

UTSA Preemption and the Public Domain: How and Why Courts Have Overlooked Patent Preemption of State Law Claims Alleging Employee Wrongdoing

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Our article explores a blind spot in trade secret cases involving disputes between employers and departing employees – specifically, cases which take the minority position on Uniform Trade Secrets Act preemption of alternative state law tort claims and thereby permit litigants to proceed with such claims. A review of nationwide cases indicates that such courts do not consider whether the technical information at issue in many such disputes falls within the public domain, such that the alternative state law tort claim would conflict with – and therefore should be preempted by – the federal patent laws.

Whether the Uniform Trade Secrets Act preempts state law tort claims that seek to protect information deemed not to constitute a trade secret is now a widely litigated issue. There is a majority position and a minority position. The minority position holds that litigants may pursue state law tort claims to protect commercial information said to be “proprietary” or “confidential” in some undefined manner, but not a UTSA trade secret, and that the UTSA does not displace such claims. This creates a two-tier system of state-protected intellectual property, rather than the single-tier system the majority position envisions.

A separate body of law – federal preemption – provides that states may not grant intellectual property protection in unpatented, technical information that is in the public domain. The minority position on UTSA preemption and federal preemption therefore appear to be on a collision course: if courts hold that the UTSA does not foreclose litigants from pursuing alternative state law tort claims that may well encompass publicly available, technical information, then federal preemption could separately preclude such claims.

Our article explores the complex but surprisingly common legal and factual scenarios in which employers have been permitted to proceed with alternative state law tort claims against former employees accused of misappropriating potentially public information. State and federal courts generally do not address federal preemption in such cases, when perhaps they should. We then discuss the policy implications of allowing employers to cordon off such information from future use by their former employees.