

The Part for the Whole in Trade Secret Law

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Abstract

It is elementary that one can be liable for misappropriation of a “trade secret” – phrased as a singular whole – under the federal and state trade secret statutes. But nothing in these statutes suggests that one can also be liable for acquiring, or misusing, just a fragment of a trade secret, if the fragment by itself does not satisfy the elements of a valid trade secret.

Two recent rulings, however, raise the possibility of such outcomes. These decisions – in the Sixth Circuit and the District of Colorado – risk a dangerous inflation of trade secret coverage. This article challenges their underdeveloped language with an eye towards protecting the right of employees who change jobs to use information that is not a trade secret.

Under the trade secret laws, anyone can use publicly-available business information, even if one first learned that information as a result of one’s prior job. If someone changes jobs, and uses part of a trade secret – but not an entire trade secret – at a new job, can the former employer allege a misappropriation claim? Can it do so even if the part is not, alone, a protectable trade secret? If that were the law, companies could artificially tether unprotectable information, which the defendant acquired or used, to some larger, protectable whole that the defendant did not acquire or use, to thus transform information that should be free to use into something that is off-limits.

That is the danger posed by two recent trade secret cases. In both, the core ruling against the defendant was sensible. Each court could have more cautiously expressed a narrower conclusion. But both courts asked broader, black-letter questions they did not need to pose – namely, must a defendant acquire, or use, the whole trade secret to be liable for misappropriation? Both courts answered that question in the negative. In doing so, both courts failed to analyze the text of the trade secret statutes, which do not allow for “misappropriation” liability for acquiring, or using something that falls short of a defined “trade secret.” Both also commingled distinct concepts in trade secret case law that stand for different propositions.

These outcomes are not some minor matter. While neither case found liability based on acquisition or use of non-secret information, their loose language could

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lead to that result in future cases. Trade secret law is an environment where aggressive employers seek to stop their departing employees from competing against them at a new job. Such litigants may cite the loose language in these cases to undercut the proper boundaries of protectable information. If taken at face value, the comments about trade secret law in these cases could radically alter the statutory balance between former employers and departing employees, to the detriment of the latter – and to other trade secret defendants more generally.

This article puts both rulings under the microscope to explain why they are incorrect as to the black-letter questions they posed. Several well-reasoned cases, when construing different elements of a trade secret cause of action, have treaded cautiously and skeptically when a plaintiff sought to treat a part as a stand-in for the whole. Most important, we must recognize the latent public policy issue at stake in part-for-the-whole discussions: companies should not be able to sue former employees or business partners for using unprotectable, non-secret fragments of information merely because those fragments could be described as parts of some larger whole that would indeed constitute valid intellectual property. Balancing the legitimate interests of departing employees and former employers, then, requires careful attention to these boundary lines.

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I. Introduction

If a company holds a set of information as a combination, and that body of information as an interrelated, unified whole qualifies as a trade secret, can the company sue an employee or business partner who acquires, or uses, only a fragment of that whole trade secret?

If that fragment is itself a valid trade secret, the answer is plainly “yes,” because the Defend Trade Secrets Act (DTSA) and Uniform Trade Secret Act (UTSA) provide for “misappropriation” of a “trade secret.”¹

So far, so good. But consider the following possibilities. Imagine a scientist who works for a life sciences company that has identified a set of protein targets associated with small molecules in order to explore potential new pharmaceutical treatments. The development of that set as a whole was costly and generated an interrelated body of new, nonpublic information unknown to competitors. But, in isolation, each of the small molecules themselves are widely known and discussed in scientific papers. Our scientist changes jobs, and proposes working on one of the same small molecules, albeit to perform independent research that does not replicate anything confidential from the former employer. Can her former employer sue for trade secret misappropriation, and allege that the non-secret part (the identity of the small molecule) qualifies as a trade secret because it can be said to be attached to a whole trade secret (the compilation of focused research data)?

Or, imagine a salesperson who is privy to a detailed database of information showing her employer’s history of dealing with thousands of customers—some of whom are obscure—with years of discount and order information. After joining a competitor, she calls only upon customers who are not obscure, and whose need for the product in question is obvious and publicly-known. Those customer identities, in and of themselves, are not trade secrets. Could her former employer sue and say that the customer information she used was part of a larger whole—the entire database—as a gambit to allege that she cannot use the non-secret parts?

If it were not for the two recent cases that are the subject of this article, the answer would be a resounding “no.” Because the DTSA and the UTSA speak of “misappropriation” of a “trade secret,” and because they define the elements necessary for business information to qualify as a valid “trade secret,” there should be no latitude for any former employer to argue that non-secret information can be the subject of a misappropriation claim.²

¹ See 18 U.S.C. § 1839(3), (5) (definitions of “trade secret” and “misappropriation”); *Uniform Trade Secrets Act with 1985 Amendments*, at § 1, UNIFORM LAW COMMISSION (JAN. 13, 2022, 3:35 PM), <https://www.uniformlaws.org/viewdocument/final-act-128>, under “UTSA_final_85.pdf.”

² This article does not address the distinct question of contractual liability under a nondisclosure agreement. Different states reach different results as to the degree to which such contracts protect the same information that trade secret law protects, or something broader. See generally Camilla A. Hrdy & Christopher B. Seaman, *Beyond Trade Secrecy: Confidentiality Agreements that Act Like Noncompetes*, 133 YALE L.J. 669, 699–703 (2024).

Two recent cases went further than necessary in offering commentary on part-for-the-whole questions, and their ill-considered discussions pose a serious public policy danger. To be sure, neither held that a defendant is liable for using a non-secret portion of a whole trade secret. But their language could be weaponized for that result in future cases.

In *Caudill Seed and Warehouse Company, Inc. v. Jarrow Formulas, Inc.* (“*Caudill Seed*”), the Sixth Circuit addressed an appeal by a losing defendant where the facts were damning. The defendant had hired a scientist from the plaintiff who took zip files of material with him, and it then replicated a similar product with eyebrow-raising speed. On appeal, the defense argued that the plaintiff’s identification of its entire body of research as a trade secret was too broad and vague, and that the scientist had not acquired or used all of that vast amount of research.

The court seemingly could have addressed the substantial portion of research that was taken, found that the evidence at trial supported a finding that the portion itself was a valid trade secret, and stopped there. Had it done so, we would have no controversy. But the Sixth Circuit needlessly went out on a limb, and declared that there was no requirement in trade secret law that a defendant acquire “each atom of a combination trade secret” in order to misappropriate it.³ If future litigants point to this language, it could open the door to a flood of ugly lawsuits asserting that acquiring even just part of a whole trade secret is equivalent to acquiring the entire thing. Such an outcome would defy the text of the controlling statutes, as well as common sense.

Similarly, in October 2023, the District of Colorado ruled on a motion to dismiss in *MGA Home Healthcare Colorado LLC v. Thun* (“*MGA Home*”), where a former employer sued over customer information. As in *Caudill Seed*, the court seemingly could have disposed of the motion on narrower grounds. But it instead raised the question whether “using part of a trade secret is permissible so long as the allegedly misappropriating party does not use the whole compilation or its underlying methodology,”⁴ and answered in the negative.

Both cases, in other words, needlessly opened the possibility that a departing employee could be liable in trade secret law for acquiring, or for using, an otherwise unprotectable fragment of information that the former employer claims is part of a bigger, protectable whole. Although neither court expressly approved such a dramatic outcome, their language could encourage former employers to push the boundaries and mount such arguments in future lawsuits against departing scientists or other employees.

In doing so, both courts failed to analyze the text of the trade secret statutes,

³ See *Caudill Seed and Warehouse Company, Inc. v. Jarrow Formulas, Inc.*, 53 F.4th 368, 385 (6th Cir. 2022).

⁴ See *MGA Home Healthcare Colo., LLC v. Thun*, No. 22-cv-02534-NYW-STV, 2023 U.S. Dist. LEXIS 191227, at *17–18 (D. Col. Oct. 24, 2023).

which do not allow for “misappropriation” liability for acquiring, or using, something that falls short of a defined “trade secret.” Both failed to consider other cases which have held otherwise.⁵ Both failed to analyze how their answers to the questions they posed could lead to outcomes where employees are sued for using items of information that are not trade secrets, but that a former employer claims are attached to some protectable whole that the employee never acquired, or never used.

Both decisions evidence palpable confusion over distinct doctrines in trade secret law. Armed with a better understanding of these concepts, the *Caudill Seed* and *MGA Home* courts probably would have addressed their facts differently. Specifically, both seem to have misunderstood the law of combination trade secrets, where the protectable intellectual property is the unified process or interrelationship of parts in a whole set of elements, not each part alone, by itself. *Caudill Seed* also seems to have misunderstood what I have elsewhere termed “the modification rule,” a fruit-of-the-poisonous-tree concept in trade secret law providing that if a defendant uses the plaintiff’s whole trade secret during its development of a competing product, it is liable even if the resulting end product is a not an exact copy of the plaintiff’s trade secret. That rule does not mean that a trade secret defendant engages in “misappropriation” if he or she uses only a non-secret part of a broader trade secret.

At bottom, both of these cases failed to consider the difference between a part or fragment of information that is not, by itself, a valid trade secret, and information that is, whether as a part or as a whole, a protectable trade secret.

If courts were to adopt the answers to the questions *Caudill Seed* and *MGA Home* unnecessarily posed on their facts, it could lead to a near-infinite expansion of trade secret protection: any acquisition or any use of a non-protectable, non-secret part could be claimed as “misappropriation” of some larger whole. Because trade secret lawsuits are too often the product of heated emotion and anticompetitive swagger, giving a conceptual inch to such an expansion almost surely guarantees that a mile will be taken. Courts should reject the underdeveloped discussions in *Caudill Seed* and *MGA Home* and hold trade secret plaintiffs to the requirements of the statutory text.

⁵ See *Harvey Barnett, Inc. v. Shidler*, 338 F.3d 1125, 1130 (10th Cir. 2003) (differentiating a system protected by a trade secret from its unprotected components in the public domain). See also *3M v. Pribyl*, 259 F.3d 587, 595–96 (7th Cir. 2001) (“A trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secret.”); *Integrated Cash Mgmt. Servs. v. Digit. Transactions, Inc.*, 920 F.2d 171, 174 (2d Cir. 1990) (“[A] trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secret.”) (internal quotations omitted).

II. The Part for the Whole: The Statutes and Prior Case Law

A. Acquisition of a Trade Secret: The DTSA and the UTSA

We begin with the observation that the DTSA and the state-law UTSA define the terms “trade secret” and “misappropriation,” and do so in a manner that does not contemplate lawsuits over fragments or parts of a whole trade secret that, in and of themselves, are not valid trade secrets. A “trade secret” is defined in the singular tense as a whole: as business information which satisfies certain criteria set forth in the statutes.⁶

Importantly for our analysis, “misappropriation” in the statutes is always attached to a “trade secret,” and not a fragment or part of one. Using the California UTSA as an example, there are three types of “misappropriation”: unauthorized acquisition, unauthorized use, and unauthorized disclosure of a “trade secret.”⁷ A closer look shows that in order to be liable for trade secret misappropriation, a defendant must *know* or *acquire* the “trade secret” itself. All versions of “misappropriation” require such knowledge or acquisition of a “trade secret,” and thus there is no liability otherwise. The statutes do not speak of liability for partial acquisition or partial knowledge of a “trade secret.” Specifically, the standard UTSA enactment defines the act of “misappropriation” in four ways, which the DTSA closely mimics:

- **Acquiring a trade secret obtained through wrongdoing:** “*Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means[.]*”⁸
- **Acquiring a trade secret through improper means:** Using “improper means to *acquire knowledge of the trade secret.*”⁹
- **Wrongful use or disclosure of the trade secret after acquisition:** “At the time of disclosure or use, knew or had reason to know that his or her *knowledge of the trade secret* was: (i) *Derived* from or through a person who had utilized improper means to acquire it; (ii) *Acquired* under circumstances giving rise to a duty to maintain its secrecy or limit its use; (iii) *Derived* from or through a person who owed a duty to the person seeking

⁶ See 18 U.S.C. § 1839(3) (definition of “trade secret”); *Uniform Trade Secrets Act with 1985 Amendments*, at § 1(4), UNIFORM LAW COMMISSION (JAN. 13, 2022, 3:35 PM), <https://www.uniform-laws.org/viewdocument/final-act-128>, under “UTSA_final_85.pdf.” Some states, such as California and Oregon, altered the UTSA language, defining a “trade secret” by omitting or revising the language about the readily ascertainable element. See Cal. Civ. Code. § 3426.1(d); ORS § 646.461(4)(b). These minor differences do not affect the questions posed in this article. New York remains an outlier as the only state without a trade secret statute.

⁷ See Cal. Civ. Code § 3426.1(b) (definition of “misappropriation”); see also 18 U.S.C. § 1839(5) (nearly identical definition under the DTSA).

⁸ See Cal. Civ. Code § 3426.1(b)(1) (emphasis added); 18 U.S.C. § 1839(5)(A).

⁹ See Cal. Civ. Code § 3426.1(b)(2)(A) (emphasis added); 18 U.S.C. § 1839(5)(B)(i). “Improper means” is defined as intentional wrongdoing to obtain someone’s trade secret: it “includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage[.]” See Cal. Civ. Code § 3426.1(a); 18 U.S.C. § 1839(6).

relief to maintain its secrecy or limit its use[.]”¹⁰

- **Knowingly acquiring a trade secret through an error:** “Before a material change of his or her position, knew or had reason to know that *it was a trade secret* and that *knowledge of it had been acquired* by accident or mistake.”¹¹

I emphasize these points in some detail because the straightforward statutory language tethers liability for “misappropriation” to the knowledge or acquisition of an entire “trade secret,” as the statutes define that term, with no suggestion that knowledge or acquisition of just a portion would suffice.

B. Using a Trade Secret Where the End Result Differs From the Trade Secret

In examining part-for-the-whole questions in trade secret law, we should set the stage by considering two well-established concepts in the case law that are pertinent to the discussion. Both are crucial for understanding what went wrong in the cases at issue in this article.

First, we must consider the rule which provides that if a defendant misuses a valid trade secret, that defendant cannot escape liability by arguing that it modified or improved the technology such that its final end product is not a copy of the plaintiff’s trade secret. Said differently, trade secret law contains a sort of “fruit of the poisonous tree” concept where intermediate misappropriation—using the plaintiff’s whole trade secret during the course of developing what becomes defendant’s final product—leads to liability just as copying the entire trade secret into a final product would.

As a Florida federal court put it in a 2012 ruling, “Defendants’ use of [Plaintiff’s] trade secrets is prohibited even if they use them with modifications or improvements based on their own efforts, as long as the substance of the design used by them ‘is derived from’ a [Plaintiff’s] trade secret.”¹² A California federal court echoed this logic in 2022, stating that “where [the defendant] took proprietary information, even if he made certain changes for his own device, misappropriation still exists where the trade secret forms the kernel of the accused subject matter.”¹³

I have called this concept “the modification rule” because it lacks a label in the

¹⁰ See Cal. Civ. Code § 3426.1(b)(2)(B) (emphasis added); 18 U.S.C. § 1839(5)(B)(ii).

¹¹ See Cal. Civ. Code § 3426.1(b)(2)(C) (emphasis added); 18 U.S.C. § 1839(5)(B)(iii).

¹² See *ACR Elecs., Inc. v. DME Corp.*, No. 11-62591-CIV-MARRA, 2012 U.S. Dist. LEXIS 201353, at *29 (S.D. Fla. Oct. 31, 2012) (citation omitted) (granting plaintiff’s motion for preliminary injunction).

¹³ See *Masimo Corp. v. True Wearables, Inc.*, No. 8:18-CV-02001-JVS-JDE, 2022 U.S. Dist. LEXIS 208284, at *56 (C.D. Cal. Nov. 7, 2022) (on a bench trial ruling, finding mostly against the defendants on trade secret claims).

case law.¹⁴ Notwithstanding this anonymity, the concept has been accepted by the courts for decades. In a well-known example, a plaintiff in a 1996 case from the Northern District of Illinois claimed a trade secret in the “interrelationship of the component parts” for a specialized oven design.¹⁵ When the defendant argued that it had used different components for its version of the oven, the court rejected that defense. The court explained that “if the [Defendant’s] oven could not have been developed but for the secret information underlying the interrelatedness of the component parts comprising the [Plaintiff’s] oven, Defendants are in trouble.”¹⁶

On first glance, this concept might suggest that a defendant could use only part of a valid trade secret and still be liable, because its final product would not contain the plaintiff’s whole trade secret. But that is not the case. It must be emphasized that the modification rule does not address the part-for-the-whole question that is the subject of this article, because it does not inquire into whether a defendant has only acquired or used a fragment of a valid trade secret. To the contrary, it addresses instances where the defendant has acquired a complete trade secret, used a complete trade secret, yet tries to escape liability because its final end product is not identical to the plaintiff’s complete trade secret. This is distinct from a situation where the defendant has acquired, or used, only a non-secret part of a whole trade secret. The modification rule does not bear on that question; it covers different conceptual territory. But as we shall see, the modification rule contributed to one of the muddled rulings discussed in this article.

C. Combination Trade Secrets and Their Sub-Elements

The second concept we must consider before diving into the part-for-the-whole conundrum that is the focus on this article is the law of combination trade secrets (sometimes called “compilation” trade secrets).

A combination trade secret exists where a plaintiff establishes a single trade secret in the unified process, or interrelationship, of a set of elements in a whole product

¹⁴ See Charles Tait Graves, *The Law of Negative Knowledge: A Critique*, 15 TEX. INTELL. PROP. L.J. 387, 388 (2007) (“Under a second theory, the modification rule, a trade secret defendant cannot escape liability for taking a trade secret but then modifying or improving it so that it is no longer the same,” (collecting nationwide case law on this concept); JAMES POOLEY, TRADE SECRETS (ALM) § 6.03[4] (Rel. 52) (“It is not necessary to establish slavish copying of a trade secret to prove misappropriation. It is enough that the defendant has exploited the information in some way [...] relying on trade secret information as a ‘starting point’ to ‘assist or accelerate research’ will qualify.”) (citations omitted)). There is some debate over the propriety of this rule. *E.g.*, Joseph P. Fishman and Deepa Varadarajan, *Similar Secrets*, 167 U. PA. L.R. 1051, 1057 (2019) (“This Article proposes that a defendant shouldn’t be liable for using a lawfully acquired secret unless it is both exploiting an assert that incorporates material elements from the owner’s secret and is doing so in a market that the plaintiff actually foresaw or, given industry trends, could reasonably have been foreseen. Merely relying on a secret as a launching pad for developing a genuinely dissimilar good, or operating in a remote or unanticipatable market, would remain permissible.”).

¹⁵ See *Thermodyne Food Serv. Prods., Inc. v. McDonald’s Corp.*, 940 F. Supp. 1300, 1304–05 (N.D. Ill. 1996).

¹⁶ See *id.* at 1308.

design or other information, even if the individual elements by themselves do not qualify as trade secrets. The intellectual property is not each part one by one in isolation, but instead the single unity that arises from their combination as a whole.¹⁷ As a Texas court instructed a jury, “[a] trade secret can exist in a combination of characteristics each of which, by itself, is in the public domain but the unified process, design, and operation of which in unique combination meets the definition of a trade secret. The combination itself must add value to the product, beyond simply the sum of its components.”¹⁸ Similarly, the Eastern District of Pennsylvania stated in a 2021 ruling, “[a] combination of different elements may constitute a trade secret, even if each element is otherwise generally known or readily ascertainable, so long as the combination is unique and offers a competitive advantage.”¹⁹

Turning to the 1996 case *Thermodyne Food Serv. Prods. Inc. v. McDonald’s Corp.* (“*Thermodyne*”) described above for another example, the plaintiffs in that ruling claimed a trade secret not “in the component parts, rather, they are claiming a trade secret in the *interrelationship* of the component parts.”²⁰

Understanding the concept of a combination trade secrets is important for this article’s analysis because a using just a part of a combination trade secret is not trade secret misappropriation, if that part is not, itself, a valid trade secret. For that reason, many courts have ruled that in order to misappropriate a combination trade secret, one must use the whole combination trade secret.²¹ The tacit premise is that if the defendant only acquires, or only uses, a non-secret part of a combination trade secret, that acquisition or use is not, in and of itself, unlawful.

D. Case Law: Fragments and the Whole Trade Secret

We move next to cases where a defendant has not acquired the plaintiff’s entire trade secret, or has used or disclosed only a part of the whole. Perhaps because the statutory language in the DTSA and the UTSA clearly refers to acquisition, use, or disclosure of a “trade secret,” few cases have addressed situations where a trade secret plaintiff sought to substitute the part for the whole, and allege that a defendant’s acquisition, use, or disclosure of something less than a whole “trade secret” amounts to

¹⁷ See generally Charles Tait Graves & Alexander MacGillivray, *Combination Trade Secrets and the Logic of Intellectual Property*, 20 SANTA CLARA HIGH TECH. L.J. 261, 261–92 (2004) (tracing concept back to the nineteenth century, collecting nationwide case law, and criticizing abuses of the combination concept); POOLEY, *supra* note 14, at § 4.03[2] (Rel. 52) (“Courts have consistently held that there can be discovery and value in the act of combining available ideas and data into something useful.”); 1 MILGRIM ON TRADE SECRETS § 1.08[5] (2024) (describing the concept and collecting combination trade secret cases).

¹⁸ See *FMC Tech., Inc. v. Murphy*, 679 S.W.3d 788, 813 (Tex. App.—Houston [1st Dist.] Aug. 10, 2023, pet. denied) (affirming use of instruction by trial court).

¹⁹ See *ElmagiN Capital, LLC v. Chen*, 555 F. Supp. 3d 170, 179 (E.D. Penn. 2021) (denying cross-motions for summary judgment).

²⁰ See *Thermodyne*, 940 F. Supp. at 1308 (emphasis in original).

²¹ See Graves & MacGillivray, *supra* note 17, at 284 n.59 (noting point and collecting cases where a combination trade secret claim failed because the defendant did not use the combination of elements).

“misappropriation.”

Nonetheless, some cases have rejected the notion that a defendant which never acquired the alleged trade secret in the first place could be liable. In the 2010 California case *Silvaco Data Systems v. Intel Corporation* (“*Silvaco Data Systems*”), for example, a plaintiff had previously sued former employees for misappropriating software source code and using it to build a software product that helps test other software.²² It then launched new lawsuits against the customers of that product. But there was a fatal problem with that allegation: the downstream customers had never learned or acquired the “trade secret”—the source code software used to build the product. They had acquired only the final product in executable software (object code) format. Where a customer downstream from the original misappropriation did not acquire the trade secret, there could be no “misappropriation.”²³ A few other rulings have reached similar results.²⁴ *Silvaco Data Systems* emphasizes that one must acquire a trade secret in order to be liable for misappropriation—and not just acquire something that was created from a trade secret—but it does not address a scenario where a defendant acquires only part of a valid trade secret.

Another case did not directly rule on the question whether a trade secret plaintiff could pursue a claim over a portion of an alleged trade secret rather than the whole, but suggested that doing so was more appropriate for a later stage than an early motion to dismiss. In *GA Telesis, LLC v. Salesforce.com, Inc.* (“*Salesforce*”), the plaintiff alleged that it had provided the defendant with a trade secret “synopsis” relating to its business, and that the defendant had emailed portions of the document to a competitor.²⁵ The court rejected an argument that the plaintiff had alleged only misappropriation of a portion of the “synopsis,” as the plaintiff had alleged that the defendant sent a two-page email to the competitor with various details from it, and provided further information in a related “use case.”²⁶ It did not rule as to whether a plaintiff can pursue a trade secret claim over a part rather than a whole—or offer any view on the matter—but instead suggested that the question was better suited for summary judgment or trial, further down the road.²⁷

That said, two cases the *Salesforce* court identified as ruling at a later stage did address the question, and rejected the notion of basing a “misappropriation” claim on

²² See *Silvaco Data Sys. v. Intel Corp.*, 184 Cal. App. 4th 210, 222–23 (2010), *overruled in part on unrelated ground* by *Kwikset v. Superior Court*, 51 Cal. 4th 310 (2011).

²³ See *id.* at 218, 223.

²⁴ See *Bus. Sols. LLC v. Ganatra*, No. SA CV 18-1426-DOC (KESx), 2020 U.S. Dist. LEXIS 48088, at *21 (C.D. Cal. Jan. 22, 2020) (“[A] person *acquires* a trade secret when they actively seek to gain ownership or control of the trade secret, but not when they are merely a passive recipient.”) (emphasis in original) (citing *Silvaco*, 184 Cal. App. 4th at 223); *Architectural Models, Inc. v. Neklason*, 264 F. Supp. 312, 317, 322 (N.D. Cal. 1967) (trade secret claim failed where plaintiff could not establish that defendants had been exposed to a drawing that was claimed as the trade secret).

²⁵ See *GA Telesis, LLC v. Salesforce.com, Inc.*, No. 21-cv-02701-AGT, 2021 U.S. Dist. LEXIS 215770, at *3–4 (N.D. Cal. Nov. 8, 2021) (denying motion to dismiss).

²⁶ See *id.*

²⁷ See *id.* at *4–5.

a part rather than the whole alleged trade secret. In a 2007 case under the Connecticut UTSA, the plaintiff claimed a trade secret in a business plan that was made up of many elements.²⁸ The defendant did not disclose the whole business plan to others.²⁹ Rather, he disclosed bits and pieces of it in emails to third parties, such as “profit margin information,” which alone were not trade secrets.³⁰ The plaintiff argued that it did not need to show that each “jot and tittle” that the defendant disclosed in the emails was a trade secret, since the business plan, “taken as a whole,” was a trade secret.³¹ But the Connecticut Supreme Court reversed the trial court’s injunction, which erroneously assumed that since the whole was a trade secret, disclosure of bits of it must also be trade secrets.³² It found that “disclosure of the publicly known components of a trade secret is prohibited only if their disclosure would amount to disclosure of the trade secret as a whole, and [defendant’s] disclosures did not constitute disclosure of the strategic plan as a whole.” The court remanded because the injunction was overly broad.³³ Similarly, a California court rejected a plaintiff’s proposed jury instruction that would have said that use of a portion of a trade secret could be sufficient for liability, where there was evidence that parts of the information claimed as a trade secret in the whole was publicly-available, or was owned by one of the defendants.³⁴

In a case where a trade secret plaintiff sought to treat a part as a stand-in for the whole under the Minnesota UTSA, it originally claimed a five-element trade secret in an algorithmic yield management system.³⁵ But during discovery, the plaintiff learned that the defendant had not received the five elements, which together comprised the whole trade secret.³⁶ The defendant moved for summary judgment. In opposition, the plaintiff switched course and tried to claim that even if the defendant only received four-fifths of the claimed trade secret, that was still enough for liability.³⁷ The court rejected this “sham” redefinition of the trade secret, finding that the plaintiff had “manufactured” a less-than-all-five-elements theory as a gambit to keep its case alive. The Eighth Circuit affirmed.³⁸

Another case, a 2000 post-trial ruling from the District of Kansas, rejected a

²⁸ See *Lydall, Inc v. Ruschmeyer*, 919 A.2d 421, 427 (Conn. 2007).

²⁹ See *id.* at 435.

³⁰ See *id.* at 430.

³¹ See *id.*

³² See *id.* at 435.

³³ See *id.* at 441.

³⁴ See *GSI Tech. v. United Memories, Inc.*, No. 5:13-cv-01081-PSG, 2016 U.S. Dist. LEXIS 69984, at *19–20 (N.D. Cal. May 26, 2016) (denying motion for new trial; “The proposed instruction states that use of any substantial portion of a claimed trade secret—i.e., part of a schematic—is misappropriation, but in this case, that would have encompassed making [the first defendant] or [the second defendant] liable for using parts of the schematics that are [the first defendant’s] intellectual property or publicly available information.”).

³⁵ See *Am. Airlines, Inc. v. KLM Royal Dutch Airlines, Inc.*, 114 F.3d 108, 110 (8th Cir. 1997).

³⁶ See *id.*

³⁷ See *id.* at 111–12.

³⁸ See *id.* at 112.

part-for-the-whole argument where the defendant did not know one of the key elements of the whole alleged trade secret—the plaintiff’s manufacturing process. The court then analyzed the fragments the defendant *did* know to ascertain whether each, standing alone, was a trade secret, and granted judgment for the defense because they were not. However, the Tenth Circuit reversed on different grounds, so the ruling is not precedential. Nonetheless, it is useful to consider here, especially given the paucity of case law on the part-for-the-whole question at issue.

In *BioCore, Inc. v. Khosrowshahi* (“*BioCore*”), the court faced an rancorous dispute between a company and a former executive that it characterized as involving “destruction of evidence, the manufacture of evidence, and healthy doses of paranoia and vitriol[.]”³⁹ Although a jury had ruled in favor of the plaintiff and awarded damages on a trade secret claim, the judge overturned that award on post-trial motions and, in a convoluted procedural posture, the parties agreed to a bench trial.⁴⁰

In the bench trial ruling, the court described the plaintiffs’ alleged trade secret as “the process which they use to manufacture their products—including the ingredients, equipment, processing, and other elements[.]” The court noted evidence that this whole process was a valid trade secret, but also noted that because the defendant “did not know the composition of Chemical Z”—a key component of the whole— “[h]e could not misappropriate the entire manufacturing process because he did not know the entire process.”⁴¹ This left open the question whether the “specific elements of the process” which the defendant did know, and did use, “in their own right constituted trade secrets.” The trial court examined several different items of information, from “crystalline structures” to “marketing strategies,” finding in each case that the information either was not a trade secret, or that the defendant had not misappropriated it.⁴²

The Tenth Circuit reversed because the trial court had improperly overruled the original jury verdict, but did so without reaching the question whether the trial court’s factual rulings regarding trade secrecy and misappropriation were correct. The reversing discussion did not mention the part-for-the-whole issue that was embedded in the trial court’s bench trial ruling.⁴³ Thus, while the ruling was vacated, it remains a useful example of how a court would, in a case where a defendant did not acquire the whole trade secret, examine whether the portion the defendant acquired was, itself, one or more valid trade secrets.

To be sure, combination trade secret cases like *American Airlines, Inc. v. KLM*

³⁹ See *BioCore, Inc. v. Khosrowshahi*, 96 F. Supp. 2d 1221, 1223 (D. Kan. 2000) (explaining thorny backstory to a bench trial that was the basis for the court’s ruling), *rev’d on other grounds*, 80 Fed. Appx. 619 (10th Cir. Nov. 4, 2003).

⁴⁰ See *id.* at 1224.

⁴¹ See *id.* at 1226.

⁴² See *id.* at 1227–36.

⁴³ See *BioCore, Inc. v. Khosrowshahi*, 80 Fed. Appx. 619, 630–31 (10th Cir. Nov. 4, 2003) (reversing based upon detailed discussion of trial court usurping jury’s weighing of evidence, but without addressing the “finding of no misappropriation of trade secrets” in the bench trial ruling).

Royal Dutch Airlines, Inc. (“KLM Royal Dutch Airlines”) and *BioCore*—where the purported combinations only had a few elements—may be easier to address than situations where the plaintiff’s combination is a vast set of interrelated technical details.⁴⁴ That said, these cases do teach that if a plaintiff proceeds by asserting trade secrecy in a specific whole combination, that is the intellectual property on which it must establish misappropriation.

E. The Part for the Whole and the Independent Economic Value Element

A different example of a case where a trade secret plaintiff sought to use a whole to avoid focusing on a part arose in a recent Fourth Circuit decision focused on the statutory requirement that a valid trade secret have independent economic value as a result of trade secrecy.

One requirement of a valid trade secret is that the information have independent economic value to competitors as a result of being secret.⁴⁵ A recent Fourth Circuit ruling affirmed a trial court decision which rejected a trade secret plaintiff’s effort to establish the value element for 75 alleged trade secrets by pointing to the value of its business, and its broader dataset, as a whole, rather than providing evidence of value for the trade secrets, which were merely a sub-set—a portion—of the whole. In *Synopsys, Inc. v. Risk Based Security, Inc.*,⁴⁶ the plaintiff claimed seventy-five trade secrets in vulnerability data and related information contained in a database. It alleged that a business partner had misused the information. But when seeking to establish the value element of a valid trade secret, it did not offer evidence as to each of the seventy-five items, or any grouping of them. Instead, it argued that the price that a company had recently paid to acquire the plaintiff’s entire business, and the overall revenues from its database as a whole, sufficed. The trial court disagreed—and the Fourth Circuit affirmed—because the plaintiff “relied on evidence of valuation that was not particularized to its seventy-five alleged trade secrets, whether they are viewed individually, in smaller groupings, or as a whole.”⁴⁷

In short, the plaintiff’s effort to substitute the whole (the valuation of its entire business) for the parts (the seventy-five alleged trade secrets) was impermissible. As the court put it, “[p]ermitt[ing] evidence of the value of the whole entity to substitute

⁴⁴ I thank Camilla Hrdy for this observation. As discussed below with respect to the Sixth Circuit’s *Caudill Seed* holding—a case where the plaintiff’s combination was an immense set of scientific research—it seems considerably likely that there were many valid combination trade secrets within that mass. The court could therefore have affirmed the trial court without resort to an unnecessary disquisition on part-for-the-whole issues.

⁴⁵ See 18 U.S.C. § 1839(3) (definition of “trade secret” with independent economic value requirement); *Uniform Trade Secrets Act with 1985 Amendments*, at § 1(4), UNIFORM LAW COMMISSION (JAN. 13, 2022, 3:35 PM), <https://www.uniformlaws.org/viewdocument/final-act-128>, under “UTSA_final_85.pdf.” For a thorough exploration of the value requirement in trade secret law, see generally Camilla A. Hrdy, *The Value in Secrecy*, 91 *FORDHAM L. REV.* 557 (2022).

⁴⁶ See *Synopsys, Inc. v. Risk Based Sec., Inc.*, 70 F.4th 759, 769–71 (4th Cir. 2023) (affirming summary judgment).

⁴⁷ See *id.* at 771–73.

as value of a particular component part (the trade secrets) would defeat the obligation of proving that the alleged trade secrets themselves have independent economic value. To hold otherwise would allow RBS to circumvent its burden of proof and redefine ‘trade secret.’”⁴⁸

F. The Part for the Whole in the Company Valuation Context

Courts have reached similar results in the trade secret damages context, when faced with trade secret plaintiffs who seek to establish that a defendant was unjustly enriched through misappropriation. In at least two cases, plaintiffs attempted to value such damages by pointing to the purchase price an acquiror paid to buy the defendant’s entire company, rather than by attempting to attribute unjust gain tied to specific trade secrets. In these cases, courts rejected attempts to take the price tag paid for a whole (an entire company) as a stand-in for unjust enrichment damages for a part (the alleged trade secrets, which are narrower than everything that comprises an entire company). In *Storage Tech. Corp. v. Cisco Sys., Inc.*, the Eighth Circuit affirmed the exclusion of expert damages opinion where the plaintiff sought to use the acquisition price paid for the defendant company as a whole as a stand-in for trade secret damages.⁴⁹

As the trial court had explained, the expert opinion was defective because “presuming that the acquisition price is wholly attributable to interests that rightfully belong to [plaintiff]” “fails . . . to distinguish between the tangible and intangible assets acquired by [the company which acquired the defendant], to account for the goodwill” and thus amounted to “rank speculation.”⁵⁰ The Eastern District of Texas reached a nearly identical result in another case where a trade secret plaintiff sought to use the acquisition price that a third party paid to acquire the defendant’s whole company as a measure of trade secret damages.⁵¹ What these cases teach, in the aggregate, is that a trade secret plaintiff cannot substitute the whole (a company’s entire valuation or acquisition price) for a narrower part (the unjust enrichment caused by

⁴⁸ See *id.* at 772; see also *id.* at 771 n.9 (distinguishing the plaintiff’s database from the narrower alleged trade secrets; “By its own representation, [plaintiff] does many things, only one of which (though an important one) is maintaining [the database product], and [the database product] comprises information far beyond the seventy-five alleged trade secrets. [...] Indeed, at the time of [plaintiff’s] sale, the company was asserting the existence of some 150 trade secrets, which it later recalibrated to 160 trade secrets before eventually slashing that number by over half. These representations show that both the company itself and its proprietary database consist of more than just the alleged seventy-five trade secrets. Far from being co-extensive and thus interchangeable for purposes of establishing value, they are nested, but distinct subparts.”).

⁴⁹ See *Storage Tech. Corp. v. Cisco Sys., Inc.*, 395 F.3d 921, 926 (8th Cir. 2005).

⁵⁰ See *Storage Tech. Corp. v. Cisco Sys., Inc.*, No. Civ. 00-2253 (JNE/JGL), 2003 WL 22231544, at *10 (D. Minn. Sept. 25, 2003).

⁵¹ See *Alcatel USA, Inc. v. Cisco Sys., Inc.*, 239 F. Supp. 2d 660, 670–71 (E.D. Tex. 2002) (similar theory where plaintiff claimed that entire acquisition price of start-up was attributable to alleged trade secrets; “Alcatel wholly fails to apportion its allegedly misappropriated and intangible intellectual property from the rest of [defendant’s technology].”; The damages theory “reeks of incongruity and underscores the speculative nature of Alcatel’s alleged damages.”; further details of why acquisition price did not represent alleged secrets).

the defendant's alleged misuse of trade secrets) when seeking to establish damages caused by trade secret misappropriation.

III. The Part for the Whole: Two Problematic Cases

We can see from this background that courts in a variety of contexts make a focused distinction between an entire trade secret and something else that a plaintiff offers as a substitute in an effort to obtain a litigation advantage. With that in mind, we reach the troublesome cases that are the subject of this critique. Both are underdeveloped rulings. Both sought to pose questions of black-letter law, where doing so was probably unnecessary based on the facts. Both answered these questions in a manner that poses great danger for the future of trade secret law and the rights of employees who change jobs and use only non-secret information learned at the former job.

A. Caudill Seed

Caudill Seed was a hard-fought trade secret case which resulted in a 2022 Sixth Circuit ruling that is the first of our problematic decisions. It held—or, perhaps more accurately, offered dicta—that a defendant need only acquire a part of a trade secret in order to be liable for misappropriation of the whole trade secret.

In short, the plaintiff overclaimed and was sloppy in articulating its alleged trade secrets, the defendant acted badly and acquired quite a lot of nonpublic development information from the plaintiff through illicit means, and the case seemingly could have been resolved in the plaintiffs' favor on straightforward and uncontroversial grounds. The trial court and the Sixth Circuit need only have found that the information the defendant acquired was itself a valid trade secret, as was certainly the case, without straying into dangerous questions about whether acquiring just a part of a whole creates a basis for trade secret liability. Instead, the Sixth Circuit announced a question of law it did not have to address, answered it poorly based on a misreading of prior case law, and thereby created an unnecessary risk for employees in future trade secret lawsuits who have switched jobs.

1. *Caudill Seed—The Trial Court Judgment Against the Defendant*

The dispute centered on a nutritional supplement—more specifically, a broccoli extract said to provide health benefits.⁵² The defendant was originally a customer of the plaintiff, but decided to create its own product using the broccoli extract instead. It hired the plaintiff's Director of Research. Before he was hired, however, and while he still worked for the plaintiff, he emailed documents and also, upon request, provided a zip file with “a large volume of data” to the defendant's CEO.⁵³ Put differently, as the Sixth Circuit noted, the defendant “never conducted its own research on broccoli extract products” and instead had the individual deliver “a curated

⁵² *Caudill Seed & Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F.4th 368, 375–376 (6th Cir. 2022).

⁵³ *Id.* at 376; *see also* *Caudill Seed and Warehouse Co, Inc. v. Jarrow Formulas, Inc.*, 161 F. Supp. 3d 513, 515–17 (W.D. Ky. 2015) (more detailed summary of facts on motions for summary judgment).

collection” of such research. Demonstrating the point, he informed his new co-workers that “they would be using a formula that had been tested for over six months” when he had only been with the defendant for one month.⁵⁴ After years of litigation, a jury found for the plaintiff and awarded money damages on a claim under the Kentucky Uniform Trade Secrets Act.⁵⁵

Despite the neatness of that storyline, the trial court litigation was messy, in manner that foreshadowed the problem with the Sixth Circuit’s ruling. The scientist who changed jobs had taken the only copies of information contained in a notebook and in a hard drive and then denied everything. That left the plaintiff scrambling to identify the asserted trade secrets at issue.⁵⁶ Taking advantage of the scientist’s misconduct in removing the sole copies, the defendant argued that the plaintiff “failed to describe them with particularity.”⁵⁷ The plaintiff pointed to broad swaths of its internal research to identify its trade secret claims. The court found this broad description sufficient for summary judgment purposes, relying in part on the concept of a combination trade secret (as described above).⁵⁸ As the trial court put it, “Caudill Seed’s theory is that Jarrow Formulas took *all* of Caudill Seed’s proprietary information which allowed it to” develop a business in just four months.⁵⁹

In pretrial skirmishing over the question of whether a trade secret defendant must use a trade secret to be liable, the court noted (correctly) that unauthorized acquisition of a trade secret, by itself, can be sufficient for a finding of misappropriation.⁶⁰ Then, on post-trial motions, the defendant continued to argue that the plaintiff’s general description of its “body of knowledge” was not sufficient to identify valid trade secrets, and that the defendant did not misappropriate all of that body of knowledge in any event. The trial court found that the description was adequate and that the “evidence supports a reasonable inference that Jarrow Formulas misappropriated” the broadly-described trade secret “in its entirety.”⁶¹ This set the stage for the part-for-the-whole argument seen on appeal.

2. *Caudill Seed: The Parties’ Arguments on Appeal*

Before the Sixth Circuit, the defendant Jarrow argued that the plaintiff had defined a “combination trade secret,” but “it never proved that Jarrow acquired or used

⁵⁴ *Caudill Seed*, 53 F.4th at 377.

⁵⁵ *Id.* at 378.

⁵⁶ *See Jarrow Formulas*, 161 F. Supp. 3d at 522 (the defendant denied taking the materials, and the court found a fact issue on summary judgment based on testimony from the plaintiff’s employees that the scientist at issue always had possessed such materials, which were not located at the plaintiff’s facilities).

⁵⁷ *Id.* at 524.

⁵⁸ *See id.* at 526–27.

⁵⁹ *Id.* at 528.

⁶⁰ *See Caudill Seed and Warehouse Co., Inc. v. Jarrow Formulas, Inc.*, No. 3:13-CV-82-CRS, 2018 U.S. Dist. LEXIS 167813, at *14 (W.D. Ky. Sept. 28, 2018) (ruling on a motion for reconsideration).

⁶¹ *Caudill Seed and Warehouse Co., Inc. v. Jarrow Formulas, Inc.*, No. 3:13-CV-082-CRS, 2020 U.S. Dist. LEXIS 101109, at *60–63 (W.D. Ky. June 9, 2020) (resolving various post-trial motions).

the combination as Caudill defined it. [...] Where a plaintiff alleges a combination trade secret, it must prove misappropriation of the entire combination.”⁶² It is important to note that this argument mixes together the distinct questions of acquisition of a trade secret and use of a trade secret. In any event, the defendant proceeded to argue that the plaintiff had relied on generalities to broadly define its alleged trade secret in reaction to “evidence that Jarrow did not acquire or use all of the specific components[.]”⁶³ The defendant’s ultimate argument on this point was that “to prove misappropriation of a combination trade secret, a plaintiff must prove acquisition of the whole combination, not just several components.”⁶⁴ In support, it argued that there was “no evidence that Jarrow acquired numerous parts of Caudill’s ‘seed-to-shelf’ process[.]”⁶⁵

In response, the plaintiff, perhaps stuck with a messy and overbroad description of its trade secret claim from the trial court, resorted to off-point citations. It argued that it “was not required to prove that Jarrow acquired or used each and every piece” of the alleged trade secret.⁶⁶ The plaintiff miscited a 1987 Fifth Circuit case in support of this argument. Specifically, it claimed that the case held “that plaintiff must only prove that defendant misappropriated ‘in any way,’ ‘any part’ of plaintiff’s trade secret.”⁶⁷

But the cited case, *Plains Cotton Co-Op Association of Lubbock, Texas v. Goodpasture Computer Services, Inc.*, said no such thing. It did not consider the question of whether a defendant which acquired only part of a plaintiff’s trade secret could be liable. And it did not consider the question of whether a defendant which used only part of a plaintiff’s trade secret could be liable. Rather, the case was an appeal from a trial court’s denial of a motion for preliminary injunction, primarily on copyright grounds, over an alleged misuse of software.⁶⁸ The trial court had found, when considering the copyright infringement claim, that the defendant had not copied anything.⁶⁹ Then, in a brief section where the court stated that “the trade secrets battle was nothing more than a restaging of the copyright battle,” and noted that if the defendant “did not in any way ‘copy’ any part of [plaintiff’s] protected idea or expression, then [plaintiff] cannot demonstrate trade secret misappropriation any more than

⁶² Appellant’s Opening Brief at 26, *Caudill Seed and Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F.4th 368 (6th Cir. 2022) (No. 21-5345), 2021 WL 4198497, at *26 (emphasis in original). Due to redacted filings, the briefs appear on the docket out of order.

⁶³ *See id.* at 39.

⁶⁴ *Id.* at 45. Jarrow cited several cases in support of its arguments; the most on-point were the *KLM Royal Dutch Airlines* and *GSI Tech.* cases discussed above. *See id.*

⁶⁵ *Id.* at 46.

⁶⁶ Brief of Appellee at 29, *Caudill Seed and Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F. 4th 368 (6th Cir. 2022) (No. 21-5345), 2021 WL 3556345, at *29.

⁶⁷ *Id.* (citing *Plains Cotton Co-op Ass’n of Lubbock v. Goodpasture Comput. Serv., Inc.*, 807 F.2d 1256, 1263 (5th Cir. 1987)).

⁶⁸ *See Plains Cotton Co-op Ass’n of Lubbock v. Goodpasture Comput. Serv., Inc.*, 807 F.2d 1256, 1257–60 (5th Cir. 1987).

⁶⁹ *Id.* at 1262.

it can show copyright infringement.”⁷⁰ In other words, the Fifth Circuit ruled that it did not need to specifically address the trade secret claim because, as the defendant did not copy anything from the plaintiff on the facts of this particular case, there was no distinct allegation to consider. The court was not facing a fact pattern where a trade secret defendant was alleged to have acquired (or used) something less than the plaintiff’s complete trade secret claim, nor was it purporting to rule on such a question.

In making this argument before the Sixth Circuit, the plaintiff also conflated acquisition of a trade secret with use of a trade secret that the defendant has, in fact, acquired. It did so by citing a section of the 1995 Restatement (Third) of Unfair Competition which addresses use of a trade secret—but not acquisition of a trade secret.⁷¹ And it did so by citing a case which stands for an entirely different rule in trade secret law: namely, that one can be liable for use of a trade secret even if one’s final product does not match, or even improves upon, the trade secret that was used.⁷² This is the “modification rule” discussed above. We will return to the problems posed by citations to this Restatement.

The plaintiff also argued that “a defendant need not have copied or used each and every element of a trade secret in order to [have] misappropriated it, if the substance of the defendant’s product is derived from the trade secret.”⁷³ But again, its cited case was not addressing a question of whether a trade secret defendant could be liable for acquiring, or using, only part of a plaintiff’s broader claimed trade secret. It was instead addressing the distinct question whether a defendant can be liable for misappropriation if it uses the plaintiff’s trade secret in a manner that results in a product that differs from the plaintiff’s product—again, the modification rule discussed above.⁷⁴ Indeed, almost the opposite was at issue in the plaintiff’s cited case: “in that case, the plaintiff took care to explain that what the defendant misused was the plaintiff’s essential secret ingredient,” and “not necessarily its overall formula[.]”⁷⁵

In a statement which seems to indicate that what the defendant did acquire was almost certainly at least one valid trade secret, the plaintiff also noted that the scientist

⁷⁰ *Id.* at 1263.

⁷¹ See Brief of Appellee at 29, *Caudill Seed and Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F.4th 368 (6th Cir. 2022) (No. 21-5345), 2021 WL 3556345, at *29 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 (AM. L. INST. 1995)) (“The unauthorized use need not extend to every aspect of feature of the trade secret; use of any substantial portion of the trade secret is sufficient to subject the actor to liability.”).

⁷² See *id.* (citing *Mangren Rsch. & Dev. Corp. v. Nat’l Chem. Co.*, 87 F.3d 937, 943–944 (7th Cir. 1996)).

⁷³ *Id.* at 31 (apparent typo in original).

⁷⁴ See *Mangren Rsch. & Dev.*, 87 F.3d at 943–44 (“Defendants argue that they did not ‘use’ Mangren’s trade secrets under [the Illinois UTSA] because their mold formula is not the same as Mangren’s.”; rejecting this argument because “[w]e have observed before, in fact, that if trade secret law were not flexible enough to encompass modified or even new products that are substantially derived from the trade secret of another, the protections that law provides would be hollow indeed.”).

⁷⁵ See *id.* at 944.

who had changed jobs “admitted that at least 92% of Jarrow’s competing product was derived from the ‘same process’ that Caudill used, with perhaps only the remaining portion deviating slightly from Caudill’s process.”⁷⁶

3. *Caudill Seed: The Sixth Circuit’s Dubious Reasoning*

In reaction to these confusing appellate briefs, the court ultimately offered two dubious conclusions of law: that a defendant can engage in “misappropriation” without acquiring a whole trade secret, and without using a whole trade secret.⁷⁷ Both points are probably dicta, as it appears the court could have safely affirmed the judgment without going out on these limbs. Given the policy dangers posed by this decision, it is worth exploring the court’s language in some detail.

(i) **The Restatement (Third) of Unfair Competition**

The Sixth Circuit began by posing the question: “The parties dispute a legal issue: whether trade secret law requires a plaintiff to show acquisition and use of the entirety of a combination trade secret,” to which it applied a de novo standard of review.⁷⁸ The problems with its analysis began right away: it stated that “authorities disagree” on this question by citing a 1995 Restatement, the Restatement (Third) of Unfair Competition.⁷⁹ That document contains a comment to the effect that “The unauthorized use need not extend to every aspect or feature of the trade secret; use of any substantial portion of the trade secret is sufficient to subject the actor to liability.”⁸⁰

The Sixth Circuit’s citation to this Restatement is problematic for several reasons. First, the Restatement (Third) of Unfair Competition never supplied the trade secret law of any jurisdiction, except for very briefly in Wyoming.⁸¹ Because it does not provide precedential law, it has no bearing on construing the UTSA, whose language *does* control.⁸² And because the UTSA (and the DTSA) refers to acquisition, use, and disclosure of “the trade secret” without any mention of anything less than a

⁷⁶ See Brief of Appellee at 30, *Caudill Seed & Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F.4th 368 (6th Cir. 2022) (No. 21-5345), 2021 WL 3556345, at *30 (citing the trial transcript).

⁷⁷ See *Caudill Seed & Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F.4th 368, 384–86 (6th Cir. 2022).

⁷⁸ *Id.* at 384.

⁷⁹ *Id.* (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (AM. L. INST. 1995)).

⁸⁰ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (AM. L. INST. 1995).

⁸¹ Wyoming is the only state to expressly adopt this version of trade secret law. See *Briefing.com v. Jones*, 126 P.3d 928, 936 (2006). But the Wyoming legislature enacted the UTSA shortly afterwards, thereby replacing its adoption of the Restatement by its state high court. For the 2006 legislative bill enacting the Wyoming UTSA, see <https://wyoleg.gov/2006/Introduced/HB0095.pdf>. WYO STAT. ANN. § 40-24-101–110 (West).

⁸² See 1 MILGRIM ON TRADE SECRETS § 1.01[2][c][i] (2024) (“Inasmuch as the concept of a restatement is, of course, to ‘codify’ Common Law, the *Restatement (Third)*’s coverage of trade secrets is at best anomalous because each enactment of the UTSA is that state’s ‘codification’ of trade secret law and, thus, that state’s definitive statement of trade secret law. [...] In other words, the potential for the *Restatement (Third) of Unfair Competition* to provide a meaningful, independent source of guidance for trade secret disputes is virtually nil.”).

whole “trade secret,” that language governs over a comment in a Restatement that was never the law in any state in the Sixth Circuit.

But the issue of what counts as precedent is not the only problem with the Sixth Circuit’s reliance on this Restatement. To start, the Restatement language does not address *acquisition* of a trade secret, which was the question at stake; it therefore does not address whether one could acquire only a part of a whole valid trade secret yet still be liable for acquisition of the whole.

Even putting aside the acquisition question and focusing on use, the Restatement’s comment is underdeveloped and, if the “substantial portion” it refers to were not a trade secret, it would be palpably incorrect. Said differently, this Restatement did not mention the possibility that a portion of a trade secret, if publicly available or otherwise unprotectable in itself, would be free for anyone to use without liability. A non-secret, “substantial portion” of a trade secret is not protectable information, and this Restatement would be wrong if it intended to say otherwise. Notably, the Restatement did not define what it meant by “substantial portion.” If it simply meant a portion that, itself, amounted to a valid trade secret, the comment is unremarkable. If it meant something else, however, it failed to offer meaningful guidance to distinguish what is protectable versus what is unprotectable.

The sentence is also placed in a paragraph about the modification rule, suggesting that its language about a use of a substantial portion was meant to be linked to that narrow and precise concept rather than as a free-standing comment on using just part of a valid trade secret. The comment states that “an actor is liable for using the trade secret with independently created improvements or modifications if the result is substantially derived from the trade secret.”⁸³ Thus, its confusing lead-in sentence about use of a “substantial portion” may only have been intended to assert the uncontroversial proposition that a defendant’s end product need not be an exact copy of the plaintiff’s trade secret so long as the defendant used the plaintiff’s trade secret during its development path. Given the placement of the sentence in this comment, that is a more sensible reading than an interpretation that would treat the sentence as stating that using something less than a protectable trade secret is equivalent to using a valid trade secret.⁸⁴ In short, the Sixth Circuit went down the wrong path from the start by

⁸³ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (AM. L. INST. 1995).

⁸⁴ Case law applying the “substantial portion” language is limited—a Lexis search using the phrase within 25 words of “trade secret” generates few hits. Those hits disproportionately appear in the Eleventh Circuit, and in federal district courts in Georgia above all. In some cases the courts simply cite prior cases, including this language from the Restatement, as part of a general description of trade secret law. Others refer to the modification rule when also citing the Restatement’s “substantial portion language,” confirming that this is its correct meaning. See *Penalty Kick Mgmt. v. Coca Cola Co.*, 318 F.3d 1284, 1291–92, 1292 n.7 (11th Cir. 2003) (quoting the Restatement in a description of “use” in trade secret law, with a footnote regarding the modification rule, a discussion that appears to be the origin of courts frequent citation to the Restatement within the Eleventh Circuit; court did not address a part-for-the-whole question); *AMS Sensors USA, Inc. v. Renesas Elec. Am., Inc.*, No. 4:08-cv-00451, 2021 U.S. Dist. LEXIS 36054, at *22–24 (E.D. Tex. Feb. 26, 2021) (quoting

placing too much weight on a Restatement that is not controlling law, whose text is inconsistent with the text of the UTSA, and whose ambiguity and absence of careful thought becomes apparent on close scrutiny.

(ii) Case Law the Sixth Circuit Considered

After starting its analysis on the wrong footing with a questionable Restatement, the Sixth Circuit then mentioned several cases that are contrary to the conclusions it then offered. It noted that “[s]everal courts have concluded that a trade-secrets plaintiff cannot prove the use of a combination trade secret unless that plaintiff ‘proves use of each and every element in combination.’”⁸⁵ The court then described rulings in important cases discussed in this article, including *GSI Technology v. United Memories, Inc.* (“*GSI Technology*”) and *KLM Royal Dutch Airlines*.⁸⁶

(iii) Caudill Seed’s Dangerous Language

This set the stage for the dangerous, and incorrect, language that is the heart of this article. The defendant argued that it did not acquire, and did not use, the “entirety” of the plaintiff’s whole trade secret, while the plaintiff argued that the evidence at trial had in fact “demonstrated that Jarrow acquired and used Caudill’s entire

Restatement “substantial portion” language in discussion of whether the defendant created “derivative” products from plaintiff’s trade secrets, thus seemingly applying the modification rule); *Arconic, Inc. v. Universal Alloy Corp.*, No. 1:15-cv-01466-ELR, 2019 U.S. Dist. LEXIS 238982, at *35 (N.D. Ga. Aug. 7, 2019) (finding triable issue of fact on secrecy question; quoting Restatement as general description of the law); *BladeRoom Grp. Ltd. v. Emerson Elec. Co.*, No. 5:15-cv-01370-EJD, 2018 U.S. Dist. LEXIS 69062, at *6 (N.D. Cal. Apr. 23, 2018) (reciting Restatement and the modification rule); *XTec, Inc. v. Hembree Cons. Serv.*, 183 F. Supp. 3d 1245, 1256 (S.D. Fla. 2016) (quoting Restatement but ruling on other grounds); *Purchasing Power, LLC v. Bluestem Brands, Inc.*, 22 F. Supp. 3d 1305, 1317–18 (N.D. Ga. 2014) (quoting Restatement language and crediting defendant’s argument that it did not use “any portion” of the plaintiff’s trade secret and instead independently developed its product); *Bianco v. Globus Med., Inc.*, No. 2:12-CV-00147-WCB, 2014 U.S. Dist. LEXIS 151967, at *22–23 (E.D. Tex. Oct. 27, 2014) (quoting Restatement language in a somewhat confusing opinion affirming a jury verdict where the gist of the ruling seems to be that what the plaintiff disclosed to the defendant was indeed the trade secret, and parts that were not disclosed were merely “ancillary” to it; not a case where there was any argument that the part shared with the defendant was itself not a trade secret); *EarthCam, Inc. v. OxBlue Corp.*, 49 F. Supp. 3d 1210, 1225–26 (N.D. Ga. 2014) (quoting Restatement and finding that plaintiff failed to show use of a trade secret); *Bishop v. Miller*, 412 S.W.3d 758, 773–994 (Tex. App.—Houston [14th Dist.] 2013, judgment aff’d) (where a defendant argued that it did not use the plaintiff’s trade secret because its plan contained several differences with the plaintiff’s plan, the court quoted the Restatement and cited the modification rule to affirm a jury finding, on conflicting evidence, that the defendant had used the trade secret). In the case that comes the closest to the issues addressed in this article—but still is not on point—the Eleventh Circuit remanded a case where a defendant used a bot to collect individual insurance price quotes at a massive volume; even though each quote alone was publicly available, the court quoted the Restatement and sent the case down to determine if the defendant’s bot downloaded enough in totality to constitute wrongful acquisition of a compilation trade secret. *See Compulife Software, Inc. v. Newman*, 959 F.3d 1288, 1314–1315 (11th Cir. 2021).

⁸⁵ *Caudill Seed & Warehouse Co., Inc v. Jarrow Formulas, Inc.*, 53 F.4th 368, 385 (6th Cir. 2022) (quoting *Vital State Can. Ltd. v. DreamPak, LLC*, 303 F. Supp. 2d 516, 529 (D.N.J. 2003)).

⁸⁶ *See id.*

process, regardless of what portion of the process made it into Jarrow's final product."⁸⁷

The Sixth Circuit seemingly could have simply accepted that the evidence at trial supported the plaintiff's position: the information the defendant did acquire and use was itself a valid trade secret. Had it done so, we would have no cause for controversy. But the court decided instead to pose seemingly unnecessary legal questions, and answered them incorrectly. The first point was a proposition that a defendant need not *acquire* all of a combination trade secret to misappropriate that whole combination trade secret. The court's thinking was lengthy, but worth reading in full for its questionable sequence of propositions:

We begin by considering—and rejecting—Jarrow's argument that trade-secrets law requires showing acquisition of each atom of a combination trade secret. First, we disagree that such a requirement necessarily exists: Jarrow presents no in-circuit case, and no principle of Kentucky law, that would support such a requirement for combination-trade-secrets plaintiffs. Second, as the district court recognized, even if such a requirement existed, it would make a good deal of sense to relax it in combination-trade-secrets case like this one, in which the acquired trade secret comprised a party's entire research process. That is because when a trade secret consists of a mass of public information that has been collected and sorted, it will always be possible to identify increasingly minute details of the combination that a plaintiff would need to show were specifically misappropriated. See *GlobeRanger Corp. v. Software AG USA, Inc.*, No. 3:11-cv-0403, 2015 WL 3648577, at *12–13 (N.D. Tex. June 11, 2015). Jarrow cannot avoid liability in this fashion. The evidence at trial showed that Jarrow, through Ashurst, received vast quantities of information concerning Caudill's research-and-development process. We affirm the district court's denial of Jarrow's post-trial motions on this ground.⁸⁸

The court then offered a second proposition, to the effect that one need not use an entire combination trade secret in order to misuse the combination trade secret:

Jarrow fares no better as to the purported requirement that a combination-trade-secrets plaintiff show use of the entire combination. Trade-secrets law does not demand a mirror-image between the misappropriated secrets and the eventual product derived from them. Restatement (Third) of Unfair Competition § 40 cmt. c (Am. L. Inst. 1995); *GlobeRanger Corp.*, 2015 WL 3648577, at *13; cf. *Avery Dennison Corp. v. Four Pillars Enter. Co.*, 45 F. App'x 479, 487 (6th Cir. 2002) (per curiam). We see no reason not to apply this general principle to combination trade secrets: when the law grants protection over many interconnected pieces of information, an even-higher

⁸⁷ *Id.*

⁸⁸ *Id.*

threat exists of a misappropriating party changing one element of the combination to evade liability. Holding otherwise would produce bizarre outcomes: a trade-secret thief could misappropriate a research process, design a competing product in far less time than it would have otherwise taken, and avoid liability because it did not debut the same product as its victim-competitor. *See 3M*, 259 F.3d at 596. We similarly affirm the dismissal of Jarrow's post-trial motions on this ground.⁸⁹

Both of these statements are incorrect. The Sixth Circuit failed to examine the text of the UTSA, cited sources that do not support the proposition on offer, misapplied the modification rule, and misapplied the law of combination trade secrets.

As to the question of whether acquisition of a part suffices to establish acquisition of a whole, the court claimed that it was unaware of Kentucky authority on the question. But it need have looked no further than the text of the Kentucky UTSA, which—like the model act—defines “misappropriation” to include “acquisition of a trade secret” or acquiring “knowledge of the trade secret.”⁹⁰ The statutory language requires that a defendant either acquire, or know, a “trade secret”—not a fragment of one that is not, by itself, a trade secret. As is true in other states, Kentucky's canons of statutory interpretation call upon courts to interpret each word in a statute, and not to add words that do not appear in the text.⁹¹ By proposing that a defendant could engage in the defined term “misappropriation” without acquiring a “trade secret”—also a defined term—the Sixth Circuit ran afoul of that basic interpretive principle.

By citing a poorly-worded comment in § 40 of the Restatement (Third) of Unfair Competition, the Sixth Circuit relied on a Restatement which was never the law in Kentucky, and did not pause to consider whether it was consistent with the text of the Kentucky UTSA, or even whether it provides precedential authority at all.⁹² As discussed above, this Restatement has no bearing on construing the UTSA, whose language governs. It does not offer any guidance on the question of acquiring just a part of a whole trade secret, and the sentence the court quoted, in context, is probably just a poorly-worded version of the modification rule.

The Sixth Circuit also deployed a dubious tactic to avoid following cases like *GSI Technology* and *KLM Royal Dutch Airlines*, where courts stated that acquisition or use of just a part of a whole trade secret would not suffice for liability. Specifically, the court complained that the defendant “presents no in-circuit case” on the point in

⁸⁹ *Id.* at 386.

⁹⁰ *See* KY. REV. STAT. ANN. § 365.880(2) (West) (definition of “misappropriation”), (4) (definition of “trade secret”).

⁹¹ *See generally* *Hale v. Comb*, 30 S.W.3d 146, 151 (Ky. 2003) (“The essence of statutory construction is to ascertain and give effect to the intent of the legislature. ‘We are not at liberty to add or subtract from the legislative enactment nor discover meaning not reasonably ascertainable from the language used.’”) (citation omitted).

⁹² As noted above, *supra* note 81, this Restatement was never the law of any state, except for about one year in Wyoming.

question.⁹³ In other words, because those cases arose in other circuits, the court decided to set them aside on that basis rather than on the merits. But in offering that rationale, the Sixth Circuit seemingly missed the harmonization clause found in the Kentucky UTSA requiring courts to make the law uniform to decisions from other jurisdictions.⁹⁴ That clause should have mandated at least a discussion of the precedential weight of those cases—especially in contrast to the Restatement (Third) of Unfair Competition, which the Kentucky UTSA does not mention or bless as a source of authority. Notably, the court then proceeded to cite a case from outside the Sixth Circuit to support its ruling (which also was not on-point), thus undercutting the assertion it had just made that “in-circuit” case law alone should matter.⁹⁵

Beyond these inconsistencies, it appears that the Sixth Circuit did not need to pose the question in the first place; it appears clear from the facts that the defendant acquired a substantial amount of information that almost certainly, in and of itself, comprised a valid trade secret. There was seemingly no reason to stray beyond the facts and frame a question about acquiring just a part of a whole.

As to use of a trade secret, the *Caudill Seed* court again framed the question in the wrong way, in particular by commingling two distinct concepts in trade secret law. The court seems to have mixed up the very different questions of (1) whether one must use an entire combination trade secret in order to “use” it within the meaning of the UTSA; (2) whether one’s final or end product must match, or correspond exactly, to the plaintiff’s combination trade secret if one has, in fact, used the entire combination trade secret during the course of one’s product development effort.

The first question must be answered in the affirmative. If a plaintiff alleges misappropriation of a multi-element combination trade secret, where the claimed intellectual property is the unified process or interrelationship seen in the whole, then a defendant’s use of a mere part of that combination cannot suffice for liability for the whole.⁹⁶ After all, the part may not be a valid trade secret in and of itself, and if the

⁹³ *Caudill Seed*, 53 F.4th at 385.

⁹⁴ See Ky. Rev. Stat. Ann. § 365.894 (West) (stating that the Kentucky UTSA “shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of [the statute] among states enacting it.”).

⁹⁵ See *Caudill Seed*, 53 F.4th at 385 (citing *Globeranger Corp. v. Software AG USA, Inc.*, No. 3:11-cv-0403, 2015 U.S. Dist. LEXIS 76059, at *12–13 (N.D. Tex. June 11, 2015) (denying new trial motions; rather than addressing a situation where a defendant had acquired or used only a portion of a trade secret, the court found that the jury was able to distinguish trade secrets from non-secret materials; “There was evidence that allowed the jury to distinguish between trade secret and non-trade secret portions of those materials [...] such that the jury could reasonably infer whether the materials Software AG receive and used were actually trade secrets.”)).

⁹⁶ Notably, Jarrow had cited a case for this proposition, which the Sixth Circuit acknowledged. See Appellant’s Opening Brief at 45, *Caudill Seed & Warehouse Co., Inc. v. Jarrow Formulas, Inc.*, 53 F.4th 368 (6th Cir. 2022) (No. 21-5345), 2021 WL 4198497, at *45 (citing *Vital State Can., Ltd. v. DreamPak, LLC*, 303 F. Supp. 2d 516, 529 (D.N.J. 2003) (denying a motion for preliminary injunction and ruling, as to a combination trade secret claim in a supplement formula, that “to prove use of the trade secret, [plaintiff] must prove use of each and every element in combination.”)); see also

plaintiff claimed rights in a combination of parts, that does not automatically mean that each part is also a trade secret. By contrast, the answer to the second question is “no.” Under the modification rule, or fruit-of-the-poisonous tree doctrine described above, it is well established that if a defendant uses a plaintiff’s trade secret during its development of a competing product, it cannot escape liability simply because its end product differs from, and does not exactly copy, the plaintiff’s trade secret. If, for example, a plaintiff claims a combination trade secret and the defendant misuses that combination during an intermediate stage of its product development path, but ends up with a product that differs from the combination trade secret, it is still liable because it used the whole along the way. That is distinct from merely using a part, which—as noted—may not itself be a valid trade secret.

By blending these two concepts together, the Sixth Circuit seems to have attacked a strawman—as if the defendant were contesting the modification rule—in proclaiming, incorrectly, that a defendant can engage in “use” of a trade secret by using only part of it.

As we shall see, another federal court also posed a question it probably did not have to address, and also answered it incorrectly for similar reasons.

B. MGA Home

A year after *Caudill Seed*, an October 2023 ruling on a motion to dismiss by the District of Colorado similarly posed a question of black-letter trade secret law that was unnecessary on the motion before the court, and answered the question in a manner that could be dangerous where an employee changing jobs acquires or uses only unprotectable parts of the former employer’s information.

MGA Home was a trade secret dispute involving customer information, where the plaintiff accused the defendant of changing jobs and then wrongfully contacting customers using alleged trade secrets.⁹⁷ Notably for our purposes, the plaintiff alleged that its former employee had improperly saved customer information to his phone.⁹⁸ That is, it alleged that he acquired a compilation trade secret—it did not accuse him of using information solely from memory.

The defendant moved to dismiss the complaint on the ground that the plaintiff did not sufficiently allege that he misused a trade secret. He argued that although the plaintiff alleged that it had a “compilation” trade secret in customer and compensation information, it did not successfully argue that he “used such compilation and

Graves & McGillivray, *supra* note 17, at 284 n.59 (noting cases where a combination trade secret claim failed when the defendant did not use the combination of elements).

⁹⁷ Plaintiff’s Verified First Amended Complaint for Preliminary and Permanent Injunction at 7, 9–10, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV).

⁹⁸ *Id.* at 5, ¶ 19 (“Upon information and belief, during the course of Thun’s employment, Thun saved customer and caregiver/employee contact information directly to his personal cell phone in violation of MGA’s policy.”).

methodologies.”⁹⁹

That is, the defendant’s argument centered on whether the plaintiff had sufficiently alleged that he *used* the alleged compilation trade secret—not whether he had *acquired* the compilation. He argued that “Plaintiff does not allege that [he] used Plaintiff’s *compilation* of cell phone numbers,” and that “Plaintiff asserts only that [he] may have used . . . specific wage information . . . but not the *methodology* Plaintiff asserts comprise its trade secrets.”¹⁰⁰

In response, the plaintiff also focused on the question of use, rather than the question of acquisition. It argued, in support of its complaint, that customer lists created through great effort can be trade secrets, and that the defendant’s motion conceded that the defendant would need “confidential” customer list information in order to “recreate” his own lists.¹⁰¹ The defendant’s reply brief argued, in response, that “Plaintiff fails to assert [Defendant] actually used such compilations at any time when engaging in alleged misconduct.”¹⁰²

Although the parties focused on the question of whether the defendant had *used* the alleged compilation trade secrets, the district court framed the issue somewhat differently than the parties had in their papers. The court posed the question of whether a plaintiff can pursue a trade secret claim where it alleged only the use of a part of a trade secret, but not the whole:

Next, Defendant appears to argue that because Plaintiff does not allege that Mr. Thun used its entire customer contact list or documents detailing MGA's employee compensation structure in soliciting or recruiting customers and employees, and instead only used some of that information—namely the contact information of employees and/or customers downloaded onto his personal phone in violation of company policy—MGA has failed to allege that he “used its trade secret compilations or methodologies.” [...] Defendant provides no caselaw supporting his assertion that using part of a trade secret is permissible so long as the allegedly misappropriating party does not use the whole compilation or its underlying methodology, nor is this Court aware of any such cases. *Cf. Wells Fargo Ins. Servs. USA, Inc. v. McQuate*, 276 F. Supp. 3d 1089, 1116 (D. Colo. 2016).¹⁰³

⁹⁹ Motion to Dismiss for Failure to State a Claim at 1, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV), 2023 U.S. Dist. Ct. Motions LEXIS 298347.

¹⁰⁰ *Id.* at 3–4 (italics in original).

¹⁰¹ Plaintiff’s Response in Opposition to Defendant’s Motion to Dismiss at 9–10, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV).

¹⁰² Reply in Support of Motion to Dismiss at 4, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV).

¹⁰³ *MGA Home Healthcare Colo., LLC v. Thun*, No. 1:22-cv-02534-NYW-STV, 2023 U.S. Dist. LEXIS 191227, at *18 (D. Col. Oct. 24, 2023). The Court’s citation to the *Wells Fargo* case included this parenthetical description: “(finding that genuine issue of material fact existed as to whether the

The court then found that the plaintiff had stated a claim, because it had alleged use of “trade secret information” from within the customer list and other compilations:

The Court finds the Amended Complaint plausibly alleges that Mr. Thun used MGA’s trade secret information, in the form of its contact lists, employee compensation structure, and service pricing schemes, to solicit MGA’s customers and recruit MGA’s employees after he left MGA. Specifically, Plaintiff claims that Mr. Thun “saved customer and caregiver/employee contact information directly to his personal cell phone in violation of [company] policy” and used that “contact information to directly solicit MGA’s caregivers and customers” along with “information related to MGA’s employee compensation structure” to which he was privy during his time as a Lead Client Service Manager. [...] In support, Plaintiff cites three specific instances of Defendant’s engaging in alleged solicitation and/or recruitment, which, taken as true, create a reasonable inference that Mr. Thun retained customer and/or employee contact information from the customer list and used his knowledge of MGA’s confidential employee compensation structure and service pricing information to solicit and/or recruit its customers and/or employees. [...] To be sure, Defendant disputes these factual allegations, [...], but such objections are not properly considered at this point.¹⁰⁴

The ruling is not entirely clear, but it might be read to suggest that it was sufficient for the plaintiff to allege that it had one or more secret compilations, and that the defendant used some part or parts of those whole compilations, in order to state a claim. The court did not address what would happen in a situation where those parts do not amount to valid trade secrets by themselves. In other words, the court did not address the question whether the plaintiff adequately alleged that the parts of the compilation the defendant had used were—alone—valid trade secrets, something the plaintiff seemingly needed to do under the trade secret statutes. The language of the ruling thus implied that so long as the plaintiff alleged that it owned secret compilations, any use of any part of such a whole compilation was enough to proceed with

defendants used or disclosed the plaintiff’s trade secret where there was evidence that defendants (1) ‘knew some of th[e] trade secret [information], such as the contacts for . . . customers and where they reside[d]’; (2) the record permitted ‘a reasonable inference . . . that the[] [d]efendants also retained some of this information,’ given that they had communicated with those customers; and (3) ‘there [wa]s evidence that [the defendants] knew whom to reach out to’ at the customer corporations based on information acquired from plaintiff.’” *Id.* (quoting *Wells Fargo Ins. Servs. USA, Inc. v. McQuate*, 276 F. Supp. 3d 1089, 1116 (D. Colo. 2016)). But the decision did not address whether using only part of a trade secret was actionable; it instead seems to have treated specific customer contact information for specific clients as constituting trade secrets, and denied a defense motion for summary judgment on an inference of use that information. *Wells Fargo*, 276 F. Supp. 3d at 1116. As Tim Murphy noted in comments on this article, the court seemingly could have avoided all of this trouble by simply granting the motion to dismiss, with leave to amend, so that the plaintiff could better express its allegations.

¹⁰⁴ *MGA Home*, 2023 U.S. Dist. LEXIS 191227, at *6.

the trade secret claim.¹⁰⁵

Thus, although the court seemingly could have focused on wrongful acquisition in order to allow the claim to proceed—after all, the plaintiff appears to have sufficiently alleged that the defendant improperly saved a compilation of information to his personal phone—it instead posed a problematic part-for-the-whole question.¹⁰⁶ If read broadly, the wording of the order could provide former employers with a pleading tactic to avoid having to allege that what a departing employee used actually amounts to a trade secret.

C. Dangers in the Language of Both Rulings

The problematic rulings in *Caudill Seed* and *MGA Home* are newsworthy. If construed by other courts to express a rule that acquiring or using any part of any whole alleged trade secret can amount to misappropriation, these cases would pose an extraordinary danger to employees who change jobs—and who have been careful to use only publicly-available or otherwise unprotectable information.

What’s striking about both cases is their overly-hasty dismissal of the possibility of a different answer to the questions they posed. For example, the Sixth Circuit pronounced that the defendant “presents no in-circuit case, and no principle of Kentucky law, that would support such a requirement [*i.e.*, that one must acquire a combination trade secret to misappropriate it].”¹⁰⁷ And the District of Colorado, in turn, stated that: “Defendant provides no caselaw supporting his assertion that using part of a trade secret is permissible so long as the alleging misappropriating party does not use the whole compilation or its underlying methodology, nor is this Court aware of

¹⁰⁵ As an aside, Colorado’s enactment of the UTSA contains language that, on a quick skim, might suggest that litigation over just part of a trade secret is viable. The statute defines a trade secret as “the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, improvement, confidential business or financial information, listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value.” See COLO. REV. STAT. ANN. § 7-74-102(4) (West). But this language is merely a recognition that a valid trade secret could be an entire body of work, or part of a body of work, so long as what is claimed meets the elements of a valid trade secret. The statute does not say that one can litigate over a fragment that, itself, does not qualify as a valid trade secret.

¹⁰⁶ The plaintiff subsequently moved to amend its complaint, to add new defendants and allege violation of a contractual customer nonsolicitation covenant. Plaintiff’s Motion for Leave to File Second Amended Complaint at 1, 3, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV). In March 2024, however, the parties filed a notice of settlement, and the case was terminated in June 2024 as a result. Joint Notice of Settlement and Request for Stay, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV); Civil Case Terminated pursuant to Stipulation of Dismissal of case on June 28, 2024, *MGA Home Healthcare Colo., LLC v. Thun*, 2023 U.S. Dist. LEXIS 191227 (D. Col. Oct. 24, 2023) (No. 1:22-cv-02534-NYW-STV) (our focus here is the October 2023 motion to dismiss ruling on the complaint as it stood at that point).

¹⁰⁷ *Caudill Seed & Warehouse Company, Inc. v. Jarrow Formulas, Inc.*, 53 F.4th 368, 385 (4th Cir. 2022).

any such cases.”¹⁰⁸ In both instances, as we have seen, a deeper analysis was merited.

The most troubling aspect of *Caudill* and *MGA Home* is the absence of any analysis by each court as to what their statements might mean for people changing jobs in other trade secret lawsuits. Both failed to recognize what appears to be an obvious danger, and a significant public policy concern: if a departing employee takes only something that is not a trade secret, or uses only information that is not a trade secret, such an employee might still face “misappropriation” liability under the loose language of *Caudill Seed* and *MGA Home*. All a former employer would need to do is allege the existence of a “combination” or “compilation” trade secret, say that what the defendant took or used was a part of that whole, and argue that using a part is the same as using the whole. Such an outcome would radically redefine trade secret law by allowing litigants to shrink the amount of information departing employees can freely use. It could ensnare the lawful use of non-secret information through a part-for-the-whole pleading tactic.

The danger posed by these rulings is not hypothetical. We can already see how other courts may rely on *Caudill Seed* without recognizing its confusions. In an April 2024 ruling in the Western District of Washington, for example, a defendant in a case about aerospace technology sought summary judgment, arguing that it had not used “every element” of the plaintiff’s nineteen asserted trade secrets.¹⁰⁹ The defendant pointed to cases discussed in this article, such as *KLM Royal Dutch Airlines* and *GSI Technologies*.¹¹⁰ The plaintiff, by contrast, cited *Caudill Seed* and argued that it need not show the defendant’s use of each part of the alleged trade secrets.¹¹¹ The court found a triable issue of fact, stating that it “is persuaded by the Sixth Circuit’s reasoning in *Caudill*[.]”¹¹² The court seemed to be referring to the modification rule, but is impossible to tell from the ruling whether the plaintiff accused the defendant of taking a whole trade secret and then modifying it, or something different. Similarly, it is unclear whether the defendant meant to argue that the parts it used were, in and of themselves, non-secret, or merely that not using the whole asserted trade secret was sufficient to defeat the claim, even if the parts were valid trade secrets. Whatever the parties intended to argue, the court and the parties did not fully articulate the issues at stake—and the court’s too-quick citation to *Caudill Seed* was surely part of the confusion.

We should emphasize that neither the Sixth Circuit nor the District of Colorado were presented with a clear defense argument that acquisition or use of non-secret parts alone cannot constitute acquisition or use of a whole trade secret. If a court ever was presented with that precise argument, one imagines that it would quickly cabin *Caudill Seed* and *MGA Home* as dicta unnecessary to their outcomes, and as cases

¹⁰⁸ *MGA Home*, 2023 U.S. Dist. LEXIS 191227, at *6.

¹⁰⁹ *Zunum Aero., Inc. v. Boeing Co.*, No. C21-0896JLR, 2024 U.S. Dist. LEXIS 75909, *16 (W.D. Wash. Apr. 22, 2024) (denying defendant’s motion for summary judgment).

¹¹⁰ *Id.* at *19.

¹¹¹ *Id.* at *18.

¹¹² *Id.*

that did not squarely address the possibilities that might flow from their broad language. It would be flagrantly incorrect for a court to transmute non-secret information into protectable “trade secrets” by linking such information to some whole that a defendant never acquired, or some whole that a defendant never used.

IV. Conclusion

Courts should reject the statements in *Caudill Seed* and *MGA Home* to the extent either is read to mean that a trade secret defendant could be liable for “misappropriation” based on the mere acquisition, or the mere use, of information that is not in and of itself a valid trade secret. No plaintiff should be permitted to argue that something a departing employee acquired or used, even if unprotectable by itself, is really a part of some whole and thus is off-limits. As the DTSA and the UTSA teach by their plain language, a plaintiff must prove that a defendant acquired a full “trade secret,” and wrongfully used or disclosed a full “trade secret,” for any liability to attach. Any other outcome would be disastrous for the careful policy balance trade secret law strikes between the interests of employers and the interests of departing employees.