CLIENT ALERT

Circuit Court Reinforces That Neither Lack Of Novelty Nor Ability To Reverse Engineer Are Defenses To Trade Secret Misappropriation

Jan.30.2012

Although trade secrets and patents are both means to protect ideas, the Eighth Circuit's recent decision in*AvidAir Helicopter Supply v. Rolls Royce Corp*., __ F.3d __ (Dec. 13, 2011), confirmed that they are still fundamentally different bodies of law. *AvidAir* reinforces two important facets of the law of trade secrets in UTSA jurisdictions: (1) novelty is not a requirement for trade secret protection and (2) the fact that a trade secret can be reverse engineered does not absolve unlawful misappropriation. Corporations and individuals whose businesses involve confidential information obtained from outside sources should take note.

The dispute in *AvidAir* involved Distributor Overhaul Information Letters ("DOILs"), which were compilations of specifications necessary for helicopter engine overhaul. Only Rolls Royce and its licensees had authorized access to the most current DOIL for their Model 250 helicopter engines. AvidAir obtained a copy of that DOIL without Rolls Royce's permission and was using it to overhaul Model 250 engines.

Rolls Royce sued claiming that the most current DOIL for Model 250 engines was a trade secret that AvidAir misappropriated in violation of the Uniform Trade Secrets Acts of both Indiana and Missouri. The district court found on summary judgment that the most current DOIL was a compilation of known and secret information and, on that basis, the jury awarded Rolls Royce $350,000. AvidAir appealed the decision to the Eighth Circuit arguing, among other things, that the information in the DOIL was independently ascertainable and, therefore, derived no value from being secret.

The Circuit Court rejected this argument and upheld the decision of the trial court. In determining the value of a compilation of information, the Court explained that the relevant inquiry is not whether the information could somehow be obtained by legitimate means, but whether the duplication of the information would require a substantial investment of time and effort. "Unlike patent law," the Court reasoned, "which predicates protection on novelty and nonobviousness, trade secret laws are meant to govern commercial ethics."

Instead, the Circuit Court focused its inquiry on the time and energy that would be required to ascertain the information publicly, noting that trade secret protection is fundamentally a tort of unfair competition, prohibiting competitors from obtaining an unfair advantage by taking already-developed information rather than investing the time and effort to create it for themselves. The Court found AvidAir's claim that the alleged trade secrets could have been ascertained publicly with little difficulty to lack credibility noting "AvidAir's repeated attempts to secure the revised DOILs without Rolls-Royce's approval belies its claim that the information in the documents was readily ascertainable or not independently valuable."

This decision is cautionary tale to trade secret litigants: trade secret law derives from unfair competition and, thus, does not require novelty or non-obviousness. And it's a clear reminder to companies that in a growing number of circumstances trade secret protection may be more attractive than patents.

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