ITSA award was the largest in that case centered on development costs attributed to the trade secret, an amount apparently equal to \$800,000. But I can envision situations where a non-ITSA claim might be larger than its ITSA counterpart. *Lawlor v. North American Corp. of Illinois*³¹¹ furnishes an illustration in part. The trial court found Lawlor breached her fiduciary duties in disclosing her ex-employer North American’s confidential profit margin information and therefore awarded North American approximately \$78,781 in compensatory damages and \$551,467 in punitive damages.³¹² Had the same amounts been awarded under the ITSA, North American would have received substantially less because the ITSA caps punitive damages at twice compensatory damages,³¹³ meaning North American would have obtained only \$157,562 in punitive damages – a difference of \$393,905. On this hypothetical, I would think the trial court would enter an order awarding judgment in the alternative and limiting North American to a single recovery, with North American electing the fiduciary duty award.³¹⁴

I can extend this hypothetical by adding employee compensation forfeiture as a remedy. Theft of confidential information is a breach of fiduciary duty, and forfeiture of compensation earned during the period of disloyalty is a common remedy for breach of fiduciary duty, as in *Vendo Co.*

double recovery for the same injury. *Id.* (“[A] ‘successful plaintiff is entitled to one, but only one full recovery, no matter how many theories support entitlement.’”) (citing *Clark-Peterson Co. v. Indep. Ins. Assocs.*, 514 N.W.2d 912, 915 (Iowa 1994)).

³¹⁰ *Miller UK Ltd. v. Caterpillar, Inc.*, 859 F. Supp. 2d 941, 942 (N.D. Ill. 2012) (“As taught fully two decades ago in *NAACP v. Am. Family Mut. Ins. Co.*, 978 F.2d 287, 291-93 (7th Cir.1992), legal theories are not claims, and the use of counts to separate out different legal theories — though almost universally employed by Illinois practitioners among others — is a conceptually improper federal pleading technique.”).

³¹¹ 2012 IL 112530, 983 N.E.2d 414 (2012).

³¹² *Id.* ¶ 74, 983 N.E.2d at 434 (affirming the reversal of the award for lack of liability evidence).

³¹³ Illinois Trade Secrets Act, 756 ILL. COMP. STAT. 1065/4(b) (2016) (“If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a).”).

³¹⁴ *See, e.g., Hill v. Names & Addresses, Inc.*, 212 Ill. App. 3d 1065, 1073, 571 N.E.2d 1085, 1089 (1st Dist. 1991) (trial court entered judgment in the alternative and required employer to choose between awards).

v. Stoner.³¹⁵ Although the ITSA allows an award of plaintiff's losses, defendant's gains, or a reasonable royalty,³¹⁶ it does not expressly address compensation forfeiture. Unless a court were to treat compensation forfeiture as a "gain" – more precisely, in the language of Section 4(a) of the ITSA, as "unjust enrichment caused by misappropriation that is not taken into account in computing actual loss" – breach of fiduciary duty might well be preferred over statutory trade secret misappropriation remedies. Thus, on my hypothetical, if Lawlor had shared confidential information with a competitor, say, four months before resigning, North America would be even more inclined to select its fiduciary duty recovery over its ITSA award.³¹⁷

One question remains: Must a plaintiff "elect" among remedies before the case is submitted to the jury? This procedural issue arose in *Roberts v. Sears, Roebuck & Co.*,³¹⁸ a confidential relationship case I discussed in Part II. To recap, in 1965 Roberts shared his confidential quick-release wrench idea, Sears pretended not to be interested and negotiated a contract with Roberts for small royalties plus the assignment to it of Roberts' wrench patent, and thereafter the new Sears wrench product enjoyed runaway success.³¹⁹ Roberts sued, "seeking alternatively return of the patent and restitution or damages for fraud, breach of a confidential relationship and negligent misrepresentation."³²⁰ He alleged three counts – fraud (Count I), breach of confidential relationship (Count II), and negligent misrepresentation (Count III) – and the jury was instructed "that it could award plaintiff profits for Counts I and II and could consider a reasonable royalty as a remedy for Count III."³²¹ The jury "found Sears guilty on all three counts and entered judgment for one million dollars on each count, but the award was not cumulative."³²² Roberts and Sears were both dissatisfied,

³¹⁵ 58 Ill. 2d 289, 314, 321 N.E.2d 1, 15 (1974) (affirming compensation forfeiture of \$170,835 for three years of pre-resignation disloyalty). *Accord*, *ICD Publ'ns, Inc. v. Gittlitz*, 2014 IL App (1st) 133277, ¶ 58, 24 N.E.3d 915 (1st Dist. 2014) (holding that company president forfeited compensation for his disloyalty in engaging in a long-running embezzlement scheme and in usurping a corporate opportunity to buy a publication in plaintiff's line of business).

³¹⁶ 765 ILL. COMP. STAT. 1065/4(a) (2016).

³¹⁷ *See, e.g.*, *ABC Trans Nat'l Transp., Inc. v. Aeronautics Forwarders, Inc.*, 90 Ill. App. 3d 817, 836, 413 N.E.2d 1299, 1314 (1st Dist. 1980) (ordering four months of compensation in light of defendants' four months of secret competition before resigning); Charles A. Sullivan, *Mastering the Faithless Servant?: Reconciling Employment Law, Contract Law, and Fiduciary Duty*, 2011 WIS. L. REV. 777, 783, 809-12 (criticizing theoretical confusion behind employee compensation forfeiture decisions, including cases that attempt to distinguish between an ordinary employee's duty of loyalty and fiduciary duty, while noting Illinois' public policy approach captured in *ABC Trans National Transport, Inc. v. Aeronautics Forwarders, Inc.*, 90 Ill. App. 3d 817, 413 N.E.2d 1299 (1st Dist. 1980)).

³¹⁸ 573 F.2d 976, 985 (7th Cir. 1978).

³¹⁹ *Id.* at 978-79.

³²⁰ *Id.* at 980.

³²¹ *Id.*

³²² *Id.*

spawning three Seventh Circuit appeals, the last of which was heard *en banc* on a patent question.³²³ I am only concerned with the first two appeals, however, as they revolved around Roberts' remedy challenge.

In his first appeal, Roberts argued that the district court erred in ruling that he elected his remedies when he took his case to the jury and that he therefore was barred from pursuing his equitable remedies of rescission and restitution.³²⁴ The Court of Appeals viewed this as an election of remedies issue and held that the monetary award should stand, although it remanded the contract rescission and patent return issues for further consideration.³²⁵ As to the monetary award, the Seventh Circuit observed that the jury was instructed it could award past profits on Counts I and II and, therefore, it would have been "completely unfair to Sears" to award restitution relief on the counts after the verdict.³²⁶ The *Roberts I* court noted that it "might have been better for the [district] court to [have] require[d] the plaintiff to elect his remedy expressly prior to instructing the jury, but plaintiff did not object to the court's procedure."³²⁷ The Court of Appeals found no inconsistency or double recovery threat in Roberts' desire to rescind the patent assignment, however, as that relief dealt with post-verdict events whereas Roberts' monetary award was limited to profits lost before the verdict.³²⁸

On remand, the district court ordered the entire case re-opened and ordered an accounting of all Sears' "unjust enrichment" back to 1965,³²⁹ prompting a second trip to the Seventh Circuit Court of Appeals. In *Roberts II* the Seventh Circuit clarified that, in its view, Roberts had elected his remedy by prosecuting his fraud monetary claim to judgement in 1977, thus barring him from unjust enrichment recovery through trial, although the court left open post-1977 patent assignment infringement claims.³³⁰ Judge Swygert dissented, arguing that "[b]y denying the plaintiff an accounting for the period after which his damages were assessed but before he was in a position to benefit from the return of his patents, the majority has, with no

³²³ *Roberts v. Sears Roebuck & Co.*, 573 F.2d 976 (7th Cir. 1978) (*Roberts I*), vacated, 617 F.2d 460 (7th Cir. 1980) (*Roberts II*), *reh'g granted*, 723 F.2d 1234 (7th Cir. 1983) (*Roberts III*) (*en banc*). "*Roberts III*" was argued successfully for Sears by the late James Hunter, Jr., a former Kirkland & Ellis partner who founded Hedlund Hunter & Lynch in 1976 before that firm merged with Latham & Watkins in 1982. See Graydon Megan, *James Hunter Jr. 1942-2015 – Former Attorney Had "A Passion for the Law": Turned to the Field After Turning Away from Engineering*, CHI. TRIB., July 9, 2015, Sec. 2, at 6 (mentioning Hunter's 1983 victory on "appeal for client Sears, Roebuck & Co. in a long-running case involving a patent dispute over a quick-release socket wrench.").

³²⁴ *Roberts I*, 573 F.2d at 984.

³²⁵ *Id.* at 986.

³²⁶ *Id.* at 985.

³²⁷ *Id.*

³²⁸ *Id.* at 985-86.

³²⁹ *Roberts v. Sears, Roebuck & Co.*, 471 F. Supp. 372 (N.D. Ill. 1979).

³³⁰ *Roberts II*, 617 F.2d at 465.

justification, left a substantial gap in the plaintiff's rightful recovery."³³¹ The *Roberts* matter then returned to the district court for a patent infringement jury trial that resulted in an \$8 million verdict, followed by a third visit to the Seventh Circuit that ultimately resulted in the *en banc* opinion in *Roberts III* and yet another remand for trial.³³²

In the Seventh Circuit, then, the lesson apparently is that one must "elect" a theory before going to verdict rather than after, at least where the theories of recovery are inconsistent. The Seventh Circuit later confirmed this view of *Roberts* and its election rule in a 1993 case, *Medcom Holding Co. v. Baxter Travenol Laboratories, Inc.*:

In *Roberts v. Sears, Roebuck & Co.*, 617 F.2d 460, 464-65 (7th Cir.), cert. denied, 449 U.S. 975, 101 S.Ct. 386, 66 L.Ed.2d 237 (1980), we held that once a case for damages had been argued to the jury, an election for damages had taken place and equitable relief was precluded. There is no dispute that Holding argued damages to the jury. Baxter concludes from this fact that Holding has "elected" damages and is therefore not entitled to specific performance. However, Sears involved a situation in which the plaintiff had received both damages on the contract and a remedy of rescission of the contract. In order to receive damages, a plaintiff must affirm the contract, but in order to get a remedy of rescission, a plaintiff must disaffirm the contract. The concept of election of remedies as presented in Sears seems to be one that requires a plaintiff to choose whether to affirm or disaffirm a contract; not necessarily choose a specific remedy before arguing to a jury. For this reason, Sears is distinguishable from this case. Sears does not apply in a case where damages and specific performance are sought because the remedies of specific performance and damages on a contract are not inconsistent for purposes of the doctrine.³³³

The Seventh Circuit's decision in *Roberts* and the Illinois Supreme Court's opinion in *Harris* are readily reconcilable on the ground advanced in *Medcom Holding*: affirming or disaffirming a contract differs from the single recovery rule, even though both are part of "election of remedies" law. They share the same name, but not the same application.

³³¹ *Id.*

³³² See *Roberts III*, 723 F.2d 1324, 1344 (7th Cir. 1983). Following *Roberts III*, the case began an odyssey back and forth between the Federal Circuit Court of Appeals and the district court in Chicago, with the case finally settling in 1989. See *Wrench Inventor Settles 20-Year Old Lawsuit with Sears*, EUGENE REGISTER-GUARD, Sept. 17, 1989, at 2E.

³³³ *Medcom Holding Co. v. Baxter Travenol Laboratories, Inc.*, 984 F.2d 223, 228 (7th Cir. 1993).

C. Federal Patent Law Preemption Is Not a Risk

In a thoughtful 2012 article, commentators Charles Tait Graves and Elizabeth Tippett maintained that the UTSA majority position (or “dominant view,” as Judge Easterbrook dubbed it in *Hecny Transportation*) should be adopted to harmonize state trade secret law with federal patent law.³³⁴ Specifically, they argued “that courts taking the minority position on UTSA preemption ignore federal preemption when they allow litigants to pursue tort claims over technical information that assertedly is not a trade secret.”³³⁵ They emphasized, however, that their article “does not set out to provide a comprehensive answer about whether and to what degree UTSA preemption does or does not apply in every given case in every UTSA jurisdiction.”³³⁶

Graves and Tippett were correct in pointing out that federal patent law preempts state laws that purport to reclaim patentable information that has fallen into the public domain, as occurs when a patent expires, for instance.³³⁷ This view is fully supported by the Supreme Court’s famous decision in *Bonito Boats, Inc. v. Thunder Craft Boats*,³³⁸ in which the Court reaffirmed its rule that “the States may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of federal law.”³³⁹ In that case, the Supreme Court unanimously concluded a Florida statute that purported to protect boat molds in the public domain ran afoul of federal patent law and was therefore void.³⁴⁰ “A state law that substantially interferes with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its author to the public at large impermissibly contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy,” the Supreme Court held.³⁴¹

³³⁴ See Graves & Tippett, *supra* note 298, at 61-63. See also Charles Tait Graves, *Nonpublic Information and California Tort Law: A Proposal for Harmonizing California’s Employee Mobility and Intellectual Property Regimes Under the California Trade Secrets Act*, 6 UCLA J.L. & TECH. 1 (arguing California employee mobility law and California’s version of the Uniform Trade Secret Act should operate to block claims resting on information not rising to the level of a trade secret).

³³⁵ Graves & Tippett, *supra* note 298, at 62.

³³⁶ In explaining their position, Graves and Tippett said:

That question involves, for each state, its history of different types of claims governing information protection before the UTSA was enacted, its general preference for statutory preemption, its approach to preemption under other Uniform Acts, and the legislative history of its own UTSA. Different jurisdictions may or may not have historically permitted tort claims for misuse of information that did not qualify as a trade secret during the period before the UTSA was enacted.
Id. at 62 n.3.

³³⁷ See, e.g. *Russo v. Ballard Med. Prods., Inc.*, 550 F.3d 1004, 1013 (10th Cir. 2008) (“Simply put, once an idea is in the public domain, federal patent law controls; states may not further insulate their inventors from (or expose them to) competition.”).

³³⁸ 489 U.S. 141 (1989).

³³⁹ *Id.* at 156.

³⁴⁰ *Id.* at 157.

³⁴¹ *Id.* at 156-57.

This is true of state statutes as well as of state common law and equity decisions, although the Court made it clear in *Bonita Boats*,³⁴² as it had earlier in *Kewanee Oil Co. v. Bicron*,³⁴³ that state trade secret laws do not conflict with the federal policies behind patent law.

In theory, Illinois non-trade secret law could conflict with federal patent law, but such conflicts would be rare and would not justify departing from standard statutory construction principles in any event, no matter which way those principles might point. As my review of Illinois cases in Part II showed, almost all of these Illinois cases (except *Board of Trade v. Dow Jones & Co.*) involved information that was confidential rather than in the public domain, regardless of whether it was technical or non-technical. Indeed, older Illinois confidential information cases often made it clear that public domain information does not receive protection under Illinois law,³⁴⁴ as did Sections 395 and 396 of the Restatement (Second) of Agency. The same can be said for the more recent decisions in *Pope, Fabricare Equipment* and *Delta Medical Systems* as well: all three rejected claims they thought were predicated on public domain information. Judge Shadur in *Miller* took the same approach, noting that Section 2(d)'s definition of "trade secret" showed that "two kinds of valuable information cannot be trade secrets: (1) public information, even if valuable in economic terms, and (2) information as to which a party fails to make reasonable efforts to keep it secret or confidential."³⁴⁵ Thus, Illinois courts have shown no inclination to protect public domain information as a matter of policy or practice. With respect to Illinois, then, at least, Graves and Tippett were right to concede: "To be sure, we have not found – and would not expect to find – decisions explicitly holding that nonsecret, public domain information can constitute protectable information under state tort law when a trade secret claim fails."³⁴⁶

³⁴² *Id.* at 155.

³⁴³ 416 U.S. 470, 474 (1974).

³⁴⁴ See, e.g., *Fenton McHugh Prods., Inc. v. WGN Cont'l Prods. Co.*, 105 Ill. App. 3d 481, 485, 434 N.E.2d 537, 541 (1st Dist. 1982) (noting that for an idea to be protectable, it must be new and novel); *Cook–Master, Inc. v. Nicro Steel Prods., Inc.*, 339 Ill. App. 519, 533-34, 90 N.E.2d 657, 663 (1st Dist. 1950) (noting that matters of public or general knowledge cannot be appropriated, as they lack novelty); *Hughes v. West Publ'g Co.*, 225 Ill. App. 58, 65 (1st Dist. 1922) (holding that at common law there was no property right in a publicly disclosed system).

³⁴⁵ *Miller UK Ltd. v. Caterpillar, Inc.*, 859 F. Supp. 2d 941, 944 (N.D. Ill. 2012).

³⁴⁶ Graves & Tippett, *supra* note 298, at 97. One possible example of Graves' and Tait's concern, however, would be Illinois' adherence to the ABA's ethical view that lawyers are not allowed to talk about their own cases – even those parts that are in the public domain. See Matthew Hector, *Better Left Unsaid?*, 106 ILL. B.J. 10, 13 (2018) (discussing ABA Formal Opinion 480 and ABA Rule of Professional Conduct 1.6(a), which "states a lawyer may not disclose information related to the representation of a client without the client's informed consent. Opinion 480 explains that the rule goes beyond simply protecting information told to the attorney in confidence. It also extends to all information regarding representation, regardless of its source. What's more, an attorney's confidentiality obligation extends to information that may be part of the public record.").

VIII. CONCLUSION

Presumably the Illinois Supreme Court will weigh these and other traditional statutory construction considerations when it finally takes an ITSA case – something it has never done since the ITSA’s passage in 1987. The Illinois Supreme Court as a court of last resort is free to choose any path it wishes, but it typically examines opinions of other Illinois courts for guidance³⁴⁷ and on occasion studies legal literature.³⁴⁸ I doubt the Illinois Supreme Court will give much weight to the superficial approaches in *Pope*, *Fabricare Equipment* or *Delta Medical Systems*, and even *Alpha School Bus* probably will not fare well since it did not address the “information not rising to the level of a trade secret” issue. While the Illinois Supreme Court does not afford federal court opinions any special weight on questions of Illinois law,³⁴⁹ the high court is likely to at least consider *Composite Marine Propellers*, *PepsiCo*, *Hecny* and *Spitz*, and perhaps even Judge Shadur’s *Miller* opinion will receive attention.³⁵⁰ As noted, the deadweight of *Pope* not only burdened *Fabricare Equipment* and *Delta Medical Systems*; it afflicted the Seventh Circuit’s recent *Spitz* decision as well. Of all these cases, *Miller* alone offered a meaningful statutory analysis and, as a result, a pointed criticism of *Pope*.

The survival of non-trade secret claims is an important issue. There may be instances in which plaintiff cannot prove a trade secret claim, for example, but can still prove some other claim. *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*,³⁵¹ discussed above, is illustrative: the district court ruled all non-trade secret claims were preempted and therefore took away the jury’s trade secret award of nearly \$6 million (later settled for over \$11 million), concluding that PlayWood had failed to meet the ITSA’s requirement of “affirmative” secrecy measures for its “Clickety-Clack

³⁴⁷ See, e.g., *Hadley v. Subscriber Doe*, 2015 IL 118000, ¶ 12, 34 N.E.3d 549, 554 (2015) (examining Illinois Appellate Court decisions addressing use of Rule 224 to unmask anonymous on-line authors accused of defamation).

³⁴⁸ See, e.g., *In re Masters*, 91 Ill. 2d 413, 425, 438 N.E.2d 187, 192 (1982) (“Although opinions of qualified writers and amicus briefs are considered by this court, they are not an appropriate subject of expert testimony.”).

³⁴⁹ See, e.g., *Wolinsky v. Kadison*, 2013 IL App (1st) 111186, ¶ 78, 987 N.E.2d 971, 986 (1st Dist. 2013) (“However, this court has noted that unreported federal district court orders are neither binding nor precedential before Illinois courts and that even reported federal circuit and district decisions are only persuasive authority in Illinois state courts.”).

³⁵⁰ Cf. *City of Chicago v. Comcast Holdings, LLC*, 231 Ill. 2d 399, 414, 900 N.E.2d 256, 264 (2008) (“As this court’s decisions have stated, we look to nonbinding federal law as persuasive authority when construing federal statutes due to the importance of maintaining uniform interpretations. *Bowman v. American River Transportation Co.*, 217 Ill.2d 75, 91, 298 Ill.Dec. 56, 838 N.E.2d 949 (2005).”).

³⁵¹ 342 F.3d 714 (7th Cir. 2003).

Track” idea to qualify as a trade secret.³⁵² This catastrophe was averted when the Seventh Circuit later held PlayWood’s oral secrecy evidence satisfied the ITSA’s secrecy condition, but not all plaintiffs will be so lucky, as the plaintiff in *Composite Marine Propellers* can attest. Thus, I urge the Illinois Supreme Court to preserve non-trade secret claims by giving a narrow construction to the ITSA’s pro-preemption provision in Section 8(a) and a broad interpretation of the ITSA’s anti-preemption provision in Section 8(b)(2). We are not dealing here with novel claims that might be thought of as departures from the Anglo-American presumption that all human conduct is beyond law absent sovereign action;³⁵³ we are instead dealing with well-settled Illinois law.

³⁵² *Id.* at 730. See generally Trygve Meade, *Indecision: The Need to Reform the Reasonable Secrecy Precautions Requirement Under Trade Secret Law*, 37 S. ILL. U. L.J. 717 (2013) (lamenting significant judicial inconsistency as to when secrecy measures are sufficient).

³⁵³ See Bradford R. Clark, *Ascertaining the Law of the Several States: Positivism and Judicial Federalism After Erie*, 15 U. PA. L. REV. 1459, 1504 (1997) (“In the Anglo-American legal system, regulation of human affairs through law is the exception rather than the rule.”); Frank H. Easterbrook, *Statutes’ Domains*, 50 U. CHI. L. REV. 533, 549-50 (1983) (“Those who wrote and approved the Constitution thought that most social relations would be governed by private agreements, customs, and understandings, not resolved in the halls of government. There is still at least a presumption that people’s arrangements prevail unless expressly displaced by legal doctrine.”); *Murphy v. NCAA*, 138 S. Ct. 1461, 1474 (2018) (“A State is not regarded as authorizing everything that it does not prohibit or regulate. We commonly speak of state authorization only if the activity in question would otherwise be restricted.”); *Birchler v. Gehl Co.*, 88 F.3d 518, 521 (7th Cir. 1996) (“We avoid speculation about trends in diversity cases: ‘our policy will continue to be one that requires plaintiffs desirous of succeeding on novel state law claims to present those claims initially in state court.’”) (quoting *Shaw v. Republic Drill Corp.*, 810 F.2d 149, 150 (7th Cir. 1987)).