Computer Technology Trade Secrets: Protection in an International Setting

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This note supposes that a Japanese computer manufacturer has induced the former employee of a California computer electronics firm to reveal trade secrets belonging to the California firm. It further supposes that in passing the information, the employee violates a postemployment nondisclosure agreement that applies to trade secrets. This hypothetical case is set in California because many computer industries are headquartered there. Furthermore, trade secrets law is a state creation that can be best illustrated by highlighting a particular state. California’s long-arm and service-of-process statutes are usefully illustrative, too, in typifying state laws that will authorize in personam jurisdiction over a Japanese defendant. The note considers both substantive and jurisdictional grounds on which this California plaintiff can build a case.¹

The California firm has two causes of action. First, it can proceed against the ex-employee for breach of contract. The discussion of this theory is primarily expository, but it does emphasize that normally the corporation will be better protected in court by a postemployment agreement limited to nondisclosure of trade secrets, rather than by a broader covenant that prohibits employment with a competitor as a means of protecting trade secrets. Secondly, the plaintiff has a cause of action in tort against the Japanese defendant. After considering the applicable tort theory, the note argues that the defendant, though a resident of Japan, is subject to in personam jurisdiction chiefly by virtue of the state’s long-arm stat-

¹ Criminal remedies are outside the scope of this discussion, but it is at least worth noting that CAL. PENAL CODE § 499(c) (Deering 1971) specifically protects trade secrets from theft. No alien defendant has yet been prosecuted for violating the section. For a case involving a domestic defendant prosecuted under the statute, see People v. Serrata, 62 Cal. App. 3d 9, 133 Cal. Rptr. 144 (1976). Under federal laws covering racketeering and transportation of stolen goods in interstate and foreign commerce, the Department of Justice has recently charged Mitsubishi Plastics Industries, Ltd., Mitsubishi Chemical Industries, Ltd., three Japanese nationals, and two United States citizens with stealing trade secrets and transporting them in interstate and foreign commerce. United States v. Farrar, Criminal No. 78-114 (D.S.C., filed Aug. 8, 1978). The statutes involved are 18 U.S.C. §§ 1961, 1962(c)(d), 1963(a), and 2314 (1977), as amended by Act of 1970, Pub. L. No. 91-452, § 901(a), 84 Stat. 941.
ute and because of state and federal provisions that permit notice
by mail in such a situation. On the assumption that the plaintiff
prevails, the discussion suggests enforcing the judgment in the
United States or in a third country rather than in Japan, where its
enforceability would be less certain.

Why an American plaintiff and a Japanese defendant? History's wide-ranging examples of commercial espionage—a French-
man stealing the secret of procelain from the Chinese, an English-
man stealing the same secret from the French—suggest that trade
secrets theft is as extensive as trade and human nature. In the
computer era, American defendants have certainly been adjudged
culpable for trade secrets misappropriation on a grand scale. Expe-

(1975).
1973), 510 F.2d 897 (10th Cir. 1975), involved a plot similar to that stated in the hypothetical
case. A partial review of this complicated litigation illustrates the plot and the astounding
economic consequences it can have.

As the leading market force in the computer industry, IBM over the years has announced
new products that smaller companies have imitated in order to ride on the crest of IBM's
market power as much as to follow its changes in technology. The IBM products typically
imitated have not been the complex and expensive central processing units (CPU's) so much
as less expensively produced peripheral devices that plug into the CPU's, devices such as
terminals, tape files, disk files, and add-on memories. Competitive peripherals are known as
plug-compatible because they are constructed to interface with the IBM CPU.

Telex sued IBM on antitrust charges and won in federal district court. The appellate
court overturned the verdict for the plaintiff because it considered erroneous the trial court's
definition of market share. Telex Corp. v. International Business Machines Corp., 510 F.2d
894 (10th Cir. 1975). The case's noteworthy feature in the context of this note is that IBM
prevailed in the lower court on a counterclaim for trade secret misappropriation, and the
Tenth Circuit affirmed this part of the verdict.

The district court found that Telex had systematically hired key IBM employees who
had not signed fixed-term employment contracts or noncompetition covenants, but all had
agreed to respect IBM trade confidences, either expressly or impliedly by reason of discus-
sions or general conditions of employment. IBM's counterclaims involved several of its prod-
ucts. A claim involving a tape drive and control unit code-named Aspen is representative.

In 1966, basic work began on the Aspen, which eventually embodied design characteris-
tics that IBM treated as confidential. When Aspen was first publicly announced in November
1970, the existence of some of these features was disclosed, but their design and means of
implementation were not divulged. In spite of IBM's precautions, Telex president Jack James
had revealed confidential Aspen information to his company's management nearly nine
months before the Aspen announcement. At that time, James stated an intention to manufac-
ture a plug-compatible replacement. An important part of his plan was recruiting an IBM
engineer in charge of Aspen control unit development, Howard Gruver. To build an Aspen-
type control unit, Telex offered Gruver more than twice the total compensation he received
at IBM. He joined Telex in July 1970. In 1965, while at IBM, Gruver had executed a confiden-
tial information and invention agreement. On departing the company he was informed in an
interview and in a letter he acknowledged in writing that he was obliged not to reveal certain
trade secrets and confidential information. Gruver violated his obligation by producing an
Aspen-competitive product for Telex. Largely because of his disclosures, Telex was able to
rience indicates, however, that American defendants will not have a monopoly in such trade secrets disputes. Given Japan's goals for its computer technology enterprises, the possibility of a confrontation between an American plaintiff and a Japanese defendant does not seem unrealistic.

In its bid for a sizable share of a computer market dominated by apprehensive Americans, Japan has made no secret of its conviction that computers are central to its economic future. The world's leading importer of oil, coal, cotton, and similar raw materials wants to lessen its dependence on foreign supplies. Matched with low-paying, labor-intensive foreign competition in industries such as shipbuilding, Japan is losing business to Yugoslavia, Taiwan, and South Korea. By shifting emphasis from materials to processes,

announce its product a month after IBM announced Aspen and to deliver its product two months after IBM's Aspen delivery. The court awarded IBM $4.5 million for the monthly rentals of which it had been deprived. To compensate IBM for the $10 million it had spent on Aspen development, the court assessed Telex an additional $3 million on the basis of unjust enrichment.

The district court's total counterclaim judgment for all IBM products was $20.9 million. The appellate court reduced this figure to $17.5 million, of which $1 million was punitive damages. $7.5 million of this sum was an affirrnance of the Aspen award. (The damages formulae are discussed in 367 F. Supp. 258, 320-321, 363, and in 510 F.2d 894, 928-933.) The judgment could have been disastrous for Telex, but in exchange for Telex's promise not to petition for certiorari, IBM agreed to settle out of court. Smith, I.B.M. and Telex Halt Litigation, N.Y. Times, Oct. 4, 1975, at 33, col. 5. IBM's impetus for settling was the size of the district court's award to Telex on its antitrust claims: $259.5 million plus $1.2 million in attorney's fees and costs.

An interesting international aspect of the Telex case occurred in August 1972, when Telex's president was negotiating a contract with Hitachi. One of his inducements to contract was Telex employees' information on unannounced IBM disk programs. This information would have allowed Hitachi to design an equivalent to IBM's unannounced Apollo disk file. Even at the time of the trial, the district court found that Telex had expressed to Hitachi, with whom it was cooperating on product development, an intention of forwarding to Japan confidential data on IBM CPU's 367 F. Supp. 325, 327 (N.D.Okla. 1973).


4. The goal of the Ministry for International Trade and Industry (MITI) is a ten-percent share of the world market, according to an official of that body quoted in Uttal, Japan's Big Push in Computers, FORTUNE, Sept. 25, 1978, at 64, 72. Some industry observers predict a fifteen-percent share within five years. Douglas, Letter from Tokyo (3): The Great Computer Race: The next generation of computers may be introduced by Japanese companies, not American ones, 113 SCmNCE NEws, Jan. 28, 1978, at 60, 61.

5. "MITI has declared that the information industry is the strategic industry of the future and has set the goal of increasing computer exports at the dizzying rate of 30.4 percent a year through 1985. By then, the ministry hopes, Japan will be exporting 16-percent of its production, or nearly $2 billion worth of gear." Uttal, supra note 4, at 65.

by capitalizing on knowledge rather than labor, the country is aiming to safeguard its economic vitality, according to Hiroshi Kumagi, a member of the Japanese Diet and one-time first deputy chief of the Information Processing Promotion Division of the Ministry for International Trade and Industry (MITI). In competing in the computer marketplace, the Japanese are well aware that they are taking on IBM, the formidable giant that routed the likes of RCA and GE, but they are methodically preparing themselves for the contest.

In the early 1970's, MITI coordinated a campaign to reduce IBM's market share in Japan, estimated then at as high as 70%. The six major Japanese computer manufacturers paired off into three groups to produce a system competitive with IBM's 370 series. The Japanese hoped to capture more than half the domestic market before April 1976, MITI's deadline for removing computer import barriers. The effort met with success, and by November 1975 the IBM market share had been cut in two.

The Japanese have not restricted their sights to Japan, however. They are striving for a considerable worldwide market. In order to obtain it they are collaborating on very large scale integrated circuits (VLSI) that will inaugurate a new era in computer technology by making a quantum transition from the present chip limit of tens of thousands of circuits to a chip capacity of hundreds of thousands of circuits.

Again acting as sponsor, MITI has organized the VLSI Technology Research Association, in which all major and two smaller computer makers are collaborating to research and develop products that will be manufactured by Mitsubishi and an alliance of Fujitsu

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7. Yasaki, *Is There A Japan, Inc.?,* DATAMATION, Jan. 1978, at 106, 108. An anonymous MITI official says that the information industry is the "nervous system of the future economy, the technology that will help us cope with the limits to industrialization, such as pollution and finite resources." Quoted in Uttal, *supra* note 4, at 72.


9. The six Japanese computer corporations are Fujitsu Ltd., Hitachi Ltd., Toshiba, the Nippon Electric Company, Mitsubishi Electric, and Oki Electric. Ofusa, *supra* note 8. The group now consists of "the big five," Oki no longer being among their number, perhaps because of Oki's poor record with its COSMO series. Uttal, *supra* note 4, at 68.

10. The effects of Japan's lowering trade barriers on computer products is discussed in Uttal, *supra* note 4, at 65.


12. Chips are made of silicon, which according to one definition is "[a] metallic element often mixed with iron or steel during smelting to provide desirable magnetic properties for transformer-core materials. In its pure state, it is used as a semiconductor." R. Graf, Modern Dictionary of Electronics 664 (3rd ed. 1963).
and Hitachi.\textsuperscript{13} The association shares technical data with a VLSI project conducted by the Nippon Telegraph and Telephone Public Corporation, which is receiving help from the Ministry of Posts and Telecommunications.\textsuperscript{14} MITI wants Japan to catch up with IBM on VLSI production. "The development of Japan's super-large scale integrated circuits is," according to a high-ranking MITI official, "an important national undertaking requiring cooperation between the Government and industry."\textsuperscript{15}

Japan has already achieved prominence in the world of computers, even though its share of the world market is estimated at about 4%.\textsuperscript{16} The country's domestic computer industry is unique in not being dominated by U.S. firms. Japan ranks second in the number of installed computers,\textsuperscript{17} and it may stand first in average usage rate.\textsuperscript{18} Most important of all, it is increasing its exports.\textsuperscript{19} Fujitsu, which has sold its most sophisticated machine to the Spanish National Telegraph Company, recently underbid IBM on a $36 million computer network for Australia. Hitachi has obtained contracts for three large computers that will go to the People's Republic of China.\textsuperscript{20} Some industry observers are predicting that by 1983 the

\textsuperscript{13} Douglas, \textit{supra} note 4, at 61. "MITI has helped to organize a breakthrough project, convincing Fujitsu, Hitachi, and Mitsubishi to form one research group and NEC and Toshiba another. From 1976 through 1979, the government will have contributed $150 million of an estimated total budget of $360 million to develop advanced versions of the most basic computer components—silicon chips. The Japanese are trying to develop memory chips sixty times denser than those commonly used today and logic chips several times as fast. The point is to leapfrog I.B.M.'s next generation of hardware." Uttal, \textit{Exports Won't Come Easy for Japan's Computer Industry}, \textit{FORTUNE}, Oct. 9, 1978, at 138, 142.

\textsuperscript{14} Douglas, \textit{supra} note 4.


\textsuperscript{16} Douglas, \textit{supra} note 4.

\textsuperscript{17} "Now Japan's computer market is the next largest in the world after the U.S. 's, with more than $14 billion worth of computers in operation. Everywhere else in the world, U.S. companies hold at least 60 percent of the market, but in Japan, the total foreign share is only about 43 percent." Uttal, \textit{supra} note 4, at 66.

\textsuperscript{18} Douglas, \textit{supra} note 4.

\textsuperscript{19} "Japanese exports of all computer gear increased by at least 60 percent in 1976, but then grew by a meager 4 percent last year. Exports will come to only about 6 percent of total production, or roughly $200 million, this year." Uttal, \textit{supra} note 4, at 64.

\textsuperscript{20} Douglas, \textit{supra} note 4, at 76.
Japanese world market share could rise to 15%.21

At the 1977 National Computer Conference in Dallas, the consensus was that the Japanese wanted a significant share of the international semiconductor demand.22 Much of their immediate success in semiconductor circuitry was attributed to standard American designs. "We fear the Japanese ability to exploit what we develop and come in and compete with a quality product," said L. J. Sevin, a semiconductor company executive.23 George M. Low, president of the Rensselaer Polytechnic Institute, expressed the same concern at a joint meeting of the American Institute of Aeronautics and Astronautics and the Franklin Institute. Japanese technologists "are beating us at our own game," he said, by "taking a relatively advanced piece of equipment, analyzing it, and then taking the next step in technology to improve it, to produce it more efficiently, to make it less expensive, or better, or more efficient and more reliable."24 Low thinks that the Japanese thrust is toward competition with American high technology ventures in general, a theme emphasized by the president of the National Semiconductor Corporation, Charles Sporck, in March 1978: "Japan’s prime target today is the data processing industry [computers]. Domination of the semiconductor market in the United States is only a part of an overall strategy that intends to gain control of the computer industry in this country."25 The Japanese Spies in Silicon Valley, an article in the February 27, 1978 issue of FORTUNE, underscores the seriousness of the American-Japanese confrontation. "There’s a war on and both sides know it," one American executive claims.26 In California’s Santa Clara Valley, where computer electronics firms are concentrated, resentment is keen because of the subterfuges allegedly employed by Japanese agents working out of liaison offices of companies like

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22. A semiconductor is material that functions normally as an electrical insulator, but it becomes a conductor when the temperature is raised or when it is modified by small amounts of a foreign atom. Semiconductors are important in technology because their electrical characteristics are fairly easily adjusted. They are used principally in transistors. A. BULLOCK AND O. STALLYBRASS, THE HARPER DICTIONARY OF MODERN THOUGHT 566 (1977).


25. Id. "William Givens, president of Twain Associates, a consulting firm that specializes in U.S.-Japan trade and investment, argues that the future of Japan’s computer industry is the central issue of our times. 'If they can achieve their goals with computers,' says Givens, 'it could ensure their general economic dominance well into the twenty-first century.'" Uttal, supra note 13, at 146.

Fujitsu and Hitachi. A principal strategem, according to irate local executives, is a consultation fee—ranging from $500 a day to a $60,000 total—paid to a knowledgeable person for his former employer's confidential information.

In our hypothetical case involving computer technology trade secrets, a California company is claiming that a Japanese defendant has wrongfully acquired confidential data from the California organization's ex-employee. A necessary preface to examining the plaintiff's two causes of action is a definition of trade secrets that epitomizes liabilities for improper revelation and use of confidential trade information. Primary authorities in this prefatory section are the Restatement of Torts, the standard definitional authority in trade secrets cases, and *Kewanee Oil Co. v. Bicron Corp.*, the Supreme Court's most detailed consideration of trade secrets law to date.

**TRADE SECRETS: WHAT THE LAW PROTECTS**

The now classic definition of a trade secret is set forth in the Restatement of Torts § 757 (1939), which discusses liability for disclosure or use of another's trade secret. "A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."
Admitting that no precise definition is possible, the Restatement points to traits that may identify a trade secret: (1) the extent to which confidential information is known outside the business, (2) the extent to which employees and others involved in the business know it, (3) the extent to which its secrecy has been guarded, (4) its value to the owner as well as to competitors, (5) the amount of money expended in developing the information, and (6) the ease or difficulty that others would have in properly acquiring or duplicating it.\(^\text{32}\)

Three of these traits concern secrecy, since a trade secret is the peculiar possession of the business that uses it.\(^\text{33}\) In contrast, general information is not secret and is nobody's private property. Obviously a trade secret may be confided to employees who need it or to others pledged to silence.\(^\text{34}\) Even so, secrecy must be so substantial that improper access to the information would be difficult.\(^\text{35}\) The fourth and fifth items on the Restatement’s list deal with the information’s trade worth, which might be weighed on scales of either commercial stages is a vital business use, and just as surely provides a competitive advantage to the owner of such secrets because it affords him something of immeasurable value, a head-start \(\text{[citations omitted].}\)” \(^{12}\) R. MILGRIM, BUSINESS ORGANIZATIONS: TRADE SECRETS § 2.02[1], at 2-16 (1978 ed. & Supp. 1978) [hereinafter cited as 12 MILGRIM].

32. RESTATEMENT OF TORTS § 757, comment b at 6.

33. Id. Trade secrets must be the particular secrets of an employer as distinguished from the general secrets of the trade, according to Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 265 (S.D. Cal. 1958), where the court also remarks that “Trade practices, to come within the obligation of secrecy must be secret. While they need not amount to invention, in the patent law sense, they must, at least, amount to discovery.” An employer should not apply the trade secret label casually. As C. F. Leydig points out, designating as secret an indiscriminately large segment of business will simply dilute precautions applied to critical areas. LEYDIG, Protecting Trade Secrets When Employees Move, 21 Bus. LAW. 325, 335 (1966).

34. “[T]here are two common law doctrines on secrecy: (1) absolute secrecy, and (2) relative secrecy . . . . [T]he better rule is the majority view of relative secrecy, which has been adopted by the Restatement § 757. It requires only a substantial element of secrecy. [citation omitted.] The issue of whether such degree of secrecy exists in a particular case is one of fact, rather than one of law. . . . Additionally, it is clear that the California courts follow the doctrine of relative secrecy. [citation omitted.]” Tri-Tron, Int’l v. Velto, 525 F.2d 432, 436 (9th Cir. 1975).

35. “Plaintiff’s trade secret claims must fail because as to those in issue at trial no real effort was made by plaintiff prior to trial to keep them secret. They were also either revealed in the marketed product; fully disclosed by issued patents; generally known to those skilled in the industry or trade; or consisted of information easily acquired by persons in the industry from patents, literature or known processes. . . .” Motorola, Inc. v. Fairchild Camera and Instrument Corp., 366 F. Supp. 1173, 1186 (D.Ariz. 1973). This court also took into account that the plaintiff's employees regularly conducted tours of the area where allegedly secret products were being made, without giving warnings to or requiring nondisclosure agreements from those taking the tours. “Essentially,” Milgrim notes, “the courts require that the possessor of a trade secret take reasonable measures to protect its secrecy.” 12 MILGRIM, supra note 31, § 2.04, at 2-26 (citations omitted).
commercial value or development cost. The sixth item on the checklist refers to the ease or difficulty of properly obtaining or copying the information. The concept of propriety brings to the foreground the issue of legal values.

Liability for disclosing or using another's trade secret has been predicated on several theories, among them an exclusive property right and unfair competition, but according to the Restatement, "[T]he theory that has prevailed is that the protection is afforded only by a general duty of good faith and that the liability rests upon a breach of this duty; that is, breach of contract, abuse of confidence or impropriety in the method of ascertaining the secret." The law is not fostering secrecy as an end in itself. Rather, the aim is to provide a remedy for breach of faith and reprehensible means of acquiring another's trade secret. Defendants will thus belong to one of two classes: (1) those who have breached an implicit or explicit obligation to respect the confidence, or (2) those who wrongfully obtain the information, for instance by "fraudulent misrepresentations to induce disclosure, tapping of telephone wires, eavesdropping or other espionage." Outside these classes anyone is free to copy and use a trade secret, and he will not be held liable for destroying what was previously a proprietary advantage. Patent law, in contrast, forbids even innocent reproduction of a patented process or device, but the price for the patent monopoly is publication (making open or "patent") and a limited term of protection. Although trade secret protection might be perpetual, it could terminate when another comes upon the secret properly, such as by reverse engineering, by independent invention, or by the owner's gift or sale. Thus, the Restatement emphasizes the obligation to re-

36. See 12 Milgrim, supra note 31, § 2.02[2].
37. Ch. 1 in 12 Milgrim, supra note 31, Trade Secrets as Property, presents a persuasive argument for the property theory. Appendix G in 12A Milgrim, Employee Enticement and Antitrust by N. Yoerg, Jr., argues convincingly that "[t]he Sherman Act was not intended to be a catch-all statute creating federal causes of action out of torts [such as trade secrets misappropriation] normally cognizable under state law." 12A R. Milgrim, Business Organizations: Trade Secrets, APPENDIX G at G-54 (1978 ed. & Supp. 1978).
38. Restatement of Torts § 759 comment a at 4.
39. Id. comment b at 7.
40. Id. comment f at 11.
42. See Cal. Civ. Code § 984 (Deering 1971) on subsequent and original production: "If the owner of an invention or design does not make it public, any other person subsequently and originally producing the same thing has the same right therein as the prior inventor,
spect a trade confidence. A secret that is published ceases to exist.43

Trade secret principles derive from state common law. Since trade secret law and the federal law of patents protect commercial ingenuity, the two systems might seem to create a conflict that would require federal interests to preempt state regulation.44 In Lear, Inc. v. Adkins, the United States Supreme Court considered "whether federal patent policy bars a State from enforcing a contract regulating access to a secret idea."45 The majority declined to answer the question, but in a dissent, Justice Black, whom Justice Douglas joined, resolved the issue unambiguously: "[N]o State has a right to authorize any kind of monopoly on what is claimed to be a new invention, except when a patent has been obtained from the Patent Office under the exacting standards of the patent laws."46 The dissenters condemned trade secret licensing as altogether contrary to national patent policy. By implication, the legitimacy of trade secret law in any guise was suspect. Finally, however, the Supreme Court resolved the apparent conflict in Kewanee Oil Co. v. Bicron Corp.47 The Court's distinctions between trade secret and patent protection are worth summarizing here because of their definitional utility.

The Court announced that the issue in Kewanee was "whether state trade secret protection is pre-empted by operation of the federal patent law."48 The question had arisen from a conflict between an employer and his ex-employees. By using many techniques that it considered trade secrets, a manufacturer of synthetic crystal spent approximately seventeen years and more than $1 million to grow a seventeen-inch crystal. The crystal it had originally produced was less than two inches in diameter. Employees who had signed agreements not to disclose the manufacturer's trade secret information eventually left their jobs to form a competing corporation. Within a year they had grown their own seventeen-inch crystal. A federal district court in Ohio enjoined the ex-employees from disclosing or using the trade secrets. The prohibition was to be permanent unless disclosure came about by legitimate means. The Court of Appeals for the Sixth Circuit reversed because it found which is exclusive to the same extent against all persons except the prior inventor, or those claiming under him."

43. See 12 Milgrim, supra note 31, § 2.03, at 2-22, 2-23.
44. Under the Supremacy Clause of the United States Constitution, art. VI., § 2, federal legislation is preemptive in the event of conflict with state law.
46. Id. at 677 (Black, J., dissenting).
48. Id. at 472.
Ohio trade secret law in conflict with United States patent law.\textsuperscript{49} Ohio could not grant a monopoly for possibly patentable subject matter that had been used publicly for more than a year before patent application. On appeal, the United States Supreme Court reversed the Sixth Circuit. Federal patent law, it held, did not preempt Ohio's trade secrets law. A corollary of the decision was approval of Ohio's using the trade secrets definition from the Restatement of Torts § 737, comment b (1939).

The Court said that federal law would indubitably take precedence over state law should the two clash on patent or copyright regulation, but the majority found no inherent conflict between the law of patents and that of trade secrets. The two bodies of law afford different protection in exchange for different restrictions:

The protection accorded the trade secret holder is against the disclosure or unauthorized use of the trade secret by those to whom the secret has been confided under the express or implied restriction of nondisclosure or nonuse. The law also protects the holder of a trade secret against disclosure or use when the knowledge is gained, not by the owner's volition, but by some "improper means," Restatement of Torts § 757(a), which may include theft, wiretapping, or even aerial reconnaissance. A trade secret law, however, does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering, that is by starting with the known product and working backward to divine the process which aided in its development or manufacture.\textsuperscript{50}

In marked contrast to trade secrets law, patent law fulfills a constitutional objective of promoting the progress of science and the useful arts\textsuperscript{51} by compensating the inventor with a monopoly effective against the whole world, including those who independently make the same discovery. The price for the exclusion is full disclosure in the approved application. When the seventeen-year monopoly expires, the public has the benefit of the new knowledge.

Some trade secrets do not or might not meet the patentability criteria of novelty, utility, and nonobviousness.\textsuperscript{52} Other trade secrets, however, do satisfy the criteria, yet their owners choose not to seek patents. The Court nevertheless did not believe that trade secret law deters applications for patents that are likely to be granted. Four reasons support this conclusion: (1) trade secrets law

\textsuperscript{51} U.S. Const. art. I, § 8, cl. 8.
does not protect the holder from independent discovery, (2) "The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof,"53 (3) an unpatented invention publicly used for more than a year may not be patented,54 and (4) the "ripeness of time" concept suggests that "[i]f something is likely to be discovered at all very likely it will be discovered by more than one person,"55 especially when marketing alerts the competition to a solution. The Court concluded that "[t]rade secret law encourages the development and exploitation of those items of lesser or different invention than might be accorded protection under the patent laws, but which items still have an important part to play in the technological and scientific advancement of the Nation."56

In a concurring opinion, Justice Marshall did not agree that there is a remote chance that the inventor of a patentable invention will prefer trade secret to patent protection. In fact, he asserted that the existence of trade secret protection sometimes provides a substantial disincentive to patenting. By its awareness and tolerance of the trade secrets system over the years, Congress has not meant to exert pressure on inventors to patent but instead has allowed them alternative means of legal protection. Marshall regarded the two systems as coordinate.

Marshall’s analysis reflects an accurate perception of business practice. Manufacturers, particularly in the computer industry, quite commonly rely on trade secret protection even when a patent monopoly would probably be available. For manufacturers of highly competitive and rapidly innovative technology, patent application is so time consuming that new technology would very likely be obsolete by the time it was patented. Rather than waste time and money on such a fruitless undertaking, computer manufacturers are wont to rely on, and take the risks of, trade secret protection.

**PROTECTION FROM AN EX-EMPLOYEE’S DISCLOSURE**

A person who accepts and then breaches a confidence is liable for the breach, whether or not he is bound contractually.57 The hypo-

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56. Id., at 493.
57. RESTATEMENT OF TORTS § 757(b), comment j at 13 (1939).
Theoretical problem set out at the beginning of this note assumes that the California corporation has followed a standard practice in requiring the employee to promise in writing that he will not disclose the corporation's confidential trade information if he terminates employment. Such an agreement is often thought of as a noncompetition covenant, but if it were treated more narrowly as a nondisclosure agreement the interests of both the employer and the ex-employee would be better served.

If a written contract delineates an employee's duty to respect a trade confidence, the Restatement of Torts indicates that the Restatement of Contracts will apply. The latest tentative draft of the Restatement (Second) of Contracts § 328, states that if a promisor unreasonably restricts himself from gainful employment, his promise is an unenforceable restraint of trade. This rule is subject to the further qualification that the promise may be enforceable if it is part of—i.e., ancillary to—another transaction or relationship. Furthermore, the restraint must be only what is necessary to protect the promisee's legitimate interest. The promisee's need must outweigh the hardship imposed on the promisor and the public. "A promise by an employee or other agent not to compete with his employer or other principal" could be valid, then, under these special conditions.

In a trade secrets context, the conflicting interests of employer and employee are perhaps more difficult to separate than usual. "The conflict between the employer's right to protect his trade secrets and the employee's right not to be unreasonably hampered in the use of what he has learned during the employment is," accord-

58. id.
60. Id. § 329. Comment b to this section states that the ancillary promise may be made initially or before the relationship terminates, but subsequent to the relationship, the promise will be non-ancillary and unenforceable. The general rule is that the employment is adequate consideration for the restrictive covenant, which means that if the restrictive covenant is made after the employment has begun, new consideration may be necessary. 12 Milgrim, supra note 31, § 3.05[1], at 3-80 to 3-82.
61. Id. § 330.
62. Restatement (Second) of Contracts, supra note 59, § 330. The history of postemployment noncompetitive covenants and the balance of conflicting interests that can sometimes justify them are considered in Blake, Employee Agreements Not to Compete, 73 Harv. L. Rev. 625 (1960) [hereinafter cited as Blake]. For a chatty discussion of the problem, see Employee Versus Company Interests in Trade Secrets and Patents, 10 Idea 67 (Conference Number 1966).
63. Restatement (Second) of Contracts, supra note 59, § 330. For a review in some detail of covenants ancillary to an employment contract, see 54 Am. Jur. 2d Monopolies §§ 542-80.
ing to Callmann, "the crux of the problem."n64 The Restatement (Second) of Contracts comments that any postemployment restraint should be carefully scrutinized, whenever made and however broad. Often an employee with little bargaining power has not given sufficient attention to the distress he could later suffer.

A line must be drawn between the general skills and knowledge of the trade and information that is peculiar to the employer's business. If the employer seeks to justify the restraint on the ground of the employee's knowledge of a process or method, the confidentiality of that process or method and its technological life may be critical.65

Though postemployment restraints are normally disapproved, they will be upheld to keep an employee from appropriating valuable trade information learned during employment.66 A more immediate benefit of a limited restraint is that it can encourage efficiency. If an employer knows that he can rely on such a restraint, he will probably feel that he can safely entrust confidential information to an employee.67

In California, the conflicting interests of employer and employee are reflected in statutory law. Section 16600 of the Business and Professions Code states that "[E]xcept as provided in this chapter every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void."68 In contrast, Section 2860 of the Labor Code says that everything lawfully or unlawfully acquired by virtue of employment belongs to the employer, with the exception of the employee's compensation. The provision applies after as well as during employment.69 In applying the Labor Code statute, the courts have recognized employers' rights to trade secrets, thus tempering the strong prohibition against postemployment contractual restraints stated in the Business and Professions Code.70 Exceptions have been scrupulously admitted, however, as Sarkes Tarzian, Inc. v. Audio Devices, Inc. indicates:

64. 2 R. CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 54.2 (3d ed. 1968 & Supp. 1977) [hereinafter cited as CALLMANN].
65. RESTATEMENT (SECOND) OF CONTRACTS, supra note 59, § 330, comment g, at 119-20.
66. Id. comment b, at 114.
67. Id. comment c, at 115. Probably no employer would risk the expense of research and development if employees were free to walk off with the results. Wexler v. Greenberg, 399 Pa. 569, 579, 160 A.2d 430 (1960); 2 CALLMANN, supra note 64, § 54.2(A), at 417.
68. CAL. BUS. & PROF. CODE § 16600 (Deering 1976).
69. CAL. LAB. CODE § 2860 (Deering 1976).
70. See id. at 54-55.
[T]here is agreement among the courts that, except, [sic] where real trade secrets are involved, an employee may compete with his former employer and use such knowledge and skill as he has developed in the former’s employ. This accords with the main object of a free economy which is the basis—of our industrial system.\textsuperscript{71}

In \textit{Sarkes Tarzian}, the plaintiff was denied recovery because the court found no trade secrets in issue. The employee-defendants were consequently free to work for their former employer’s competitor. The same result was reached in \textit{Winston Research Corp. v. Minnesota Min. & Mfg. Co.},\textsuperscript{72} in which the court found that no trade secrets were in issue but only the use of commonly known information. The court refused to deprive the ex-employees of their “general skill, knowledge, and experience, even though acquired in part during their employment.”\textsuperscript{73}

To recapitulate, it is clear that courts will protect a trade secret owner from a misappropriating ex-employee, whether or not the ex-employee is bound by a written nondisclosure agreement. On the other hand, it is also apparent that courts generally disapprove of contractually restricting the employment options of an employee who leaves his job.\textsuperscript{74} There is a solution to this dilemma. A written postemployment agreement, specifically prohibiting trade secret disclosure and not competition, can accommodate the interests of employer and employee in a manner that should meet with judicial approval. The advantages of such a writing should be kept in mind.\textsuperscript{75}

By requiring the employer to carefully consider alternatives, a writing can sharply focus its purpose. An ancillary agreement in which nondisclosure is foremost, and not subordinate to a noncompetition covenant, is not likely to restrict a worker in his pursuit of a livelihood.\textsuperscript{76} The employer can specify terms that fairly balance

\textsuperscript{71} 166 F. Supp. 250, 264 (S.D. Cal. 1958) (emphasis in the original).
\textsuperscript{72} 350 F.2d 134 (9th Cir. 1965).
\textsuperscript{73} \textit{Id.} at 144.
\textsuperscript{74} “Were we to measure the sentiment of the law by the weight of both English and American decisions in order to determine whether it favors protecting a businessman from certain forms of competition or protecting an individual in his unrestricted pursuit of a livelihood, the balance would heavily favor the latter.” Wexler v. Greenberg, 399 Pa. 569, 579, 160 A.2d 430 (1960) (citation omitted). \textit{See also}, 38 \textit{Cal. Jur. 3d Injunctions} § 38, on business and property rights in trade secrets, and 32 \textit{Cal. Jur. 2d Master and Servant} § 26, on information acquired during employment.
\textsuperscript{75} For a discussion of the advantages and disadvantages of express covenants see 12 MILORIM, \textit{supra} note 31, ch. 3, \textit{Protection of Trade Secrets by Contract}.
\textsuperscript{76} Normally a restraint is enforceable only if the ex-employee presents “a substantial risk either to the employer’s relationships with his customers or with respect to confidential business information.” Blake, \textit{supra} note 60, at 653. During full-time employment, of course,
the parties' interests. "Whether a particular covenant will in fact stand up in court depends not only on the lawyer's skill in drafting but, more important, on the employer's demonstrable good faith."

Restraints should apply only to individuals or classes of employees whose future activities might create a risk of serious damage, and the limitations should impose only minimal burdens that could be renegotiated or modified as needed. As the Restatement (Second) of Contracts indicates, the validity of an ancillary agreement not to disclose a commercial confidence demands an honest appraisal and a careful counterpoise of all the interests involved—those of the employer, the employee, and the public.

Besides giving the trade secret owner the advantage of defining purpose, the written bargain also offers the advantage of assuring foreseeable results. The express agreement establishes the owner's belief in a trade secrets claim, a belief that may rest on probability rather than absolute certainty. At any rate, a duty must exist before its breach can be in issue. The owner must know what he regards as trade secret data before he can expect his employee to know. Written agreements should be just one part of a security program, since all security measures can stand as strong evidence that one has a legally protectible trade secret. A lack of precautions may justify an inference that no secret exists. In the opinion of one

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an employee may not reveal his employer's trade secrets nor engage in a competitive business, even after working hours. 2 CALLMANN, supra note 64, § 33.1(b)(1), at 23.


77. Blake, supra note 62, at 687.


79. RESTATEMENT (SECOND) OF CONTRACTS, supra note 68, § 330. "[A] fair, workable test which embodies the better principles of the conflicting authorities" can be found at 12 MILGRIM, supra note 31, § 3.02[2], 3-47 and 3-48. Forms that may be useful in drafting are available in D. BRANDON, DATA PROCESSING CONTRACTS: STRUCTURE, CONTENTS, AND NEGOTIATION 186-88, 191, 373, 396, 416-17 (1976), and in 12A R. MILGRIM, BUSINESS ORGANIZATIONS: TRADE SECRETS, App. C., at C-1 to C-26 (1978 ed.).

80. 12 MILGRIM, supra note 31, § 3.02[1], at 3-16 to 3-24, 3.05[1], at 3-67 to 3-68.

81. Id. at § 3.02[1](c), at 3-9, 3-10.

82. Leydig, supra note 33, at 328 n. 12.

83. 2 CALLMAN, supra note 64, § 53.1, at 80 (Supp. 1977) (update for Vol. 2, p. 382, n. 66). See also 12 MILGRIM, supra note 31, § 3.02[1](b), at 3-8 to 3-9 (on the clarification of confidential status).
prominent authority on trade secrets, an agreement's primary advantage is that before trial it might provide a basis for enjoining disclosure that could imperil trade secrets.84 Should litigation be necessary, however, "[T]he most persuasive proof possible that information is worthy of legal protection is that the employer has taken every feasible step to protect it himself."85 Obviously a written agreement would constitute one of these steps. Because direct evidence of misappropriation may be unavailable and because circumstantial evidence may be weak,86 an express agreement would seem absolutely essential to an employer's case.

A written nondisclosure agreement should also deter misappropriation. After all, preventing a violation is more important to an employer than providing a remedy for one, especially since an injunction against disclosure can seldom undo damage.87 Furthermore, trade secret litigation can be protracted and terribly expensive.88

It has been argued that a nondisclosure agreement is of little or no value because nearly identical results follow whether or not an agreement is in writing.89 This argument ignores evidence that a written nondisclosure agreement eliminates a standard defense. The defendant cannot say that the absence of a nondisclosure agreement proves the absence of fiduciary obligation.90 In fact, because courts have shown a propensity to equate the existence of trade secrets with covenants that protect them,91 contract clauses may have to define trade secrets and the rights of the parties more carefully than they have in the past.92

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84. 12 MILGRIM, supra note 31, § 3.02[1](d), at 3-10 to 3-11. See also B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963).
85. Blake, supra note 62, at 674.
86. 12A R. MILGRIM, BUSINESS ORGANIZATIONS: TRADE SECRETS § 7.07[1], at 7-96 (1978 ed.) [hereinafter cited as 12A MILGRIM].
88. 12A MILGRIM, supra note 86, § 7.01; see note 3 supra (on the Telex trial and appeal).
91. In Wexler v. Greenberg, 399 Pa. 569, 580, 160 A.2d 430, 435 (1960), the court stated that since it would have been bound to carefully examine restrictions imposed by covenant, "[i]t follows that no less stringent an examination of the relationship should be necessary where the employer has not seen fit to protect himself by binding agreement." (Footnote omitted.) (Emphasis in original.) In Servomation Mathias, Inc. v. Englert, 333 F. Supp. 9, 14 (M.D. Pa. 1971), a failure to contractually restrict all employees to whom mass food recipes were disclosed contributed to doubt about the genuineness of the alleged trade secrets.
92. SUTTON, DEVELOPMENTS AND TRENDS IN TRADE SECRET LAW, in ATTORNEY'S GUIDE TO TRADE SECRETS, CALIFORNIA CONTINUING EDUCATION OF THE BAR, § 1.7 (C.S. Brosnahen ed. 1971).
PROTECTION FROM AN ALIEN'S INDUCEMENT OF DISCLOSURE

The Restatement of Torts imposes liability on one who knows that he is using or disclosing confidential trade information conveyed by a third person whose disclosure breaches a duty to the owner.\(^9\) Thus, a competitor who induces disclosure and the rival's ex-employee who succumbs are both liable for their breach of "a general duty of good faith," specifically because the competitor improperly learns the secret and the ex-employee breaches his contract.\(^9\) "The protection is merely against breach of faith and reprehensible means of learning another's secret."\(^9\) The competitor's intentional inducement of the ex-employee by improper means—those "which fall below the generally accepted standards of commercial morality and reasonable conduct"\(^9\)—is thus actionable as a particular kind of improper procurement.\(^9\)

Section 757 of the Restatement of Torts states the general principles of liability for use or disclosure of another's trade secret. Improper procurement is also discussed separately in Section 759, which states that

One who, for the purpose of advancing a rival business interest, procures by improper means information about another's business is liable to the other for the harm caused by his possession, disclosure or use of the information.\(^9\)

Though Section 759 applies to any kind of business information and not just to trade secrets, comment b says that improper discovery will not generally cause harm unless the information is confidential.

In one of the commonest schemes, the competitor acquires trade secrets after luring another's employee to a more attractive job. Employers are free to use legal means in competing for the services of workers,\(^9\) but inducing breach of contract to discover

\(^{93}\) Restatement of Torts § 757(c), at 2.
\(^{94}\) Id. § 757, comment a, at 4.
\(^{95}\) Id. comment b, at 7.
\(^{96}\) Id. comment f, at 11.
\(^{97}\) Id. comment h, at 12. The knowledge may be actual or constructive; see Restatement of Torts § 757, comment e at 14-15.
\(^{98}\) Id. § 759, at 23.
\(^{99}\) "Lest the impression be created that enticing away one or more employees from a competitor is sufficient ground upon which to maintain a trade secret action, it is appropriate to observe that the basic policy of the law is to encourage employee mobility and advancement." \textsuperscript{12} Millgrim, \textit{supra} note 31, § 5.04[4](d), at 5-115 (footnote omitted). "There is no tort if, by legal means, one induces an employee[s] to sever his employment with another." Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 264 (1958).
another's trade secret can constitute the tort of unjustified interference with contractual relations. A competitor who knows that the employment contract exists is liable for the tort if he acts intentionally and without justification to injure his rival, if he occasions the employee's breach, and if he causes the plaintiff to suffer actual damage. Because directly proving a defendant's intention can be practically impossible, a plaintiff normally relies on circumstantial evidence, such as the defendant's systematically hiring employees at unusually large salaries to work on tasks in which they will be likely to disclose the plaintiff's trade secrets.

If the employee has already left his position when the enticement occurs, the competitor is chargeable with interference with contractual relations only if he knows of a postemployment agreement that prohibits trade secret disclosure. As a rule negligent interference with a contract is not actionable. An employer who learns that an ex-employee is working for a competitor would be well advised to inform the competitor that a nondisclosure agreement binds the employee to respect certain trade confidences. If providing the competitor with notice of the prior obligation does not prevent disclosure, the procedure can have evidentiary weight in litigation. A nice question of fact is whether any computer industry manufacturer should not reasonably be expected to know that trade secrets are commonly protected by postemployment agreements.

Deliberately inducing violation of such an agreement evidences unethical behavior that can stand as damning evidence against the inducer.

Although the concept of commercial morality or business ethics is not a legally defined one, reliance upon such terminology would appear to be increasing. What is lost in technical precision is gained in reliance upon a formula readily understandable by the


104. A survey published in 1965 is cited at 12 Milgrim, *supra* note 31, § 3.02, 3-7. The survey indicates that among 86 representative corporations, 58 required research and development as well as technical employees to sign some sort of employment agreement regarding the employer's patent and trade secret rights. It seems reasonable to assume that at least comparable statistics would be true today in the computer industry.
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layman. With increasing frequency courts tend to explain the duty of a disclosee of a trade secret and the wrongfulness of the breach of that duty in terms of commercial morality.\textsuperscript{105}

Exposing a competitor's moral callousness, by way of demonstrating his wilful discovery of another's trade secrets, can strengthen a plaintiff's case, but it is not strictly necessary. Any improper means of learning trade secrets is grounds for liability. Intentional and unjustified interference with contractual relations is just one of those means.

A trade secret owner has sure legal grounds for a cause of action against one who induces an ex-employee to disclose confidential business information, but a court cannot test the plaintiff's theory unless it acquires jurisdiction over the defendant. When an alien defendant's only connection with the forum is the alleged tort, a California court can obtain in personam jurisdiction by using the state's long-arm provision. In one sentence, the California long-arm statute extends its reach as far as due process allows: "A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States."\textsuperscript{106} A federal court sitting in California may use the state long-arm statute, whether a plaintiff's cause of action arises under state or federal law. Federal Rule of Civil Procedure 4(e) authorizes use of state procedure for service on or notice to one who is not an inhabitant of the state or who is not present there. Section (i) of Rule 4 amplifies section (e) by detailing alternative provisions for service in a foreign country.

Doing an act in the state, a jurisdictional basis that satisfies the minimum contacts requirement of \textit{International Shoe v. Washington},\textsuperscript{107} best fits the fact situation outlined in the hypothetical case here. The Japanese defendant's in-state act is the tort of inducing disclosure of the California corporation's proprietary information. When a tort causes a physical injury, determining the state in which the injury occurred is a simple matter. When the injury is not physical, however, the determination is not so simple, particularly because of the paucity of cases that grapple with the problem of non-physical injury. Those courts that have confronted the problem have distinguished primary and secondary injuries in order to test the adequacy of minimum contacts. The distinction has figured prominently when a long-arm statute has been used to assert jurisdiction over a nonresident who has caused tortious injury of a com-

\textsuperscript{105} 12A \textsc{MILGRIM}, supra note 86, § 7.03[2](b), at 7-23 (footnotes omitted).
\textsuperscript{106} \textsc{CAL. CIV. CODE} § 410.10 (Deering 1971).
\textsuperscript{107} 326 U.S. 310 (1945).
mercial rather than a physical nature. Jurisdiction is possible only if the state is the situs of primary injury. The tortious event and its immediate consequences must occur in the state. An allegation of nothing more than secondary or consequential injury is inadequate as a basis of jurisdiction. If the California plaintiff in the hypothetical case can show that the Japanese defendant's commercial tort has caused primary injury in California, the defendant will be subject to jurisdiction on the basis of doing an act in the state. When, as is generally the case, a tort can be said to occur where the injury is suffered, the defendant or its agent need not meet any other jurisdictional criterion, such as presence, doing business in the state, or having an agent there for service of process. Courts have recognized the validity of applying a long-arm statute to this minimum contacts theory.

In *Amba Marketing Systems, Inc. v. Jobar International, Inc.*, personal jurisdiction was based on the Arizona long-arm statute, which has been extended to constitutional limits. Consequen-

108. Gray v. Amer. Radiator & Standard Sanitary Corp., 22 Ill. 2d 432, 435, 176 N.E.2d 761, 762 (1961). Accord: Consolidated Laboratories, Inc. v. Shandon Scientific Co., 384 F.2d 797, 802 (7th Cir. 1967); Waltham Watch Co. v. Hallmark Jewelers, Inc., 336 F.Supp. 1010, 1011 (N.D.Ill. 1971). Though the state where the tortious injury is suffered generally has jurisdiction over the tort, jurisdiction is not invariably proper there. For factors that can qualify the prevalent rule, see *Restatement (Second) of Conflict of Laws* § 145 (1971), which states the general principle applicable to tortious wrongs. Of particular interest is comment e, Important contacts in determining state of most significant relationship.

109. 551 F.2d 784 (9th Cir. 1977).

110. Id. at 788. The New York long-arm statute, N.Y. Civ. Prac. Law § 302, "does not confer the full complement of personal jurisdiction constitutionally permitted," Galgay v. Bulletin Company, Inc., 504 F.2d 1062, 1066 (2d Cir. 1974), as the California and Arizona long-arm statutes do, but a New York case articulates the critical distinction upon which the Amba Marketing court relies. In American Eutectic Welding Alloys Sales Co. v. Dytron Alloys Corp., the plaintiffs alleged that their sales employees were induced to work for the defendant and to use the plaintiffs' confidential customer information as a means of soliciting business in two states other than New York. 439 F.2d 428 (2d Cir. 1971). As a basis of jurisdiction, the plaintiffs used a provision of the New York long-arm statute that applies to a nonresident who commits a tortious act causing injury to a person or to property in the state, if the defendant expects or reasonably should expect such consequences and if he derives substantial benefit from interstate or international commerce. The provision of the statute that the plaintiffs asserted was N.Y. Civ. Prac. Law § 302(a) 3(ii), cited in American Eutectic Welding Alloys Sales Co. v. Dytron Alloys Corp., 439 F.2d 428 (2d Cir. 1971). The court found no basis for jurisdiction. To determine the situs of an injury resulting from an act of unfair competition, so that jurisdiction would be fair, the most apt criterion is where the plaintiff lost business, because this place would "normally be a forum reasonably foreseeable by a tortfeasor and it would usually be the place where the critical events associated with the dispute took place." Id. at 433. The court is quoting Spectacular Promotions, Inc. v. Radio Station WING, 272 F. Supp. 734, 737 (E.D.N.Y. 1967). The above noted criterion is also decisive in a denial of long-arm jurisdiction as noted by the court in Chemical Bank v. World Hockey Association, 403 F. Supp. 1374, 1379 (S.D.N.Y. 1975). The American Eutectics court implicitly adopted the proposition set forth in Black v. Oberle Rentals, Inc., 55 Misc. 2d 398,
quently, the statute permitted jurisdiction over a corporation that had caused a commercial tort in the state. The court distinguished primary from secondary effects of such a tort.

[T]he actual damage-causing event must have occurred in Arizona, not merely the effect of the event. [Citation.] Thus, the mere fact that Amba [the plaintiff] may have suffered injury to its good will or reputation, dilution of the value of its trademark, and damages from expected profits lost as a result of Jobar or the California mail order houses' sale of the cheaper imitations in states other than Arizona seemingly would not suffice to invoke personal jurisdiction in Arizona.111

In a note to this passage, the court said that the resultant harm need not be physical or personal but may be economic, as long as the injury occurs in the state of the forum.112 The decisive factor in cases of this type is not whether the harm suffered was physical as opposed to commercial, but whether the primary injury—that is, whether the tort itself—occurred in the state as opposed to whether the plaintiff felt only the secondary effects there. Though the court did not want to emphasize the commercial nature of this tort, the distinction between primary and secondary injuries would be much less likely to arise if the tortious injury were physical.

The Ninth Circuit in Amba Marketing used an analytical framework to determine whether the minimum contacts alleged meet the additional due process requirements of fair play and substantial justice.113

Although under this flexible standard a case-by-case determination necessarily must be made, this court has adopted a 3-step analysis in making such determinations. First, the nonresident defendant must do some act or consummate some transaction within the forum, however indirect it may be. Second, the claim must be one which arises out of, or results from, the defendant's activities within the forum, even if the actual claim comes to frui-

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285 N.Y.S.2d 226 (1967), that New York's long-arm statute did not apply to remote or consequential injuries felt in New York simply because the plaintiff happened to be domiciled there when the injury occurred elsewhere. The American Eutectics court quoted from Oberle Rentals that:

To hold otherwise would open a veritable Pandora's Box of litigation subjecting every conceivable prospective defendant involved in an accident with a New York domiciliary to defend actions brought against them in the State of New York. This is hardly the minimal contact with the State prerequisite to the exercise of its power over a prospective defendant. [Id. at 434.]

111. Amba Marketing Sys., Inc. v. Jobar Int'l, Inc. 551 F.2d 784, 788 (9th Cir. 1977).
112. Id. at 788 n. 4.
113. Id. at 789.
tion in another state. Finally, the overall reasonableness of subjecting the defendant to the jurisdiction of the forum's court must be considered.\textsuperscript{114}

In locating the situs of the injury, the court has proceeded through the first two steps. To assess reasonableness, the third step, it applied standards analogous to those for forum non conveniens.\textsuperscript{115}

Other long-arm cases based on the in-state tort theory have given greater weight to the intentional\textsuperscript{116} or reasonably foreseeable\textsuperscript{117} nature of the defendant's act. Both considerations figure as reasons for jurisdiction in \textit{Centronics Data Computer Corporation v. Mannesmann},\textsuperscript{118} a case that deserves attention because of its parallels with the hypothetical contest between the California plaintiff and the Japanese defendant.

Centronics, a Delaware corporation whose principal place of doing business was in New Hampshire, sued Mannesmann, a multinational corporation headquartered in Germany. The complaint alleged violation of antitrust laws, interference with advantageous contractual relations, misappropriation of trade secrets, and defamation. Jurisdiction was bottomed on the federal diversity of citizenship statute,\textsuperscript{119} on Congress's granting district courts original jurisdiction in civil cases arising under federal legislation on commerce and antitrust matters,\textsuperscript{120} and on two antitrust statutes that authorize district court jurisdiction.\textsuperscript{121} The complaint did not specify the New Hampshire statute on which jurisdiction rested, but the court concluded that the allegations implied use of New Hampshire's long-arm statutes.\textsuperscript{122} Venue was approved on two grounds. Federal law provides that "[a]n alien may be sued in any district"\textsuperscript{118} and permits suit in the district "in which the claim arose."\textsuperscript{124} The complaint stated that the plaintiff suffered injury in New Hampshire. In moving for dismissal of the complaint, the de-

\textsuperscript{114} Id. The same criteria are stated in William W. Bond, Jr. & Associates, Inc. v. Montego Bay Development Corp., 405 F. Supp. 256 (W.D. Tenn. 1975), cited in 2 Moore's \textit{Federal Practice} ¶ 4.41-1[3], at 4-479 (2d ed. 1978).
\textsuperscript{115} Amba Marketing, supra note 111, at 789-90.
\textsuperscript{120} Id. § 1337.
\textsuperscript{124} Id. § 1391(b).
fendant claimed its contacts with the district provided insufficient grounds for personal jurisdiction. Mannesmann also argued that venue requirements of the antitrust statutes were not met and that service of process under the New Hampshire long-arm statute was unauthorized. The defendant further argued that venue was improper because New Hampshire was an inconvenient forum.

The court rejected all these arguments. It asserted jurisdiction on the statutory bases the plaintiff alleged or implied, and it accepted the plaintiff's commercial tort theory. The opinion underscored the foreseeable character of the defendant's actions as a factor establishing grounds for jurisdiction, it found that the right to redress at home outweighs the inconvenience of defending, and it approved a due process argument for minimum contacts with the nation rather than the state. Each of these points deserves consideration.

The court noted the trend in many states to expand long-arm statutes. Among acceptable minimum contacts is doing an act within the state. Committing a tort is one such act. The court cited a New Hampshire statute that equates a foreign corporation's commission of a tort in the state with doing business there. Committing a tort is regarded as implied agreement that process may be served on the secretary of state with the same legal effect as if served on the corporation at its principal place of business and in accordance with the law of the state or country concerned.

Substantive as well as procedural reasons support jurisdiction. The court relied on McGee v. International Life Insurance Co., in which the defendant, like Mannesmann, was not complying with the "doing business" standard. McGee found that the International Shoe fair play test was satisfied because California had a manifest interest in affording a remedy for a resident who would have been at a severe disadvantage if forced to sue the defendant insurer in a distant state. The Centronics court observed that McGee can be distinguished on the grounds that it involved a contract, not a tort as is involved here, but the Court's reasoning applies with equal vigor to the alleged tort in this case. New Hampshire's interest in protecting its corporate employers from the predatory actions of an alien corporation is at least equal to California's interest.

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in protecting its residents insured by a Texas company. Centronics would be far more inconvenienced if it were forced to sue in Germany, where it is not clear that an action would lie at all, than the California insured would be by a trip to Texas. 129

In addition to arguing by analogy, the court supported its decision with cases in which an intentional tort served as a basis for long-arm jurisdiction. One such pertinent case is Maricopa County v. American Petrofina, Inc., 130 in which an Arizona corporation alleged injury from a California resident’s price-fixing conspiracy. Even though the defendant had not visited the state, had no residence there, and did no business there directly or indirectly, the court upheld Arizona jurisdiction.

Had the alleged conspiracy been formed while the parties were gathered in Arizona, the effects of it would be no different from those generated by conspiracy agreed upon in London. A conspiracy, no matter where made, creates a destructive force which extends into the state. 131

Centronics alleged that Mannesmann’s conspiracy interfered with its business in New Hampshire. It argued that the defendants must have known that injury would occur in the state and that the defendant “reasonably should have expected to be sued in the State of New Hampshire.” 132 The court agreed. The situation resembled a products liability action in which a defective product manufactured outside New Hampshire injured a state resident. 133

Regardless of whether injury is intentional or negligent, the Restatement (Second) of Conflict of Laws supports jurisdiction when a foreign corporation or an individual does an act elsewhere and causes effects in a state, unless jurisdiction is unreasonable because of the nature of the corporation’s relationship to the state. 134 Comment a to section 37 of the Restatement indicates that intentionally causing effects in the state authorizes jurisdiction over an agent or principal not present in the state at the time the effects occurred as long as the state could have exercised jurisdiction had the defendant been present when the harm was done. “So one who

131. Id. at 469.
134. Restatement (Second) Conflict of Laws, see § 37, comment a at 156-59 (1971) (on individuals); see § 50 at 178-79 (1971) (on foreign corporations).
intentionally shoots a bullet into a state is as subject to the judicial jurisdiction of the state as to causes of action arising from effects of the shot as if he had actually fired the bullet in the state." The court concluded that Mannesmann was within its reach. "The traditional notions of justice and fair play should not be used to extend a cloak of immunity over deliberate torts merely because the defendant is an alien corporation. To do so would be to deny justice and fair play to the plaintiff."  

One of the court's major arguments not yet examined is that jurisdiction can be based on national minimum contacts. The court observed that Mannesmann's state contacts furnished insufficient grounds for jurisdiction, but it agreed with the plaintiff's contention that "since defendants are alien, it is not their contacts with the State that should control, but . . . their contacts with the country as a whole must be considered." The plaintiff offered two reasons for its position. First, corporations headquartered in foreign lands are no more inconvenienced by travelling to one state rather than another. The court said that this generalization will not always be valid, but it acknowledged that the statement applies to these facts. The plaintiff's second and more persuasive argument was that a foreign corporation might have very substantial national contacts but insufficient state contacts to ever justify state jurisdiction. Those injured by the corporation's serious torts or contract breaches might never have a forum in which to seek redress. The court admitted that this proposition is not widely accepted and that there is no statutory authority for it.

But in this age of multinational conglomerates' doing business on an international scale, plaintiff's position has merit, and I spe-

135. RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 37, comment a, at 156-57 (1971).
137. Id. at 663. At this page the court cites several cases in which the national versus local minimum contacts theory has been argued. The court also cites several cases in which the national contacts theory has been sustained as a valid basis of jurisdiction. Cyromedics, Inc. v. Spembly, Ltd., 397 F. Supp. 287 (D. Conn. 1975); Holt v. Klosters Rederi ALS, 355 F. Supp. 354 (W.D. Mich. 1973); Alco Standard Corp. v. Benalal, 345 F. Supp. 14, 24-25 (E.D. Pa. 1972). The national theory has in addition gained some ground in patent law. "Recent decisions evidence the emergence of a special due process standard in federal question cases brought against foreign defendants. Under this standard the federal International Shoe test of minimum contacts is applicable, but the touchstone becomes minimum contacts of the defendant with the entire United States rather than with the forum state [citation]. While this standard has been invoked in other types of federal questions cases [citation], it has received perhaps its strongest support in decisions involving foreign patent infringers." Neagly, In Personam Jurisdiction over Foreign Inducers of Infringement, 58 J. PAT. OFF. Soc'y 712, 718-19 (1976).
138. Centronics, supra note 126 at 663-64.
Specifically rule that where an alien defendant is sued by an American plaintiff, and where there is no particular inconvenience due to the specific forum state, the fact that the defendant is an alien and that there is no other forum in which to litigate the claim should be taken into consideration for purposes of determining whether a finding of jurisdiction meets the requisite constitutional standards of fair play.\textsuperscript{139}

About three months before the \textit{Centronics} opinion was handed down, the Ninth Circuit declined—rather guardedly—to endorse a plaintiff's argument for aggregating an alien defendant's contacts with the United States.\textsuperscript{140} If a Nevada district court had accepted the aggregation theory, the plaintiff would have been able to settle in Nevada two claims arising from substantial loans made in California. The appellate court disapproved the theory basically because it is not authorized by statute, either on the state or federal levels. Nevada's long-arm statute is not as broad as due process permits it to be, and the Federal Rules do not allow action on the theory.\textsuperscript{141} The court did agree, nonetheless, that aggregation may be proper under particular federal statutes that provide for worldwide service of process. More significantly, the court intimated that if general procedural statutes were amended to authorize aggregation, "[I]t might very well be neither unfair nor unreasonable as a matter of due process to aggregate the nonforum contacts of an alien with his forum contacts or to require an alien to litigate in one state both those causes of action which originate in that forum state and

\textsuperscript{139} \textit{Id.}, at 664. Similar reasoning appears in First Flight Co. v. National Carloading Corp., 209 F. Supp. 730 (E.D. Tenn. 1962). The court ruled that personal jurisdiction in federal courts is governed by federal and not state law. Actually this jurisdictional theory is as old as \textit{Pennoyer v. Neff}, 95 U.S. 714 (1877). Ultimately both cases say that a sovereignty has personal jurisdiction over any defendant present within its territorial limits. Thus, according to First Flight Company, a federal court should be able to exercise personal jurisdiction over any defendant present within the United States, regardless of the defendant's minimum contacts with the state in which the district court sits. Although Fourteenth Amendment restrictions applicable to the states have been imposed on federal courts, "[T]he anomaly here lies not only in overlooking the principle that the United States may exercise personal jurisdiction over any defendant within the United States, but also in limiting federal action by a constitutional provision applicable only to state action." First Flight Co., \textit{supra} this note, at 737. The opinion draws heavily upon an article by Professor Thomas F. Green, Jr., \textit{Federal Jurisdiction In Personam of Corporations and Due Process}, 14 VAND. L. REV. 967 (1961). Green proposes that the Fifth Amendment due process clause applies to federal action as the Fourteenth applies to the states. He would analogize Supreme Court tests for state jurisdiction governed by the Fourteenth Amendment to federal jurisdiction under the Fifth Amendment. His conclusion is that the United States may exercise personal jurisdiction over a corporation if it has minimum contacts with the United States and if such jurisdiction does not offend traditional notions of fair play and substantial justice.

\textsuperscript{140} \textit{Wells Fargo & Co. v. Wells Fargo Exp. Co.}, 556 F.2d 406 (9th Cir. 1977).

\textsuperscript{141} \textit{Id.} at 416-18.
those arising elsewhere in the United States." (Emphasis added).\(^\text{142}\)

On the whole, \textit{Centronics v. Mannesmann} offers an authoritative paradigm for the hypothetical problem posed in this note. In the Centronics case, the plaintiff alleged a commercial tort, which included trade secrets misappropriation, and obtained jurisdiction over the alien defendant by virtue of federal laws and a state long-arm statute. Antitrust considerations are irrelevant to the hypothetical, and did not receive much comment in the opinion, but otherwise the federal jurisdictional statutes\(^\text{143}\) might be employed in a district court. The reasoning on due process is helpful in putting McGee's convenience scales in an international situation and in emphasizing foreseeability of tortious injury as a significant factor in determining the fairness of jurisdiction. While the court regarded its appealing and somewhat unconventional theory on nationwide minimum contacts as essential to jurisdiction over Mannesmann, the theory is weak in that no federal statute authorizes it. Moreover, it seems to lose sight of the fact that an in-state tort itself, adequately pleaded, can be a sufficient minimum contact for personal jurisdiction. In any event, the two principal arguments for national minimum contacts would work just as well in support of a jurisdictional argument based on doing an act in the state.

Notice is fundamental to due process. Once a court has acquired jurisdiction over an alien defendant, notice does not often pose unusual problems. California permits service of summons by mail, provided that the addressee makes written acknowledgement.\(^\text{144}\) Such service may be made outside the United States\(^\text{145}\) if service is reasonably calculated to give notice as required by the law of the foreign authority or by its directions in response to a letter rogatory.\(^\text{146}\) Normally these state notice provisions are adequate, but if they should conflict with the law of the defendant's country, alternative authority for notice may exist if the defendant's nation is a party to a multilateral international convention regulating service abroad of judicial and extrajudicial documents,\(^\text{147}\) a treaty to which

\(^{142}\) \textit{Id.} at 416. (Emphasis supplied). If a tortfeasor's act causes primary injuries in more than one state, the injured party will have to bring suit in each state in which he has been injured, absent a provision for claim aggregation, such as that applicable to multistate defamation in Restatement (Second) of Conflict of Laws § 150, comment c (1971).

\(^{143}\) 28 U.S.C. §§ 1332(a), 1391(b)(d) (1948).


\(^{145}\) \textit{Id.} § 415.40.

\(^{146}\) \textit{Id.} § 413.10.

the United States and Japan are parties. The agreement became effective in the United States on February 10, 1969 and in Japan about a year later. Article 1 of the convention says that the accord “shall apply in all cases, in civil or commercial matters, where there is occasion to transmit a judicial or extrajudicial document for service abroad” to a person whose address is known.\textsuperscript{148} Japan did not endorse provisions that would have required certain of its officials to transmit documents related to litigation initiated either by a foreign authority or by one of the foreign government’s citizens. But Japan has endorsed a provision that permits documents to be sent directly to a Japanese party.

In \textit{Shoei Kako Co., Ltd. v. Superior Court, San Francisco}, a California plaintiff mailed a summons and complaint directly to a Japanese defendant, whose signed receipt proved actual delivery. The court agreed with the plaintiff’s argument that the treaty authorized such notice, which justified the court’s exercising jurisdiction. As long as the law of the state addressed does not conflict with the practice, a document “may always be served by delivery to an addressee who accepts it voluntarily.”\textsuperscript{149} Here the defendant’s return receipt indicated a voluntary acceptance.\textsuperscript{150} The court concluded that

the provisions of the convention do not prevent the exercise of jurisdiction of the courts of this state in actions where the court has jurisdiction over a party arising from the nature of the claim asserted and notice has been given by service by mail accompanied by a receipt for delivery. It is recognized that this court cannot render an interpretation of the treaty that will bind the courts of Japan in the event plaintiff, if he obtains a judgment against petitioner, seeks to enforce it through the courts in that nation.\textsuperscript{151}

Before considering the effectiveness of such a judgment, there is one other problem regarding notice. That problem is language.

\textit{Hunt v. Mobil Oil Corporation} was an action brought by an independent oil producer against the world’s seven largest oil producers and three other independents for breaching an agreement between the parties and for antitrust violations.\textsuperscript{152} Among the defen-

\textsuperscript{148} 20 U.S.T. 361, 362, T.I.A.S. No. 6638.
\textsuperscript{149} 33 Cal. App. 3d 808, 821, 109 Cal. Rptr. 402 (1973). The court is quoting Article 5 of the treaty cited \textit{supra} note 148, at 362.
\textsuperscript{150} 33 Cal. App. 3d 808, 821, 109 Cal. Rptr. 402 (1973).
\textsuperscript{151} \textit{Id.} at 822, 109 Cal. Rptr. at 412.
\textsuperscript{152} 410 F. Supp. 4 (S.D.N.Y. 1975).
dants was a German corporation, Gelsenberg Aktiengesellschaft. Gelsenberg moved to dismiss the complaint, one of its reasons being that jurisdiction was invalid because the papers for service of process were in English. The Hunt court deemed the argument worth little attention, since the defendant "is a multi-national corporation; its representatives negotiated the contract in this district in the English language and executed the basic as well as the supplementary agreements in English."\(^\text{153}\) The Shoei Kako defendant raised the same objection, buttressing its position with Julen v. Larson.\(^\text{154}\) In that case, a Swiss consul had forwarded German documents that he failed to describe in English to a California defendant who had apparently been doing business in Switzerland. The court held that the defendant did not receive sufficient notice to justify his being subject to a Swiss court's default judgment. When the Shoei Kako defendant compared himself to the Julen defendant, the court found the comparison unconvincing. Japanese companies engaged in international trade typically send and receive communications in English. Here, the Japanese company executed the English language postal receipt for the summons, and the corporation had apparently authorized English-language sales brochures for distribution in California. "The special appearance in these proceedings bespeaks that the purport of the documents was understood."\(^\text{155}\)

The California plaintiff in our hypothetical can easily notify the Japanese defendant by mail. In the unlikely event that California statutes on mailed notice conflict with Japanese law, the plaintiff can be sure that the international treaty will provide him with a dependable method of giving notice. One can safely assume that any Japanese corporation that would want to acquire the California firm's computer technology trade secrets would be sufficiently large and sophisticated to conduct a significant part of its business in English. Thus, notice in English should not be objectionable.

The final question here is whether obtaining jurisdiction over the Japanese tortfeasor is worth the trouble. Will jurisdiction result in an enforceable judgment?

If the hypothetical California plaintiff has any chances of obtaining legal relief, those chances are better in California than in Japan. The Japanese have an ingrained aversion to litigation. They see it as emphasizing conflict between disputants who are unable to resolve their differences. The price for this disagreeable endeavor can be the shame of bearing a moral fault.

\(^{153}\) Id. at 9.
\(^{155}\) Shoei Kako v. Superior Court, 33 Cal. App. 3d 808, 824, 109 Cal. Rptr. 412.
The more favored option for dispute resolution would be a compromise solution or other informal means. Both informal conciliation and mediation perpetuate social and even economic relationships. This is a participatory dispute resolution which calls for the mutual reconciliation of differences.

Therefore, a wide discrepancy exists between promulgated law, which has been greatly influenced by European and Anglo-American law, on the upper (or formal) level, and the actual behavior fostered by Tokugawa justice, on the lower (or informal) level. 158

Conciliation is likely to be a subtle process for which the foreigner will not be eligible, for by definition he is a gaijin or outsider.

Even if an American who brings suit in a Japanese court can be assured of impartial treatment, 157 the deficiency of Japanese trade secrets law is disturbing. In Nisshin Sangyo K.K. v. Masuo Kawakami (1955), 158 the court recognized no right in a method that was patentable but which had not been patented. A right would arise only upon publication of the patent application.

This decision lends support to the view that for civil law purposes, that is, insofar as the provisions of the Civil Code governing property and property rights are concerned, trade secrets and secret know-how, whether or not patentable, are not property or rights. 159

About ten years later the Tokyo High Court reached a similar conclusion in Deutsche Werft Aktiengesellschaft v. Chuetsu Waukesha Yugen Kaisha (1966). The Court wrote:

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There is a deep-rooted disinclination to settle disputes by resort to litigation. Reconcilement and conciliation are the prevailing methods of settling legal disputes in Japan. By reconcilement is meant the extrajudicial settlement by the parties themselves; conciliation refers essentially to reconcilement brought about by the good offices of a third party. A. Wise, *Trade Secrets and Know-How Throughout the World*, § 1.01[6], at 1-14 (1976) [hereinafter cited as Wise].

In Japan a person who asserts rigid legal rights is thought to be "inflexible" and selfish. The businessman never introduces a lawyer into a domestic business conference. Introduction of a lawyer into a business conference is thought to be an unfriendly act, an act equal to an explicit threat of litigation. . . . The law, which purports to sort out human relations on supposedly objective bases, goes directly contrary to the Japanese feeling that relations (even business relations) should be based upon a warm and subjective relationship which can solve every practical problem by mutual compromise and accommodation, regardless of formal legal rights and obligations. Stevens, *Japanese Legal System and Traditions*, in *Current Legal Aspects of Doing Business in the Far East* 13-14 (R.C. Allison ed. 1972).

157. See Stevens, supra note 156 at 10.

158. Wise, supra note 156, § 1.05[8], at 1-40 to 1-41.

159. Id. at 1-41.
Although know-how has property value, it cannot be said that at the present time the law recognizes that it has the status of a right (whether an intangible right or a right of obligation) which is enforceable against a third party. Protection of know-how can only be achieved by the efforts of the owner to maintain it as an industrial secret and prevent disclosure to others.\textsuperscript{160}

By bringing suit in the United States, the California plaintiff will not only have the advantage of being familiar with procedure, but he will also be assured of having a well developed body of trade secrets law at hand.\textsuperscript{161}

In \textit{Hunt v. Mobil Oil Corporation} a German defendant contended that the court should not entertain a case against it because German courts would not enforce a judgment for the plaintiff. The court was not deterred:

Whether or not West Germany will recognize and give full faith and credit to a judgment of this court is a matter for it to decide if and when plaintiff may seek to enforce in West Germany any judgment which may be rendered in its favor. It may well be that should plaintiff prevail, it may not necessarily be compelled to effectuate the judgment in West Germany. There may be assets here available to be applied in satisfaction of the judgment.\textsuperscript{162}

If the California plaintiff suing the Japanese defendant wins a judgment in our hypothetical case, its enforcement will depend on where he has brought suit. If he has won in a federal court, he may by registering a final judgment for money or property have the judgment enforced by any district court.\textsuperscript{163} Federal Rule of Civil Procedure 64 authorizes a federal court to use property seizure remedies of the state in which it is sitting, as long as the state remedy does not conflict with federal law. If the plaintiff has won in a California court, the judgment may be executed anywhere in the state. If the defendant does not have property that can satisfy the judgment in California but does have such property in another state, the plaintiff has two choices. He can follow the traditional procedure of bringing


\textsuperscript{161} "Trade secret law and patent law have co-existed in this country for over one hundred years. Each has its particular role to play, and the operation of one does not take away from the need for the other." Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 493 (1974).

\textsuperscript{162} Hunt v. Mobil Oil Corp., 410 F. Supp. 4, 10 (S.D. N.Y. 1975).

\textsuperscript{163} "A judgment in an action for the recovery of money or property now or hereafter entered in any district court which has become final by appeal or expiration of time for appeal may be registered in any other district by filing therein a certified copy of such judgment. A judgment so registered shall have the same effect as a judgment of the district court of the district where registered and may be enforced in like manner." 28 U.S.C. § 1963 (1977).
suit and winning a judgment in the other state in order to reach the defendant’s property there. An easier alternative is simply registering the California judgment if the other state has enacted a version of the Uniform Enforcement of Foreign Judgments Act.\(^{164}\)

Because *Shaffer v. Heitner* abrogated quasi in rem jurisdiction as an insular jurisdictional category, a determination that an attaching court lacks in personam jurisdiction might appear to eliminate altogether any basis of jurisdiction.\(^{165}\) According to the *Shaffer* court, “[t]he standard for determining whether an exercise of jurisdiction over the interests of persons is consistent with the Due Process Clause is the minimum contacts standard elucidated in *International Shoe.*”\(^{166}\) The *Shaffer* opinion did, however, qualify this standard. If a defendant has minimum contacts with a state in which he has little or no property, a plaintiff seeking a judgment against him can attach property the defendant owns in another state where minimum contacts do not exist:

[A] State in which property is located should have jurisdiction to attach that property, by use of proper procedures, as security for a judgment being sought in a forum where litigation can be maintained consistently with *International Shoe.* [Citation.] Moreover, we now of nothing to justify the assumption that a debtor can avoid paying his obligations by removing his property to a State in which his creditor cannot obtain personal jurisdiction over him. The Full Faith and Credit Clause, after all, makes the valid *in personam* judgment of one State enforceable in all other States. [footnotes omitted].\(^{167}\)

*Carolina Power & Light Co. v. Uranex* applied this *Shaffer* logic. In that case a North Carolina buyer sued a French seller for breach of a uranium sales contract. While arbitration of the dispute was pending in New York, the buyer attached a debt that the seller owed a California corporation. The California district court would

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167. Id. at 210.
not exercise in personam jurisdiction to decide the merits of the case because of the inadequacy of the French corporation’s contacts with the forum. The court nevertheless did decide that the Shaffer court’s notions of fair play and substantial justice allowed limited prejudgment jurisdiction for attachment of the debt. The presence of the defendant’s property in California was not fortuitous, and the California forum was not an inconvenient place for the defendant to contest the limited issues arising from the attachment. The most compelling reason for allowing attachment was that without it the court would have been powerless to secure a sum that would adequately compensate the plaintiff if it won. The French corporation had no other United States assets that would satisfy a judgment, and denial of attachment jurisdiction would have risked giving a winning plaintiff only a Pyrrhic victory.  

A third possibility is that a federal or state judgment could be enforced in a third country. For instance, Canada could consent to honor such an American judgment.  

This note has suggested that a California computer electronics manufacturer can protect its trade secrets from foreign (e.g., Japanese) industrial espionage by two effective means. It can successfully proceed on a breach of contract theory against a former employee who has violated a precisely drawn nondisclosure agreement. If an alien competitor has induced the violation, substantive liability may exist. A California manufacturer that can show it has suffered primary injury from a Japanese defendant’s commercial tort can use the state’s long-arm statute to acquire jurisdiction over the defendant. Computer technology trade secrets can be tremendously valuable. Even if an alien’s only contact with California is a misappropriation scheme that tortiously harms a state corporation, that alien should—and can—come within the grasp of the law.

169. A New York case decided since the body of this note was written deals with a problem quite similar to that posed here. A New York corporation sought an injunction to prevent a former employee from working for a competitor and to prohibit the employee from divulging alleged trade secrets. Though the competitor was an out-of-state corporation, it was subject to personal jurisdiction because the New York long-arm statute could extend to nondomiciliary defendants whose tortious acts outside the state caused injury within it. By creating a strong inference of a conscious plan to unfairly compete and to misappropriate trade secrets, the allegations justified anticipatory injunctive relief. The court admitted that legislative history did not refer to commercial torts as a motive for the long-arm statute, but it did not read the omission as meaning that the statute had to be restricted to noncommercial torts. The court found that the nonresident could reasonably have forseen that its actions would cause tortious injury in the forum. Showing the reasonableness of such foreseeability satisfied the constitutional requirement for applying the long-arm statute to a nonresident. Sybron Corp. v. Wetzel, 47 U.S.L.W. 2405 (N.Y. Ct. App. 12/7/78).