



Trade Secret Laws: Maryland

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A Q&A guide to state law on trade secrets and confidentiality for private employers in Maryland. This Q&A addresses the state-specific definition of trade secrets and the legal requirements relating to protecting them. Federal, local or municipal law may impose additional or different requirements.

OVERVIEW OF STATE TRADE SECRET LAW

1. List the laws (statutes and regulations) by name and code number, both criminal and civil, that your state has adopted governing trade secrets.

Maryland has adopted the Maryland Uniform Trade Secrets Act (*Md. Com. Law §§ 11-1201–11-1209 (2011)*), often referred to as MUTSA to distinguish it from the model Uniform Trade Secrets Act (UTSA).

Section 217 of Title 5 of the Maryland Labor and Employment Law requires the Division of Labor and Industry to maintain the confidentiality of trade secret information it receives. However, the Commissioner of Labor and Industry may disclose trade secrets:

- To staff.
- In a proceeding before the Commissioner.

(*Md. Lab. & Empl. § 5-217 (2011)*.)

The Maryland Uniform Computer Information Transactions Act (MUCITA), based on the Uniform Computer Information Transactions Act (UCITA), provides default rules to commercial transactions related to computer information transactions.

Computer information transactions regulated by MUCITA can include the digital transfer of informational rights, which include trade secrets. Specifically, MUCITA defines informational rights to include all rights in information created under laws governing:

- Trade secrets.
- Patents.
- Copyrights.
- Mask works.
- Trademarks.
- Publicity rights.
- A person's right to control the use of or access to information.

(*Md. Com. Law §§ 22-102, 22-807 (2011)*.)

In the context of trade secrets, MUCITA includes remedies for a breach of contract from disclosure or misuse of a trade secret. Trade secret laws, like MUTSA, supplement and are not preempted by MUCITA (*Md. Com. Law § 22-114(a) (2011)*). For more information on preemption, see Question 19. For general information on UCITA, see *Legislation Governing Liability for Website Content Checklist: Contract* (<http://us.practicallaw.com/3-500-4360>).

Under the Maryland Criminal Law, theft of a trade secret is a crime (*Md. Crim. Law §§ 7-101, 7-104 (2011)*). For more information on what constitutes trade secret theft, see Question 9. The law also provides statutory defenses to trade secret theft (see Question 11).

For the text of MUTSA, the Maryland Labor and Employment Law, MUCITA and the Maryland Criminal Law, see the Maryland General Assembly's website.

2. Has your state adopted the model Uniform Trade Secrets Act (UTSA)? If so, please:

- Identify which among the statutes listed in response to *Question 1* is your state's adopted version of the UTSA.
- Describe any significant differences between your state's adopted version and the model UTSA.

ADOPTED VERSION OF MODEL UTSA

Maryland has adopted the model Uniform Trade Secrets Act (UTSA), with very slight modification. It is referred to as the Maryland Uniform Trade Secrets Act (MUTSA) (*Md. Com. Law §§ 11-1201–1209 (2011)*). For an overview of the model UTSA, see *Practice Note, Protection of Employers' Trade Secrets and Confidential Information: Trade Secrets* (<http://us.practicallaw.com/5-501-1473>).

SIGNIFICANT DIFFERENCES BETWEEN ADOPTED VERSION AND MODEL UTSA

MUTSA does not waive or limit state personnel's common law or statutory defenses or immunity (*Md. Com. Law § 11-1207(b) (2) (2011)*). In contrast, UTSA does not explicitly mention state immunity laws.

MUTSA does not include UTSA's:

- Severability provision in Section 10.
- Time of taking effect provision in Section 11.

For the text of MUTSA, see the Maryland General Assembly's website.

3. List any common law protections afforded to trade secrets. If common law protections are afforded to trade secrets, are they preempted by available state statutes?

MARYLAND COMMON LAW PROTECTIONS OF TRADE SECRETS

Before the enactment of the Maryland Uniform Trade Secrets Act (MUTSA), Maryland courts used the Restatement (First) of Torts's definition of trade secrets, which is based on the common law definition. Though MUTSA now preempts the common law definition, courts still use the Restatement's definition for guidance (*Home Paramount Pest Control Cos. v. FMC Corp./Agric. Prods. Grp.*, 107 F. Supp. 2d 684 (D. Md. 2000)). For the Restatement's definition of trade secret, see Question 5.

Other common law protections generally afforded to trade secrets include:

- The employee's duty not to disclose the employer's trade secrets (*Tabs Assocs., Inc. v. Brohawn*, 475 A.2d 1203 (Md. Ct. Spec. App. 1984)) (see Question 15: Contractual Protections).
- The duty of loyalty to the employer (*C-E-I-R, Inc. v. Computer Dynamics Corp.*, 183 A.2d 374 (Md. 1962)).

- Tortious interference (*Fowler v. Printers II, Inc.*, 598 A.2d 794 (Md. Ct. Spec. App. 1991)).
- Breach of a confidential relationship (*Swedish Civil Aviation Admin. v. Project Mgmt. Enters., Inc.*, 190 F. Supp. 2d 785 (D. Md. 2002)) (see Question 16).
- Breach of contract (*Swedish Civil Aviation*, at 791).
- Fraud (*Swedish Civil Aviation*, at 794).

MUTSA PREEMPTION

MUTSA supersedes conflicting tort, restitution and other Maryland law providing civil remedies for trade secret misappropriation. MUTSA, however, does not affect certain remedies, for example:

- Contractual liability (whether or not based on trade secret misappropriation).
- Other civil liability if it is not based on trade secret misappropriation.
- Criminal remedies (whether or not based on misappropriation of a trade secret).

(*Md. Com. Law § 11-1207 (2011)*.)

Additionally, MUTSA does not waive or limit common law or statutory immunity of State personnel (*Md. Com. Law § 11-1207(b)(2) (2011)*).

See Question 19 for more information on preemption issues.

For the text of MUTSA, see the Maryland General Assembly's website.

DEFINITION OF TRADE SECRET

4. How does your state define a trade secret under each law identified in *Question 1* (statute or regulation) and *Question 3* (common law)?

The Maryland Uniform Trade Secrets Act (MUTSA) defines trade secret as information that:

- Includes a:
 - formula;
 - pattern;
 - compilation;
 - program;
 - device;
 - method;
 - technique; or
 - process.
- Derives actual or potential, independent economic value.
- Is not generally known.

- Is not readily ascertainable by proper means by competitors who can obtain economic value from its disclosure or use.
- Is maintained a trade secret through reasonable efforts.

(*Md. Com. Law § 11-1201(e) (2011)*.)

The Maryland Labor and Employment Law defines trade secret as information that:

- Includes a:
 - device;
 - formula;
 - pattern; or
 - compilation of information.
- Is used in the employer's business.
- Gives the employer an opportunity for an advantage over a competitor.
- Is known only to the employer and necessary employees.

(*Md. Lab. & Empl. § 5-217 (2011)*.)

The Maryland Uniform Computer Information Transactions Act (MUCITA) does not define trade secrets, but does include trade secrets in the definition of informational rights (*Md. Com. Law § 22-102(a)(38) (2011)*). For the definition of informational rights, see Question 1: Overview of State Trade Secret Law.

The Maryland Criminal Law does not define trade secrets, but does include trade secrets in the definition of property (*Md. Crim. Law § 7-101(i)(2)(xii)(2.) (2011)*).

For the text of MUTSA, the Maryland Labor and Employment Law, MUCITA and the Maryland Criminal Law, see the Maryland General Assembly's website.

5. Describe any significant cases in your state creating, modifying or clarifying the definition of a trade secret.

Even though MUTSA preempts the common law definition of a trade secret, Maryland courts often use the six factors listed in comment b, Section 757 of the Restatement of Torts (First) as guidance to determine whether information qualifies as a trade secret. Courts examine the:

- Extent that the information is known outside the business.
- Extent that it is known by employees and others involved in the business.
- Extent of measures taken by the business to guard the secrecy of information.
- Value of the information to the business and its competitors.
- Amount of effort or money spent by the business in developing information.
- Ease or difficulty with which the information could be properly acquired or duplicated by others.

(*Home Paramount Pest Control Cos. v. FMC Corp./Agric. Prods. Grp., 107 F. Supp. 2d 684 (D. Md. 2000)*.)

To be protected as a trade secret, Maryland courts require that:

- The information be secret.
- The information's value derives from the secrecy.
- The owner uses reasonable efforts to safeguard the confidentiality of the information.

(*Montgomery Cnty. Ass'n of Realtors, Inc. v. Realty Photo Master Corp., 878 F. Supp. 804 (D. Md. 1995)*.)

The Maryland Court of Special Appeals has emphasized two requirements to determine whether information is a trade secret. The information must:

- Have economic value because it is not generally known or readily ascertainable by competitors who could use or disclose the information.
- Be the subject of reasonable efforts to keep the information secret.

(*Optic Graphics, Inc. v. Agee, 591 A.2d 578 (Md. Ct. Spec. App. 1991)*.)

A trade secret may be a combination of publicly known information (*Comprehensive Techs. Int'l, Inc. v. Software Artisans, Inc. 3 F.3d 730 (4th Cir. 1993)*).

6. What are examples of information that courts in your state:

- Have found to be trade secrets?
- Have found not to be trade secrets?
- Have found not to be trade secrets as a matter of law?

TRADE SECRETS

Maryland courts found the following types of information to be trade secrets:

- Source code (*Trandes Corp. v. Guy T. Atkinson, Co., 996 F.2d 655 (4th Cir. 1993)*).
- Object code (*Trandes Corp. v. Guy T. Atkinson, Co., 996 F.2d 655 (4th Cir. 1993)*).
- Software uniquely customized and enhanced for the trade secret owner's business (*NaturaLawn of Am., Inc. v. W. Grp. LLC, 484 F. Supp. 2d 392 (D. Md. 2007)*).
- Customer lists (*Home Paramount Pest Control Cos. v. FMC Corp./Agric. Prods. Grp., 107 F. Supp. 2d 684 (D. Md. 2000)*) (see Question 7: Customer Lists Can Be Protected As Trade Secrets).
- A franchisor's customer list (*NaturaLawn of Am., Inc. v. W. Grp. LLC, 484 F. Supp. 2d 392 (D. Md. 2007)*) (see Question 7: Customer Lists Can Be Protected As Trade Secrets).
- A franchisee's business plan (*Motor City Bagels, L.L.C. v. Am. Bagel Co., 50 F. Supp. 2d 460 (D. Md. 1999)*).
- A business process or "know how" (*Tabs Assocs., Inc. v. Brohawn, 475 A.2d 1203 (Md. Ct. Spec. App. 1984)*).
- The organization of simple manual operations and devices (*Space Aero Prods. Co. v. R.E. Darling Co., 208 A.2d 74 (Md. 1965)*).

- The process for manufacturing oxygen-breathing hoses, including blueprints and training manuals (*Space Aero Prods. Co. v. R.E. Darling Co.*, 208 A.2d 74 (Md. 1965)).
- The technology used to create a plastic recycling machine (*Bond v. PolyCycle, Inc.*, 732 A.2d 970 (Md. Ct. Spec. App. 1999)).

NOT TRADE SECRETS

Maryland courts found the following information not to be trade secrets:

- Business documents that were outdated, routine, publicly available or economically valueless for competitors (*Diamond v. T. Rowe Rice Assocs.*, 852 F. Supp. 372 (D. Md. 1994)).
- A list of 21 preferred distributors that lacked any price, cost or technical information (*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004)).
- A customer list that included information listed in the yellow pages of the telephone book (*Becker v. Bailey*, 299 A.2d 835 (Md. 1973)).
- Tobacco flavor formulas subject to an agreement between the parties that the new formulas would be the property of the defendant (*Tobacco Tech., Inc. v. Taiga Intern. N.V.*, 626 F. Supp. 2d 537 (D. Md. 2009)).
- Documents containing an employer's financial information, recruitment information, employee information (including personal and salary information) and company contacts that were readily ascertainable and had no continuing economic value (*Quality Sys., Inc. v. Warman*, 132 F. Supp. 2d 349 (D. Md. 2001)).
- A customer list of 50 clients whose contact information was accessible through public sources, including a phone directory and trade associations (*Home Paramount Pest Control v. FMC Corp./Agric. Prods. Grp.*, 107 F. Supp. 2d 684 (D. Md. 2000)).

NOT TRADE SECRETS AS A MATTER OF LAW

The overall question of whether information is a trade secret is a matter of law based on the applicable facts of each case (*Operations Research, Inc. v. Davidson & Talbird, Inc.*, 217 A.2d 375 (Md. 1996)).

However, secrecy, a requirement for information to be a trade secret, is a question of fact (*Trandes Corp. v. Guy T. Atkinson, Co.*, 996 F.2d 655 (4th Cir. 1993)). For more information on the secrecy requirement, see *Question 8: Reasonable Efforts to Maintain Secrecy*.

Determining the economic value of information is also a question of fact (*PADCO Advisors, Inc. v. Omdahl*, 179 F. Supp. 2d 600 (D. Md. 2002)).

7. To what extent have:

- Customer, client or subscriber lists been given trade secret protection?
- Former employees been enjoined from using former employer's customer information?

CUSTOMER LISTS CAN BE PROTECTED AS TRADE SECRETS

Customer lists can be a trade secret (*Home Paramount Pest Control Cos. v. FMC Corp./Agric. Prods. Grp.*, 107 F. Supp. 2d 684 (D. Md. 2000)). However, determining whether customer lists are protected as trade secrets requires a fact-intensive inquiry. Customer information receives trade secret protection when:

- The information is not publicly known and not readily ascertainable by competitors.
- The information derives actual or potential economic value from its secrecy.
- The owner exercises reasonable efforts to maintain the information's secrecy.

(*NaturaLawn of Am., Inc. v. W. Grp. LLC*, 484 F. Supp. 2d 392 (D. Md. 2007).)

A court found the employer's customer list did not qualify for trade secret protection because:

- The customer names and addresses were publicly available in sources, for example in a phone directory and trade associations.
- The information had no economic value for competitors.
- There was no confidentiality agreement between the parties.

(*Home Paramount Pest Control Cos. v. FMC Corp./Agric. Prods. Grp.*, 107 F. Supp. 2d 684 (D. Md. 2000).)

In a case dealing with a franchisor's customer list, the court found that the list was a trade secret because:

- The customer identities were not widely known by outsiders.
- The customer identities were known by the franchisor's employees and franchisees.
- The franchise agreements required return of the customer list on termination of the franchise relationship.
- The customer list was valuable information to a competitor.
- The franchisor spent effort, time and money developing the list.

(*NaturaLawn of Am., Inc. v. W. Grp. LLC*, 484 F. Supp. 2d 392 (D. Md. 2007).)

In a case dealing with a dental association's patient list, the court did not find the list to be a trade secret because it lacked:

- Economic value.
- Reasonable efforts to keep the list secret.

(*Dworkin v. Blumenthal*, 551 A.2d 947 (Md. 1989).)

SCOPE OF INJUNCTION ENJOINING USE OF FORMER EMPLOYER'S CUSTOMER LIST

A court must examine four factors to determine whether to award an injunction:

- The plaintiff's likelihood of success on the merits.
- Whether greater injury would occur to the defendant from either granting or not granting the injunction.
- Whether the plaintiff will suffer irreparable injury without an injunction.
- The public interest.

(*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004).)

An injunction enjoining use of a former employer's customer list may restrict the defendant from seeking or using:

- Customer files.
- Information obtained directly from the trade secret owner's database, for example:
 - customer names;
 - customer arrangements;
 - account information;
 - sales and rental history; and
 - prospective customers information.
- Technical information and work products.

(*United Rentals, Inc. v. Davison, No. 03-C-02-007061*, 2002 WL 31994250 (Cir. Ct. Md. July 23, 2002).)

For more information on injunctive relief, see Question 14: Remedies.

REASONABLE EFFORTS TO MAINTAIN SECRECY

8. What efforts to maintain secrecy have been deemed reasonable or sufficient for trade secret protection:

- By courts in your state?
- By statutes or regulations in your state?

COURTS

Absolute secrecy is not essential for trade secret protection. A limited public publication for a restricted purpose does not destroy the secrecy of the trade secret information. For example, disclosure of the trade secret during licensing negotiations does not prohibit the owner from receiving trade secret protection (*Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655 (4th Cir. 1993)).

Examples of reasonable efforts to maintain the secrecy of a trade secret can include:

- Obtaining an agreement that restricts publication or disclosure of the trade secret information (*C-E-I-R, Inc. v. Computer Dynamics Corp.*, 183 A.2d 374 (Md. 1962)).

- Marking documents containing information as secret and keeping the information in a locked drawer (*Tab's Assocs., Inc. v. Brohawn*, 475 A.2d 1203 (Md. Ct. Spec. App. 1984)).
- Licensing the trade secret information to a limited number of licensees (*Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655 (4th Cir. 1993)).
- Obtaining agreements from licensees that they will not copy or transfer the information to others (*Trandes Corp.*, at 664).
- Ensuring employees would not disclose the information (*Trandes Corp.*, at 664).
- Using passwords to restrict access to the information (*Trandes Corp.*, at 664).

STATUTES OR REGULATIONS

To qualify as a trade secret, the Maryland Uniform Trade Secrets Act (MUTSA) requires reasonable efforts to keep information secret (*Md. Com. Law § 11-1201(e)(2)* (2011)). However, there are no statutes or regulations explaining what are reasonable steps to maintain trade secret secrecy.

For the text of MUTSA, see the Maryland General Assembly's website.

TRADE SECRET MISAPPROPRIATION CLAIMS

9. For any law identified in *Question 1* (statutes or regulations) or *Question 3* (common law), what must a plaintiff show to prove trade secret misappropriation?

The Maryland Uniform Trade Secrets Act (MUTSA) defines misappropriation as:

- Acquisition.
- Disclosure.
- Use.

(*Md. Com. Law § 11-1201(c)* (2011).)

To support a trade secret misappropriation claim under MUTSA, a plaintiff must show:

- Evidence of a trade secret (*Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655 (4th Cir. 1993)) (see *Question 4*).
- The trade secret was misappropriated by:
 - acquisition (see *Acquisition as Misuse*); or
 - unauthorized disclosure or use of the secret (see *Disclosure or Use of Trade Secret as Misuse*).

(*Md. Com. Law § 11-1201(c)* (2011).)

Under the Maryland Uniform Computer Information Transactions Act (MUCITA), a plaintiff must show either:

- A breach of contract determined by the terms of the agreement.

- In absence of an agreement, a breach of contract that occurs when a party without legal excuse:
 - fails to perform the obligations of the contract in a timely manner;
 - repudiates the contract; or
 - exceeds a contractual use term.

(*Md. Com. Law § 22-701(a) (2011).*)

Additionally, whether the breach is material or immaterial does not affect the plaintiff's entitlement to damages. Whether the breach of a contractual use provision is a misappropriation is determined by applicable informational property rights law. (*Md. Com. Law § 22-701(a) (2011).*)

Under the Maryland Criminal Law, a defendant is guilty of trade secret theft if the defendant:

- Obtains unauthorized control over the trade secret:
 - willfully;
 - knowingly; or
 - through deception.
- Intends to deprive the owner of the trade secret.
- Deprives the owner of the trade secret through a willful or knowing:
 - use;
 - concealment; or
 - abandonment.

(*Md. Crim. Law § 7-104 (2011).*)

For more specific information on criminal liability for trade secret theft, see Section 704 of Title 7 of the Maryland Criminal Law at the Maryland General Assembly's website.

ACQUISITION AS MISUSE

A trade secret can be misappropriated if the acquirer knew or had reason to know that the trade secret was acquired by improper means (see *Definition of Improper Means*) (*Md. Com. Law § 11-1201(c)(1) (2011).*)

DISCLOSURE OR USE OF TRADE SECRET AS MISUSE

Disclosure or use of another's trade secret without express or implied consent can constitute misappropriation if the person does either of the following:

- Used improper means to acquire knowledge of the trade secret (see *Definition of Improper Means*).
- At the time of disclosure or use, knew or had reason to know that the person's knowledge of the trade secret was:
 - derived from a person who used improper means to acquire it;
 - acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

- derived from a person who owed a duty to maintain its secrecy or limited use.

- Before a material change of his position, knew or had reason to know:
 - the information was a trade secret; and
 - that knowledge of the information was acquired by accident or mistake.

(*Md. Com. Law § 11-1201(c)(2) (2011).*)

DEFINITION OF IMPROPER MEANS

Improper means includes any of the following:

- Theft.
- Bribery.
- Misrepresentation.
- Breach or inducement of a breach of duty to maintain secrecy.
- Espionage through electronic or other means.

(*Md. Com. Law § 11-1201(b) (2011).*)

The Maryland Court of Appeals held that an employee misappropriated a trade secret by improper means by transferring the trade secret to a CD without the employer's authorization (*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (*Md.* 2004)).

For the text of MUTSA, MUCITA and the Maryland Criminal Law, see the Maryland General Assembly's website.

10. Can corporations, corporate officers and employees of a competing company in possession of the trade secrets of others be held liable for misappropriation in your state? If so, under what circumstances?

Under the Maryland Uniform Trade Secrets Act (MUTSA), persons who may be liable for trade secret misappropriation include:

- Individuals.
- Corporations.
- Business trusts.
- Statutory trusts.
- Estates.
- Trusts.
- Partnerships.
- Associations.
- Joint ventures.
- Governments.
- Governmental subdivisions or agencies.
- Legal or commercial entities.

(*Md. Com. Law § 11-1201(d) (2011).*)

A corporation, corporate officers and employees of a competing



company can be held liable for misappropriation when both:

- The existence of a trade secret is established.
- The competing corporation improperly used the trade secret or acquired it through improper means.

(See *DTM Research, L.L.C. v. AT&T Corp.*, 245 F.3d 327 (4th Cir. 2001); *LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004).)

As a joint tortfeasor, an employer that is jointly and severally liable is not a necessary party to the action (*Serv. Transp., Inc. v. Hurricane Express, Inc.*, 968 A.2d 620 (Md. Ct. Spec. App. 2009)).

For text of MUTSA, see the Maryland General Assembly's website.

DEFENSES

11. For any law identified in *Question 1* (statutes and regulations) or *Question 3* (common law), what defenses are available to defend against claims under the statute or common law?

Under MUTSA defenses to a trade secret misappropriation claim include:

- The information is not a trade secret.
- The information is readily ascertainable from a public source.
- There were no reasonable efforts to keep the information secret.
- There was no misappropriation (see Question 9: Trade Secret Misappropriation Claims).
- The statute of limitations expired (see Question 12: Statute of Limitations).
- The elements of the Maryland Uniform Trade Secrets Act (MUTSA) have not been pled with required particularity (*Md. Com. Law § 11-1201 (2011)*).
- The plaintiff lacks standing to sue.
- The claims are preempted (see Question 19).
- Equitable defenses, such as:
 - laches;
 - estoppel;
 - waiver; and
 - unclean hands.

The Maryland Uniform Computer Information Transactions Act (MUCITA) does not include statutory defenses to breach of contract claims.

Under the Maryland Criminal Law, it is a defense to trade secret theft if:

- The defendant acted under good faith that he had a right to the trade secret.
- The defendant acted under an honest belief that he has a right to obtain or exert control over the trade secret.

- The trade secret owner is the defendant's spouse and both are living together as husband and wife in the same residence at the time of the alleged theft.
- The defendant rightfully knew the trade secret.
- The trade secret was available to the defendant from a source other than the owner.

(*Md. Crim. Law § 7-110(c) (2011)*).

For the text of MUTSA and the Maryland Criminal Law, see the Maryland General Assembly's website.

STATUTE OF LIMITATIONS

12. For any law identified in *Question 1* (statutes and regulations) or *Question 3* (common law), please identify the relevant statute of limitations for bringing a claim.

The Maryland Uniform Trade Secrets Act (MUTSA) imposes a three-year statute of limitations. Specifically, the three-year period begins to run when the misappropriation:

- Is discovered.
- Should have been discovered by the exercise of reasonable diligence.

(*Md. Com. Law § 11-1206(a) (2011)*).

A continuing misappropriation constitutes a single claim (*Md. Com. Law § 11-1206(b) (2011)*).

For the text of MUTSA, see the Maryland General Assembly's website.

OTHER RELATED CLAIMS

13. What other claims, statutory or common law, can a plaintiff bring in your state against a defendant in the event of wrongful acquisition, misuse or disclosure of a trade secret?

Other common law claims can include:

- Tortious interference (*Fowler v. Printers II, Inc.*, 598 A.2d 794 (*Md. Ct. Spec. App. 1991*)).
- Breach of a confidential relationship (*Swedish Civil Aviation Admin. v. Project Mgmt. Enters., Inc.*, 190 F. Supp. 2d 785 (*D. Md. 2002*)) (see Question 16).
- Breach of contract (*Swedish Civil Aviation*, at 791).
- Fraud (*Swedish Civil Aviation*, at 794).

For a tortious interference claim, the employer-plaintiff must allege that:

- The employer and employee have a contract or restrictive covenant.
- The competitor has knowledge of this contract or restrictive covenant.

- The competitor intentionally interfered with the contract or restrictive covenant.
- The employee breached the contract or restrictive covenant.
- The employer is damaged.

(*Fowler v. Printers II, Inc.*, 598 A.2d 794 (Md. Ct. Spec. App. 1991)).

REMEDIES

14. For any law identified in *Question 1* (statutes and regulations) and *Question 3* (common law), please describe the potential relief available to plaintiffs.

A plaintiff cannot recover damages for trade secret misappropriation if either:

- The acquirer had a material and prejudicial change of position before acquiring knowledge.
- The owner had reason to know of the misappropriation.

(*Md. Com. Law § 11-1203 (2011)*.)

Under the Maryland Uniform Trade Secrets Act (MUTSA) relief may include:

- **Monetary damages.** Monetary damages can include actual loss and unjust enrichment caused by the misappropriation (*Md. Com. Law § 11-1203 (2011)*).
- **A reasonable royalty.** Courts may measure damages by using a reasonable royalty for a misappropriator's unauthorized disclosure or use of the trade secret (*Md. Com. Law § 11-1203 (2011)*).
- **Exemplary damages.** Courts may award exemplary damages only if willful and malicious misappropriation exists. Exemplary damages cannot exceed two times the value of the awarded monetary damages (*Md. Com. Law § 11-1203 (2011)*). In a case where the trade secret was software that was disclosed only by licenses, willful and malicious misappropriation was found because the:
 - defendant's employees knew or had reason to know that the defendant did not have permission to use the software;
 - defendant modified the software to misrepresent that it was an authorized user; and
 - defendant's employees altered printouts to hide the true ownership of the software program.

(*Trandes Corp. v. Guy T. Atkinson, Co.*, 996 F.2d 655 (4th Cir. 1993).)

- **Reasonable attorneys' fees.** A court may award reasonable attorneys' fees if:
 - the misappropriation claim was made in bad faith;
 - a motion to terminate an injunction is made or resisted in bad faith; or
 - willful and malicious misappropriation exists.

(*Md. Com. Law § 11-1204 (2011)*.)

- **Affirmative acts.** A court may issue an order compelling affirmative acts to protect the trade secret (*Md. Com. Law § 11-1202 (2011)*).

- **Injunctive relief.** A court may issue an injunction for actual or threatened misappropriation. A court may issue an injunction to prevent either the actual or threatened:
 - acquisition of the trade secret by improper means; or
 - disclosure of the trade secret.

(*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004).)

A court must examine four factors to determine whether to issue an injunction:

- The plaintiff's likelihood of success on the merits.
- Whether greater injury would occur to the defendant from either granting or not granting the injunction.
- Whether the plaintiff will suffer irreparable injury without an injunction.
- The public interest.

(*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004).)

When examining whether the plaintiff will suffer irreparable injury, courts may consider whether it is necessary to maintain the status quo before judgment (*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004)).

The plaintiff must also identify the specific trade secrets in sufficient detail (*Trandes Corp. v. Guy F. Atkinson Co.* 996 F.2d 655 (4th Cir. 1993)). In exceptional circumstances, the court may require the defendant to pay a reasonable royalty for future use of the trade secret. An injunction may be terminated when the trade secret no longer exists. However, the injunction may continue for an additional reasonable period of time to avoid commercial advantage that would come from the misappropriation. (*Md. Com. Law § 11-1202(b) (2011)*.)

In one case, injunctive relief was awarded to a trade secret owner that prohibited the defendant, whose business was based on a competing product derived from the owner's trade secret, from engaging in any future business (*Head Ski Co. v. Kam Ski Co.*, 158 F. Supp. 919 (D. Md. 1958).

A willful act is done intentionally, knowingly or voluntarily. A malicious act is done intentionally, knowingly and deliberately without legal justification or excuse with the purpose of causing harm or injury. (*Bond v. PolyCycle, Inc.*, 732 A.2d 970 (Md. Ct. Spec. App. 1999).)

Under the Maryland Uniform Computer Information Transactions Act (MUCITA), courts may award compensatory damages for a breach of contract for disclosure or misuse of trade secret information. Compensatory damages may include compensation for the benefit received from the breach (*Md. Com. Law § 22-807 (2011)*).

For the text of MUTSA and MUCITA, see the Maryland General Assembly's website.

CONTRACTUAL PROTECTIONS

15. What factors do courts in your state consider when assessing the enforceability of a non-disclosure or confidentiality agreement?

Employers may use non-disclosure or confidentiality agreements to prevent the disclosure of trade secrets to third parties and competitors. Even in the absence of an express contract, an employee is under a duty not to disclose his former employer's trade secrets (*Tabs Assocs., Inc. v. Brohawn*, 475 A.2d 1203 (Md. Ct. Spec. App. 1984)). For more information on common law duties, see Question 16.

Restrictive covenants must be supported by adequate consideration. Additionally, Maryland courts apply a general rule that restrictive covenants may be applied and enforced against employees to prevent future customer solicitation or misuse of trade secrets and customer lists. (*Becker v. Bailey*, 299 A.2d 835 (Md. 1973).)

Under Maryland law, a restrictive covenant, which includes non-disclosure and confidentiality agreements, is enforced if:

- The employer has a legally protected interest.
- The restrictive covenant is no wider in scope and duration than is reasonably necessary to protect the employer's interest.
- The covenant does not impose an undue hardship on the employee.
- The covenant does not violate public policy.

(*Deutsche Post Global Mail, Ltd. v. Conrad*, 116 F. App'x 435 (4th Cir. 2004).)

Two years restricting competitive conduct under a non-compete provision has been found to be a reasonable time period (*NaturaLawn of Am., Inc. v. W. Grp. LLC*, 484 F. Supp. 2d 392 (D. Md. 2007)).

Maryland courts permit blue penciling of restrictive covenants not to compete. The strict divisibility approach, in which the courts remove wording that places an excessive restraint on the employee, is the prevailing method of blue penciling. However, the Court of Special Appeals has used the flexible approach, which strikes wording from the contract and also incorporates new, additional language (*United Rentals, Inc. v. Davison*, No. 03-C-02-007061, 2002 WL 31994250 (Md. Cir. Ct. July 23, 2002)).

For general information on non-disclosure and confidentiality agreements, see *Practice Note, Confidentiality and Nondisclosure Agreements* (<http://us.practicallaw.com/7-501-7068>).

MISCELLANEOUS

16. What common law duties are recognized in your state that prohibit employees from disclosing employer information even absent an independent contractual obligation?

An employee breaches the common law duty of loyalty to the employer by:

- Misappropriating trade secrets.
- Misusing confidential information.
- Soliciting the employer's clients or other employees before termination of employment.

(*C-E-I-R, Inc. v. Computer Dynamics Corp.*, 183 A.2d 374 (Md. 1962).)

Maryland courts may imply a duty on a former employee not to disclose trade secret information even if not explicitly included in a contract (*Tabs Assocs., Inc. v. Brohawn*, 475 A.2d 1203 (Md. Ct. Spec. App. 1984)).

17. Does your state recognize the doctrine of inevitable disclosure?

Maryland does not recognize the doctrine of inevitable disclosure (*LeJeune v. Coin Acceptors, Inc.*, 849 A.2d 451 (Md. 2004)).

18. What, if anything, have courts held regarding trade secret misappropriation claims involving memorizing trade secrets rather than the taking of tangible representations of information?

Courts make fact-based determinations to conclude whether memorizing trade secrets amounts to misappropriation. In *PADCO Advisors, Inc. v. Omdahl*, the defendant was granted summary judgment on plaintiff's motion to dismiss. The court determined that there was not enough evidence to show that the former employee misappropriated the customer list because:

- The customer list, characterized by constant changes, likely did not match the memorized information from two years before.
- There was no taking of tangible information.
- Plaintiff failed to show continued economic value to competitors of the memorized information.

(179 F. Supp. 2d 600 (D. Md. 2002).)

19. Do any of the laws identified in *Question 1* (statutes and regulations) or *Question 3* (common law) preempt other causes of action a plaintiff could assert related to trade secret misappropriation (for example, conversion, breach of fiduciary duty, unfair competition or tortious interference)?

The Maryland Uniform Trade Secrets Act (MUTSA) preempts conflicting tort, restitutionary and other Maryland law providing civil remedies for trade secret misappropriation. However, MUTSA does not preempt the following claims:

- Contractual liability (whether or not based on trade secret misappropriation).
- Other civil liability not based on trade secret misappropriation.
- Criminal remedies (whether or not based on misappropriation of a trade secret).

(*Md. Com. Law § 11-1207 (2011)*.)

Additionally, MUTSA does not waive or limit common law or statutory immunity of State personnel (*Md. Com. Law § 11-1207(b)(2) (2011)*).

MUTSA may preempt certain common law claims if the elements of the common law and misappropriation claims are the same. For example, usurpation of a corporate opportunity is a valid claim only if it is not based solely on trade secret misappropriation (*Bond v. Polycycle, Inc.*, 732 A.2d 970 (*Md. Ct. Spec. App. 1999*)).

For the text of MUTSA, see the Maryland General Assembly's website.

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