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Ohio's Trade-Secret Act Protects Your Intellectual Property at Home and Abroad

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Recently, the United States Court of Appeals for the Sixth Circuit and the Court of Appeals of Ohio for the Second Appellate District each issued rulings addressing the scope of Ohio's Uniform Trade Secrets Act (OUTSA). Read together, these rulings indicate that a company's trade secrets can be protected from a bad actor's use, even if that use occurs in a foreign jurisdiction, such as China.

What are trade secrets? Under Ohio law, the determination of what qualifies for trade secret protection is amorphously broad. In general, **any** information can qualify for trade secret protection, so long as it satisfies two conditions. First, the trade secret must have independent economic value by virtue of the fact that it is not generally known to others, who could profit from its disclosure. Second, the trade secret owner must be able to demonstrate reasonable efforts taken to maintain the information's secrecy. Once the information loses its secrecy, its protection under the law is lost.

Does the improper use of a trade secret negate the protection? Can a bad actor's misappropriation and misuse of a trade secret, destroy the information's status as a trade secret? The answer, in short, is no.¹ The Court of Appeals of Ohio for the Second Appellate District in *Rhododendron Holdings, LLC v. Harris*² answered this very question: "By defining the misappropriation of a trade secret to include impermissible 'use' by a person to whom the secret has been disclosed, the statute recognizes that the disclosure of a trade secret to a single person does not necessarily destroy its trade-secret status. If the rule were otherwise, the information subsequently 'used' by the recipient could not be a trade secret."

The OUTSA defines "misappropriation" to include use of trade secret information without consent by a person who, at the time of use, knew or should have known that he/she had duty to maintain its secrecy. Accordingly, a trade secret maintains its protection under the law even if the person who improperly used the trade secret was authorized to possess the secret information in the first place.

What happens if a bad actor uses my trade secret outside of Ohio? Despite the fact that trade secret protection is largely the product of state law, recent decisions hold that the OUTSA's protection—through domestic courts—stretches far beyond Ohio's borders. In the case of *Atricure, Inc. v. Dr. Jian Meng, et al.*³, the Sixth Circuit Court of Appeals held that the OUTSA applies extraterritorially—i.e., it provides a remedy for conduct occurring, at least substantially, outside of Ohio. Specifically, the court found that the purposes⁴ of the OUTSA would be frustrated if courts were prohibited from enjoining and preventing bad actors from acting outside of Ohio. Moreover, federal courts have the authority to issue orders—such as injunctions—with international reach, so long as the order does not offend international interests.

The Sixth Circuit ruled that the district court's injunction, prohibiting the bad actor's conduct in China, did not offend international interest. In reaching this conclusion, the Sixth Circuit considered the United States and China's recent agreement emphasizing the protection of trade secrets, as well as the overlap in the countries' respective trade secret laws, including the availability of injunctive relief.

Taking it a step further, where there is overlap between (1) the United States' interests in protecting trade secrets, (2) remedies for trade secret violations, or (3) similar factors or interests, the Sixth Circuit's reasoning and rationale should provide a mechanism to enforce rights under the OUTSA in a multitude of foreign jurisdictions. Accordingly, the trade secret protections afforded under the OUTSA are binding and enforceable from Cleveland to Beijing, and, likely, many places in between.

Client Consideration: At their essence, trade secrets are a form of intellectual property. The creator of that intellectual property must establish contractual limitations or build fences around that information that affords it protection from misappropriation. As a practical matter, if your company expects to enjoy trade secret protection for its sensitive information, it must take reasonable, affirmative steps to prevent misappropriation and maintain the secrecy of the information. Actions such as creating contractual limitations, utilizing passwords, shielding non-essential personnel, and limiting physical access to the information are but several examples to show that you are in fact building fences around your trade secret information.

If you have any questions about your company's efforts to protect its trade secrets or need assistance in setting up reasonable procedures, please contact your Vorys attorney for further assistance.

¹ If the misappropriation and misuse resulted in the publication of the trade secret, the information would likely lose its protection moving forward and the company would likely lose its ability to enforce its rights against subsequent bad actors. However, the trade secret would maintain its status as a trade secret for purposes of seeking recourse against the original bad actor, who publicized the trade secret in the first instance, which is the focus of this article.

² *Rhododendron Holdings, LLC v. Harris*, 2021-Ohio-147 (2d App. Dist.).

³ *Atricure, Inc. v. Meng*, No. 20-3264, 2021 U.S. App. LEXIS 1611 (6th Cir. Jan. 21, 2021).

⁴ The Sixth Circuit indicated that the purpose of the OUTSA was five-fold: (1) eliminate the violator's commercial advantage; (2) prevent violators from being unjustly enriched; (3) prevent trade secrets from being disclosed to the public without consent; (4) to penalize violators for their unethical and unlawful behavior; and (5) to protect the investment in trade secrets.