Punitive Damage and Attorney Fee Awards in Trade Secret Cases

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ARTICLES

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I. INTRODUCTION

This article deals with the safeguards against excessive punitive damages and attorney’s fee awards in American trade secret law. Because defendants frequently include former employees of the plaintiff, the effect of excessive liability upon the mobility of employees is a concern. Following an overview of American trade secret liability, including the widely-enacted Uniform Trade Secrets Act, the United States Supreme Court doctrine forbidding excessive punitive damages and other safeguards against imposition of excessive punitive damages and attorney’s fees are discussed.

Future development of the Supreme Court doctrine and additional experience with the Uniform Act could require reassessment. At the present time, however, the Act is calibrated to avoid constitutionally excessive punitive damage and attorney’s fee awards with one exception. In cases with large compensatory damage recoveries and defendants without subjective evil intent, the Act’s two times compensatory damages cap upon punitive damages is too generous and is superseded by the Supreme Court’s Gore/Campbell guideposts.

II. THE NATURE OF PUNITIVE DAMAGES

Punitive or exemplary damages are imposed for the commission of serious misconduct with a bad state of mind. The Restatement of Torts (Second), for example, states “[p]unitive damages may be awarded for conduct that is outrageous, because of the defendant’s evil motive or his reckless indifference to the rights of others.” Punitive damages are intended to punish the defendant and to deter future misconduct by the defendant and others. The imposition of

2. See infra notes 28–35.
3. See infra note 36.
4. See infra notes 96–104.
7. Id. §908(1). However, in Connecticut and Michigan common-law punitive damages are regarded as compensatory. Connecticut views them as compensation for a successful plaintiff’s legal expenses and Michigan as compensation for a successful plaintiff’s intangible injuries. See 1 JOHN J. KIRCHER & CHRISTINE M. WISEMAN, PUNITIVE DAMAGES: LAW & PRACTICE §§ 4.2–4.4 (2013).
punitive damages is discretionary with the trier of fact. In most states, punitive damages can be awarded in tort actions for intentional or reckless misconduct, including trade secret misappropriation. The amount of punitive damages traditionally has been discretionary with the trier of fact, subject to review for excessiveness by the trial judge and on appeal. A trial judge can order a successful plaintiff to choose between remitting excessive punitive damages and a new trial, whereas an appellate court can reverse a judgment for excessive punitive damages and remand the case for further proceedings.

On the other hand, under the “American rule,” a successful plaintiff’s attorney’s fees ordinarily are not recoverable compensatory damages. Each litigant bears its own attorney’s fees under the American rule. A punitive

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8. RESTATEMENT (SECOND) OF TORTS § 908 cmt. d. (“Whether to award punitive damages and the determination of the amount are within the sound discretion of the trier of fact, whether judge or jury.”).

9. Louisiana, Massachusetts, Nebraska, New Hampshire, and Washington do not allow recovery of punitive damages for common-law torts. See 1 KIRCHER & WISEMAN, supra note 7, §§ 4.6–4.10.

10. See 3 DOBBS et al., supra note 5, at 41–43 (punitive damages have been approved “in a wide variety of cases”).


13. E.g., O’Gilvie v. Int’l Playtex, Inc., 821 F.2d 1438, 1447 (10th Cir. 1987) (dictum) (“[I]n an ordinary remittitur case, the plaintiff must be offered a choice between a new trial and accepting a remittitur to avoid a serious problem under the Seventh Amendment, which reserves to the jury the determination of damages.”). For the view that ordering remittitur of a federal jury verdict violates the Seventh Amendment, see Suja A. Thomas, Re-examining the Constitutionality of Remittitur Under the Seventh Amendment, 64 OHIO ST. L.J. 731, 763 (2003).


15. Id. (because only a punitive damage award equal to the compensatory damage award was constitutionally permissible, the district court was ordered to enter judgment for that amount). It is more common for an appellate court to reverse a judgment for excessive punitive damages and to remand the case to the trial court for a new trial on punitive damages. E.g., Adams v. Murakami, 813 P.2d 1348, 1360 (Cal. 1991) (en banc) (judgment of the court of appeals reversed and the court of appeals directed to remand the case to the trial court for further proceedings).


17. E.g., Sperry Rand Corp. v. A-T-O, Inc., 447 F.2d 1387, 1394 (4th Cir. 1971) (award of successful plaintiff’s attorney’s fees in trade secret litigation reversed in diversity jurisdiction action subject to Virginia law). Absent a special statute or a contract, Virginia only allows recovery of a
damage award, however, can reimburse a successful plaintiff’s cost of litigation.\textsuperscript{18}

III. AMERICAN TRADE SECRET LAW

A. The Restatements

American trade secret law derives from English common law. In the 1868 case of \textit{Peabody v. Norfolk},\textsuperscript{19} the Massachusetts Supreme Judicial Court, relied upon English equity decisions in overruling a general demurrer to a supplemental bill in equity.\textsuperscript{20} The supplemental bill requested an injunction against unauthorized use of the plaintiff’s secret method for processing jute butts into gunny cloth by a businessman to whom the plaintiff’s former employee wrongfully had disclosed it.\textsuperscript{21}

The 1939 first Restatement of Torts devoted three sections to state trade secret law.\textsuperscript{22} Comment \textit{e.} to § 757, which addressed remedies, did not mention punitive damages.\textsuperscript{23} Due to the specialized nature of trade secret law, the 1979 second Restatement of Torts omitted coverage.\textsuperscript{24} Restatement coverage was reinstituted by the 1995 Restatement of Unfair Competition which has seven successful litigant’s counsel fees if the litigant created a fund for the benefit of a class or obtained release from a malicious false imprisonment or successfully defended a malicious prosecution. \textit{See id.}

If the defendant’s wrongful conduct caused the plaintiff to incur attorney’s fees suing a third party, the attorney’s fees are compensable damages. \textit{Vacco Indus., Inc. v. Van Den Berg}, 6 Cal. Rptr. 2d 602, 615–616 (Cal. Ct. App. 1992) (a real estate broker whose fraudulent representations induced a prospective purchaser to sue the sellers for specific performance liable for the prospective purchaser’s attorney’s fees in suing the sellers). This exception does not apply to a co-misappropriator of a trade secret. \textit{Id.}

\textsuperscript{18}. \textit{St. Luke Evangelical Lutheran Church, Inc. v. Smith}, 568 A.2d 35, 40–43 (Md. 1990) (following a majority of the state courts that have decided the question, to aid the jury in calculating punitive damages evidence of plaintiff’s reasonable attorney’s fees admissible); \textit{Restatement (Second) of Torts} § 914 cmt. \textit{a.} (in awarding punitive damages the trier of fact can consider the actual or probable expense incurred by the plaintiff in bringing the action). Connecticut limits common-law punitive damages to a successful plaintiff’s cost of litigation minus taxable costs. \textit{See infra} note 141.


\textsuperscript{20}. \textit{Id.} at 457–460.

\textsuperscript{21}. \textit{Id.} at 460–461. The plaintiff died while the suit was pending; his executors continued it. \textit{Id.} at 461.

\textsuperscript{22}. \textit{Restatement of Torts} §§ 757–759 (AM. LAW. INST. 1939). Section 757, which dealt with liability for the disclosure or use of another’s trade secret, was the basic provision. Section 758 dealt with the innocent discovery of another’s trade secret. Section 759 dealt with procuring business information by improper means. \textit{Id.}

\textsuperscript{23}. \textit{Id.} § 757 cmt. \textit{e.} The remedies mentioned were compensatory damages, an accounting for profits, an injunction, and surrender of embodiments of a misappropriated trade secret. \textit{Id.}

\textsuperscript{24}. \textit{Restatement (Second) of Torts} at 1–2 (stating that trade secret law had become independent of tort law).
sections on state trade secret law. Section 45 on monetary relief focuses upon compensatory damages. Comment i to § 45 refers readers to the Restatement of Torts (Second) for discussion of punitive damages.

B. The Uniform Trade Secrets Act

The Uniform Trade Secrets Act (Uniform Act) was proposed by the Uniform Law Commission (ULC) to fill the gap left by the Restatement of Torts (Second) by elaborating the common-law principles reflected in the 1939 Restatement. The ULC initially approved the Uniform Act in 1979. Four official amendments were adopted in 1985 that did not directly alter the provisions dealing with punitive damages and award of attorney’s fees.

In the 1995 Restatement of Unfair Competition, the American Law Institute adopted a definition of “trade secret” consistent with the Uniform Act. Although there have been nonuniform amendments, the ULC reports the Uniform Act as having been enacted in 47 states.

26. Id. § 45.
27. Id. § 45 cmt. i.
29. The ULC was organized in 1892 to promote desirable and practicable uniformity in state law. Commissioners are appointed by each state, the District of Columbia, and Puerto Rico. See Unif. Trade Secrets Act 14 U.L.A. III–IV (preface).
30. See Unif. Trade Secrets Act 14 U.L.A. at 531 (prefatory note) (stating that the Uniform Act provides a unified theory of trade secret protection with a single statute of limitations and appropriate remedies). The 1939 Restatement summarily dealt with remedies and did not address the statute of limitations. See supra notes 22–23.
32. Id. The four Amendments were adopted in response to issues raised by the American Bar Association Section of Patent, Trademark and Copyright Law. See A.B.A. Sec. Pat., Trademark, & Copyright L. Proc. 30–31 (1981) (enacted). The A.B.A. Section recommended amending § 2(b) to limit injunctions allowing future use upon payment of a reasonable royalty to exceptional circumstances, amending § 3 to allow reasonable royalty damages if neither a plaintiff’s actual loss nor a defendant’s unjust enrichment were provable, amending § 7 to make clear that state remedies for breach of contract were not preempted by the Uniform Act, and amending § 11 to clarify that the Uniform Act did not apply to a continuing misappropriation that began prior to its effective date. See id. (Resolutions 206-3–206-6). The 1985 Amendment authorizing reasonable royalty damages can affect the dollar amount of the Uniform Act cap upon punitive damages. See infra notes 40–41 and accompanying text.
33. The Restatement (Third) of Unfair Competition § 39 states “[a] trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or a potential economic advantage over others.” Restatement (Third) of Unfair Competition § 39. “The concept of a trade secret as defined in this Section is intended to be consistent with the definition of ‘trade secret’ in § 1(4) of the Act.” Id. §39, cmt. b.
34. For discussion of the pertinent nonuniform amendments, see infra notes 56–72.
C. The Uniform Act Punitive Damage and Attorneys Fee Provisions

Uniform Act § 3(b) provides, “If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a).” An Official Comment to § 3 states in part, “[t]his provision follows federal patent law in leaving discretionary trebling to the judge even though there may be a jury, compare 35 U.S.C. § 284 (1976).”

The 1979 version of § 3(a) authorizes recovery of both the loss and unjust enrichment damages caused by misappropriation. A 1985 Official Amendment provides for recovery of a reasonable royalty in lieu of other damages. If reasonable royalty damages are not sought, two times the total loss and unjust enrichment damages recovered is the cap upon punitive damages. If reasonable royalty damages are recovered, the cap is two times their amount.

The Uniform Act does not address the plaintiff’s burden of proof. The burden of proof generally required for punitive damages by an enacting state applies. Although most states require either clear and convincing evidence or proof beyond a reasonable doubt, a number of states retain the traditional

laws.org/LegislativeFactSheet.aspx?title=TradeSecretsAct (last visited Oct. 15, 2015). The Act has yet to be adopted in Massachusetts, New York, and North Carolina but has been enacted by the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Id.

36. See UNIF. TRADE SECRETS ACT § 3(b), 14 U.L.A. at 634.
37. Id. § 3(b) official cmt., 14 U.L.A. at 635.
38. Id. § 3(a), 14 U.L.A. at 633–634.
39. Id. § 3(a), 14 U.L.A. at 634.
40. Exemplary damages can be based upon “any award made under subsection (a).” See UNIF. TRADE SECRETS ACT § 3(b), 14 U.L.A. at 634 and accompanying text. Edible Arrangement Int’l v. Incredible Franchise Corp., No. 3:07-CV-1788 (WWE), 2010 WL 223488, at *2 (D. Conn. May 25, 2010), adhered to on reconsideration, No. 3:07-CV-1788 (WWE), 2010 WL 2802368, at *1 (D. Conn. July 13, 2010), accordingly was decided incorrectly. In Edible Arrangement, a trial judge upheld a verdict of $150,000 in unjust enrichment damages but refused to award punitive damages, as the jury had not found that the plaintiff had been damaged! Id.

41. See, e.g., O2 Micro Int’l, Ltd. v. Monolithic Power Sys., Inc., 399 F. Supp. 2d 1064, 1080 (N.D. Cal. 2005), judgment amended on other grounds, 420 F. Supp. 2d 1070 (N.D. Cal. 2006), aff’d, 221 F. App’x 996 (Fed. Cir. 2007) (per curiam) (award of punitive damages equal to two times the lump sum reasonable royalty damages). The 1979 version of the Uniform Act does not provide for reasonable royalty damages. Under a 1985 Official Amendment, reasonable royalty damages are an alternative to loss and unjust enrichment damages. UNIF. TRADE SECRETS ACT § 3(a), 14 U.L.A. at 633–634.

42. Contra, Zawels v. Edutronics, Inc., 520 N.W.2d 520, 523 (Minn. Ct. App. 1994) (Uniform Trade Secrets Act § 7, which displaces conflicting state law, preempted a prior Minnesota statute requiring that punitive damages be proved by clear and convincing evidence). Since the Uniform Act does not address a plaintiff’s burden of proof, there in fact was no conflict with the prior Minnesota statute. But see TEX. CIV. PRAC. & REM. CODE § 134A.004(b) (Vernon 2014 Supp. at 52) (Texas nonuniform amendment requiring clear and convincing evidence to recover exemplary damages).
preponderance of the evidence burden of proof.\textsuperscript{43} The Uniform Act also does not address the plaintiff’s burden of proof with respect to attorney’s fees. The preponderance of the evidence standard typically applies.\textsuperscript{44} Finally, the Uniform Act does not alter a state’s position on whether punitive damages can be awarded if compensatory damages are not recovered.\textsuperscript{45}

Uniform Act § 4 provides in part, “[i]f . . . willful and malicious misappropriation exists, the court may award reasonable attorney’s fees to the prevailing party.”\textsuperscript{46} This aspect of § 4 authorizes award of reasonable attorney’s fees to a prevailing plaintiff. Awards can include attorney’s fees


\textsuperscript{44} \textit{E.g.}, Ateco v. Hales Eng’g Co., 2d Civil No. B188802, 2008 WL 484443, at *4 (Cal. Ct. App. Feb. 25, 2008) (“Employing the . . . ‘clear and convincing evidence’ standard of proof, the jury . . . found that appellants did not act with malice or oppression. The trial court, on the other hand, employed the less stringent preponderance of the evidence standard to determine that ATECO was entitled to recover its attorney fees because the appellant’s misappropriation was willful and malicious . . . .”). Under the Patent Code, the United States Supreme Court recently ruled unanimously that the preponderance of the evidence burden of proof applies to award of attorney’s fees. Octane Fitness, LLC v. Icon Health & Fitness, Inc., 134 S. Ct. 1749, 1758 (2014).

\textsuperscript{45} \textit{E.g.}, Hallmark Cards, Inc. v. Monitor Clipper Partners, LLC, No. 08-0840-CV-W-ODS, 2013 WL 1164092, at *7 (W.D. Mo. Mar. 20, 2013) (alternative holding), aff’d on other grounds, 758 F.3d 1051 (8th Cir. 2014) (nothing in MUTSA “clearly” abrogates the common-law rule or permits an award of punitive damages where the defendant is found not to have caused actual damages). Some states do not require recovery of compensatory damages for punitive damages to be awarded. \textit{E.g.}, Engle v. Liggett Group, Inc., 945 So. 2d 1246, 1262 (Fla. 2006) (per curiam) (“A majority of the Court . . . concludes that an award of compensatory damages is not a prerequisite to a finding of entitlement to punitive damages.”). Moreover, more traditional authority supports the award of punitive damages upon nominal damages than opposes it. 1 Kircher & Wiseman, supra note 7, at 392–393 (“There is more authority supporting the view that nominal damages will sustain a punitive award.”).

\textsuperscript{46} Unif. Trade Secrets Act § 4(iii), 14 U.L.A. at 642. The omitted § 4 language gives a court discretion to award attorney’s fees if a claim of misappropriation is made in bad faith or a motion to terminate an injunction is made or resisted in bad faith. \textit{Id.} § 4(i)–(ii). In the omitted instances, attorney’s fees could be awarded to a prevailing defendant. However, under the aspect of § 4 that is discussed in the text, attorney’s fees can be awarded only to a prevailing plaintiff. Under the Patent Code, the United States Supreme Court recently ruled unanimously that attorney’s fee awards are to be based upon either the strength of a party’s litigating position or the unreasonable manner in which the case was litigated. Octane Fitness, 134 S. Ct. 1749, 1756 (2014). The Federal Circuit’s view that there must have been independently sanctionable misconduct or the litigation both must have been brought in subjective bad faith and must have been “objectively baseless” was rejected as an “inflexible framework.” \textit{Id.}
incurred prior to filing suit\textsuperscript{47} and on appeal,\textsuperscript{48} but are limited to attorney’s fees related to successful trade secret misappropriation claims.\textsuperscript{49} An Official Comment observes, “[a]gain, patent law is followed in allowing the judge to determine whether attorney’s fees should be awarded even if there is a jury, \textit{compare} 35 U.S.C. § 285 (1976).”\textsuperscript{50}

In view of the clarity with which the Uniform Act makes the award of punitive damages and a successful plaintiff’s reasonable attorney fees discretionary even though “willful and malicious misappropriation” has been proved,\textsuperscript{51} the Rhode Island Supreme Court decision in \textit{McFarland v. Brier}\textsuperscript{52} is difficult to understand. The Rhode Island Court treated both awards as automatic upon a finding of willful and malicious misappropriation, with punitive damages automatically imposed at the cap level!\textsuperscript{53}

\textbf{D. Nonuniform Amendments}

James Pooley has commented, “[t]he major drawback of the Uniform Trade Secrets Act is that it is not uniform.”\textsuperscript{54} Although Pooley overstates its significance, nonuniformity there surely is. To begin with, four states omit the

\textsuperscript{47} E.g., Mattel, Inc. v. MGA Entm’t, Inc., 801 F. Supp. 2d 950, 956–957 (C.D. Cal. 2011) (awardable fees “include time spent preparing ‘the initial pleadings and the work associated with development of the theory of the case’ . . . . It can also include hours spent on pre-filing factual investigation that are ‘equivalent to the time that would have been spent’ later in the litigation.”).


\textsuperscript{49} E.g., Great Am. Opportunities, Inc. v. Cherryydale Fundraising, LLC, Civil Action No. 3718-VCP, 2010 WL 338219, at *29 (Del. Ch. Sept. 30, 2010) (because approximately one-half the case was devoted to a claim for tortious interference with contract and business relations, one-half the requested attorney’s fees awarded); Boeing Co., 738 P.2d at 682–683 (plaintiff not entitled to award of fees related to antitrust counterclaim).

\textsuperscript{50} \textsc{Unif. Trade Secrets Act} § 4 cmt., 14 U.L.A. at 642.

\textsuperscript{51} E.g., Olson v. Nieman’s, Ltd., 579 N.W.2d 299, 315–316 (Iowa 1998) (the jury found the defendant’s conduct to be willful and malicious but the trial judge did not award punitive damages); Chetu, Inc. v. Salihu, No. 09-60588-CIV, 2010 WL 2680088, at **2–3 (S.D. Fla. July 6, 2010) (motion to award attorney’s fees denied with respect to plaintiff awarded punitive damages). \textit{But cf.} Jurgens v. CBK Ltd., 80 F.3d 1566, 1572–1573 (Fed. Cir. 1996) (if there has been a jury finding of willful infringement, a trial judge should give a plausible reason for not awarding punitive damages or attorney’s fees).

\textsuperscript{52} See McFarland v. Brier, 769 A.2d 605 (R.I. 2001).


\textsuperscript{54} 28 James Pooley, \textsc{Trade Secrets} § 2.03(7)(b) (Law Journal Press 2012).
punitive damages provision and six states omit the attorney’s fees provision.  

To the extent that the § 3(b) punitive damage provision was modified, the most common change was alteration of the two times other damages cap upon punitive damages. Four states deleted the cap, one state raised it, and three states lowered it. Four states replaced the “willful and malicious misappropriation” prerequisite to the award of punitive damages with a condition intended to express the common law, like “willful, wanton, or reckless disregard of the plaintiff’s rights.” Two other states modified the prerequisite: Oregon adopted “willful or malicious” and Vermont adopted “malicious.” Finally, four states authorized a jury as well as a judge to award punitive damages. In addition to these express changes in the punitive damage provision, in the five states that retain the 1979 version of the Uniform Act, reasonable royalty damages are not an alternative basis for computing the punitive damages cap.


58. OHIO REV. CODE ANN. § 1333.63(B) (punitive damages cannot exceed three times the other damages recovered).

59. ALA. CODE § 8-27-4(a)(3) (Supp. 2013) (punitive damages capped at one times the other damages awarded with a minimum of $10,000); COLO. REV. STAT. ANN. § 7-74-104(2) (2013) (punitive damages capped at one times the other damages awarded); VA. CODE ANN. § 59.1-338(B) (2006) (punitive damages cannot exceed two times compensatory damages or $350,000, whichever is less).

60. Two states approximated this formulation. NEV. REV. STAT. ANN. § 600A.050(2) (Lexis Nexis 2010) (“willful, wanton, or reckless misappropriation or disregard of the rights of the owner of the trade secret”); S.C. CODE ANN. § 39-8-40(C) (Supp. 2013) (“willful, wanton, or reckless disregard of the plaintiff’s rights”). See also COLO. REV. STAT. ANN. § 7-74-104(2) (2013) (“fraud, malice, or a willful and wanton disregard of the injured party’s rights and feelings”); MO. STAT. ANN. § 417.457(2) (2001 & Supp. 2014) (outrageous misappropriation “because of the misappropriator’s evil motive or reckless indifference to the rights of others”).

61. OR. REV. STAT. § 646.465(3) (2011) (“willful or malicious misappropriation”).


64. Alaska, Arkansas, Connecticut, Louisiana, and Washington have the initial version of Uniform § 3, which does not provide for alternative reasonable royalty damages. ALASKA STAT. § 45.50.915(a) (2012); ARK. CODE ANN. § 4-75-606 (2011); CONN. GEN. STAT. ANN. § 35-53(a) (West 2014).
Insofar as the § 4 attorney’s fees provision was retained but modified, four states also authorized a court to award costs to a prevailing plaintiff, with California and New Jersey defining “costs” to include the reasonable fees of expert witnesses. Two states altered the “willful and malicious misappropriation” prerequisite to the award of attorney’s fees. Oregon referred to “willful or malicious misappropriation” and South Carolina to “willful misappropriation.” Finally, two states authorized a jury to award a successful plaintiff’s attorney’s fees.

A number of the non-uniform amendments resulted from integration of the Uniform Act with a state’s general punitive damage reforms. Nebraska alone omitted both the punitive damages provision and the attorney’s fees provision.

IV. CONSTITUTIONAL CONSIDERATIONS

A. The Constitutional Right to a Jury Trial with Respect to Punitive Damages and Attorney’s Fees

The Uniform Act punitive damages and reasonable attorney’s fee provisions follow the Patent Code in making these awards discretionary with
the trial court even though a jury has been impaneled.\footnote{72} In federal diversity jurisdiction cases and in some states, though, there is a constitutional right to a jury trial with respect to both liability for and the amount of punitive damages that supersedes the Uniform Act’s delegation of discretion to a trial judge.\footnote{73} This will be illustrated by the Seventh Amendment right to a jury trial in federal diversity cases.\footnote{74} Although the Patent Code antecedents of the Uniform Act provisions may not to be subject to a Seventh Amendment right to jury trial,\footnote{75} their status involves a judicial deference to the federal patent system\footnote{76} that does not apply to the Uniform Act.

The Seventh Amendment preserves the right to jury trial in federal courts that existed in suits at common law involving more than twenty dollars when the Amendment became effective in 1791.\footnote{77} A Seventh Amendment right to

\begin{footnotes}
\footnote{72}{UNIF. TRADE SECRETS ACT §§ 3(b) & 4(iii), 14 U.L.A. at 634, 642 (“the court may”). See supra notes 37 & 50 for Uniform Act Official Comments referring to the Patent Code counterparts of these provisions.}
\footnote{73}{E.g., Capital Solutions, LLC v. Konica Minolta Bus. Solutions U.S.A., 695 F. Supp. 2d 1149 (D. Kan. 2010) (in which a federal district judge granted a plaintiff’s motion for a jury determination of the amount of punitive damages on Seventh Amendment grounds. A Kansas tort reform statute providing for a trial judge to determine the amount of punitive damages was held to be superseded.)\textit{ Id.} at 1152–1156 (noting the Kansas Supreme Court, on the other hand, has ruled that the Kansas statute allocating determination of the amount of punitive damages to the court does not abridge the Kansas right to trial by jury.). Smith v. Printup, 866 P.2d 985, 994 (Kan. 1993). (“Compensatory damages fall into the category of a remedy at common law . . . . [H]owever, punitive damages were not considered a remedy at common law, but merely incident to those causes of action in tort requesting compensatory damages.”).}
\footnote{74}{See also Zoppo v. Homestead Ins. Co., 644 N.E.2d 397, 401–02 (Ohio 1994) (Ohio statute providing that a trial court determines the amount of punitive damages violated the Ohio constitutional right to trial by jury).}
\footnote{75}{See Birdsall v. Coolidge, 93 U.S. 64 (1876) (“Juries, in an action at law for the infringement of a patent, are required to find the actual damages sustained by the plaintiff in consequence of the unlawful acts of the defendant. Power is given to the court, in such a case, to enter judgment for any sum above the amount of the verdict, not exceeding three times the amount of the same, together with costs; but the jury are strictly limited in their finding to the actual damages which the plaintiff has sustained by the infringement.”). In Shiley, Inc. v. Bentley Lab., Inc., 794 F.2d 1561 (Fed. Cir. 1986), without citing the Seventh Amendment, the Federal Circuit rejected a trial judge’s ruling that a jury verdict of willful infringement was merely advisory with respect to enhanced damages. Unless the jury verdict was overturned on a motion for JNOV, the Federal Circuit panel held that the trial judge was bound by the verdict.\textit{ Id.} at 1568. See contra B.D. Daniel, The Right of Trial by Jury in Patent Infringement Cases, 28 REV. LITIG. 735, 775–787 (2009) (contending that the Federal Circuit unnecessarily allows juries to determine the willfulness of infringement with respect to enhanced damages).}
\footnote{76}{Alan Howard Scheiner, Judicial Assessment of Punitive Damages, The Seventh Amendment, and the Politics of Jury Power, 91 COLUM. L. REV. 142, 225 (1991) (“In both civil penalty and patent cases the Court has approved of judicial assessment of discretionary damages that serve a punitive purpose. These cases, however, are best seen in light of the ‘public rights’ doctrine, in which the Court weighs the government’s interest against the otherwise clear requirements of the Constitution. Public rights doctrine is a ‘complexity exception’ to the Seventh Amendment . . . .”).}
\footnote{77}{U.S. CONST. amend. VII. E.g., Tull v. United States, 481 U.S. 412, 417, 421 (1987) (To}
jury trial exists in federal diversity jurisdiction cases applying state substantive law. Furthermore, significant federal authority recognizes a Seventh Amendment right to jury trial with respect to the amount of punitive damages. For example, in Defender Industries, Inc. v. Northwestern Mutual Life Insurance Co., the Fourth Circuit Court of Appeals, sitting en banc, unanimously held that “the seventh amendment guarantees the right to a jury determination of the amount of punitive damages.” The Fourth Circuit reversed and remanded the trial judge’s reduction to $10,000 of a jury’s five million punitive damage award. The court overruled its prior precedent allowing a trial judge that had submitted liability for punitive damages to a jury to disregard the amount of the jury verdict. The Tenth Circuit is in accord, and at least four federal district courts have refused to strike a jury demand with respect to a claim for punitive damages.

determine whether a statutory action is more similar to cases that were tried in courts of law than to suits tried in courts of equity or admiralty, the Court must examine both the nature of the action and of the remedy sought . . . [C]haracterizing the relief sought is '[m]ore important' than finding a precisely analogous common-law cause of action in determining whether the Seventh Amendment guarantees a jury trial.”

78. Simler v. Conner, 372 U.S. 221, 222 (1963) (per curiam) (“We agree with respondent that the right to a jury trial in the federal courts is to be determined as a matter of federal law in diversity as well as other actions.”).
80. Id. at 507.
81. Id. at 503, 508–509.
82. Id. at 505–507.
83. Jones v. United Postal Serv., Inc., 674 F.3d 1187, 1202–1206 (10th Cir. 2012) (affirming the trial court’s denial of a request for a new trial on the ground that the amount of punitive damages improperly had been determined by a jury). Under Kansas law that otherwise applied in this diversity case, a trial judge and not a jury was required to determine the amount of punitive damages. See id. at 1202. The Seventh Amendment governs the right to jury trial in federal diversity cases, however. See Simler, 372 U.S. 221 (1963). The Kansas Supreme Court has held that the Kansas statute requiring a trial judge to determine the amount of punitive damages does not infringe the Kansas right to jury trial. Smith v. Printup, 866 P.2d 985, 994 (Kan. 1993) (“Because a plaintiff does not have a right to punitive damages, the legislature could, without infringing upon a plaintiff’s basic constitutional rights, abolish punitive damages. If the legislature may abolish punitive damages, then it also may, without impinging upon the right to trial by jury, accomplish anything short of that.”).
84. Todd v. Roadway Express, Inc., 178 F. Supp. 2d 1244, 1246 (M.D. Ala. 2001) (“It is the function of the jury to determine the amount of punitive damages once it has determined that an award of punitive damages is proper.”); Hartford Fire Ins. Co. v. First Nat'l Bank, 198 F. Supp. 2d 1308, 1313 (S.D. Ala. 2002) (“[T]he right-to-jury clause of the Seventh Amendment extends the right of trial by jury in this case to the determination of the amount of punitive damages, if any, to which the defendants may be entitled. . . .”); Montgomery v. Karkut Indus. Corp., 259 F. Supp. 2d 952, 955 (E.D. Mo. 2003) (“It remains a jury function to determine whether a plaintiff is entitled to an award of punitive damages, and to decide the amount of that award.”); Capital Solutions, LLC v. Konica Minolta Bus. Solutions U.S.A., 695 F. Supp. 2d 1149, 1155–56 (D. Kan. 2010) (“[T]he Court concludes that the Seventh Amendment guarantees Capital the right to have the entirety of its claim for punitive damages, including the determination of the amount, decided by the jury.”). See also E.I. DuPont v.
In some states, a constitutional right to a jury trial exists with respect to whether the Uniform Act’s “willful and malicious misappropriation” prerequisite to the award of punitive damages is satisfied but not with respect to the amount of punitive damages. In those states, exercise of the right to a jury trial will supersede a trial judge’s discretion only with respect to whether misappropriation was willful and malicious. A trial judge will retain discretion with respect to whether punitive damages should be awarded and their amount. Finally, in states in which there is no constitutional right to a jury trial with respect to punitive damages, a trial judge will determine whether misappropriation was willful and malicious, and, if so, whether punitive damages should be awarded and their amount.

In most jurisdictions, a consequence of the exercise of the right to a jury trial with respect to punitive damages is either an optional or a mandatory bifurcation of the jury trial. The purpose of a bifurcated jury trial is to prevent prejudicial evidence, including evidence of the defendant’s wealth, from affecting the jury’s determination of the defendant’s liability for compensatory and punitive damages. In a common bifurcation procedure, a jury initially hears evidence of liability for compensatory damages, the amount of compensatory damages, and liability for punitive damages (the existence of willful and malicious misappropriation), and makes findings on these issues. If
the jury finds willful and malicious misappropriation, the same jury is then
presented evidence pertaining to the amount of punitive damages, including
evidence of the defendant’s financial condition. In determining the amount of
 punitive damages, the jury considers the evidence admitted in both stages of
the trial.91

The Uniform Act provision giving a trial judge discretion with respect to
the award of a successful plaintiff’s reasonable attorney’s fees is a different
story. When the Seventh Amendment was adopted, states had legislation
authorizing courts to tax nominal attorney’s fees as costs to the losing party.92
In litigation under the Uniform Act, federal and state trial judges will rule on
the award of reasonable attorney’s fees to a successful plaintiff even if there is
a jury verdict with respect to the presence or absence of willful and malicious
misappropriation.93 Indeed, with respect to punitive damages a jury usually
must find that willful and malicious misappropriation existed according to
either clear and convincing evidence or proof beyond a reasonable doubt;
whereas, with respect to attorney’s fees, a trial judge can make this finding upon
the basis of a preponderance of the evidence.94 A trial judge accordingly could
award attorney’s fees even though a jury had found that willful and malicious
misappropriation had not been proved by clear and convincing evidence or
proof beyond a reasonable doubt.95

91. Id. at 29–30. Another possible approach is a “trifurcated trial.” In a trifurcated trial, a jury
determines liability and amount of compensatory damages in the first phase, liability for punitive
damages in the second phase, and the amount of punitive damages in the third phase. E.g., Webster v.
Boyett, 496 S.E.2d 459, 461 (Ga. 1998). In Webster, the Georgia Supreme Court described trifurcation
as an option in rare cases. Id. at 463–464. For discussion of bifurcation and trifurcation, see Andrew
L. Frey, Evan M. Tager, & Lauren R. Goldman, 4 BUS. & COM. LITIG. FED. CTS. § 45.10 (3d. ed.
2013).

92. Vargo, supra note 16, at 1570–1575 (“By the beginning of the new Union, it is fairly
evident that the new states had adopted a type of fee shifting that benefited the litigation winner.”).

(N.D. Ill. Jan. 8, 2002) (a jury awarded punitive damages against defendant Berkovitz for engaging in
willful and malicious conduct but the trial judge declined to impose liability for the plaintiff’s
attorney’s fees); Zoppo v. Homestead Ins. Co., 644 N.E.2d 397, 401–02 (Ohio 1994) (“We believe the
right to have a jury assess punitive damages differs from the right to have a jury assess attorney’s fees.
With punitive damages, the right stems from the common law; however no such right existed at
common law for attorney’s fees.”); Olson v. Nieman’s, Ltd., 579 N.W.2d 299, 315–316 (Iowa 1998)
(affirming the trial judge’s denial of attorney’s fees notwithstanding the jury’s finding of willful and
malicious conduct). In federal court diversity jurisdiction cases, state law determines whether
attorney’s fees are to be awarded. ICE Corp., 432 F. App’x 732, 741 (10th Cir. 2011) (“In diversity
cases, attorney’s fees are controlled by state law.”).

94. See supra notes 43–44 for discussion of the burden of proof with respect to the award
of punitive damages and attorney’s fees.

95. S.O. Tech/Special Operations Technologies, Inc. v. Berge, B243795, 2013 WL 5563757,
at **1–3 (Cal. Ct. App. Oct. 9, 2013) (Because the burdens of proof were different, the trial judge was
not bound by the jury’s determination that the misappropriation was not willful and malicious).
B. Constitutional Limitations Upon the Award of Punitive Damages and Attorney’s Fees

1. The Supreme Court Cases

Both the blameworthy conduct for which punitive damages are appropriate and its vague contours invite large awards. This has led the United States Supreme Court to impose a constitutional prohibition upon excessive punitive damages. In *State Farm Mutual Automobile Insurance Co. v. Campbell*, a six-to-three opinion written by Mr. Justice Kennedy, a majority of the Court reversed and remanded the Utah Supreme Court’s affirmation of a judgment upon a jury verdict for $145 million in punitive damages and $1 million in compensatory damages. The defendant was an insurer whose refusal to settle claims had resulted in a judgment against the insureds substantially in excess of policy limits. The majority opinion stressed that the Due Process Clause of the Fourteenth Amendment prohibited state imposition of grossly excessive or arbitrary punishment upon a tortfeasor. The opinion reaffirmed the three guideposts for testing the constitutional excessiveness of punitive damage awards in *BMW of North America, Inc. v. Gore*: (1) the degree of reprehensibility of the defendant’s conduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the amount of punitive damages awarded; and (3) the difference between the punitive damages awarded and the civil penalties authorized or imposed in comparable cases, with the reprehensibility of the defendant’s conduct being most important. Although declining to adopt a “bright-line ratio,” the *Campbell* majority suggested punitive damages that were four times the economic loss proved ordinarily would be the constitutional limit and observed that “few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process.”

97. *Id.* at 412–416.
98. *Id.* at 416.
100. *Id.* at 574–575; *Campbell*, 538 U.S. at 418.
101. *Campbell*, 538 U.S. at 425. On remand, the Utah Supreme Court focused upon U.S. Supreme Court’s reference to a 9:1 ratio and approved $9,018,780 in punitive damages and $1,000,000 in compensatory damages. *Campbell v. State Farm Mut. Auto. Ins. Co.*, 98 P.3d 409, 419–420 (Utah 2004), *cert. denied*, 543 U.S. 874 (2004). On the other hand, following remand of the *Gore* case by the U.S. Supreme Court, the Alabama Supreme Court had disregarded the preferred ratios and approved $50,000 in punitive damages and $4,000 in compensatory damages, an over 12 to 1 ratio. *BMW of North America, Inc. v. Gore*, 701 So. 2d 507, 509, 515 (Ala. 1997) (per curiam). These decisions upon remand raised concern that state courts would not adhere to the U.S. Supreme Court’s
compensatory damages are substantial, then a lesser ratio, perhaps only equal to compensatory damages, can reach the outermost limit of the due process guarantee.”

The United States Supreme Court requires federal appellate courts to review de novo federal trial court compliance with the Gore/Campbell guideposts. Several states likewise require de novo appellate review of trial court application of the guideposts.

The Supreme Court has an alternative basis for substantive due process review of punitive damage judgments. In *Philip Morris USA, Inc. v. Williams*, an action by the widow of a heavy smoker against the manufacturer of her deceased husband’s brand of cigarettes, five justices held that the Due

evolving excessive punitive damages doctrine. However, an analysis of over 500 lower court punitive damage awards reported subsequent to the Campbell decision concluded that, except for a handful of high profile remand cases, there was “virtually no evidence” of lack of lower court fidelity to the constitutional guideposts. N. William Hines, *Marching to a Different Drummer: Are Lower Courts Faithfully Implementing the Evolving Due Process Guideposts to Catch and Correct Excessive Punitive Damage Awards*, 62 CATH. U. L. REV. 371, 404 (2013).

Courts reading *Campbell* and *Gore* as indicating that a ratio of 4:1 is the presumptive constitutional ceiling include Wallace v. DTG Operations, Inc., 563 F.3d 357, 363 (8th Cir. 2009) (“While suggesting that ratios alone cannot control the analysis, the Supreme Court has repeatedly intimated that a four-to-one ratio is likely to survive any due process challenges given the historic use of double, treble, and quadruple damages as a punitive remedy.”); Mattel, Inc. v. MGA Entmt’l, Inc., 801 F. Supp. 2d 950, 955 (C.D. Cal. 2011) (“[A]s a general matter, a proper exemplary damages award can equal four times the compensatory damages award.”); Goddard v. Farmers Ins. Co., 179 P.3d 645, 670 (Or. 2008) (“This case fully justifies the highest permissible award, viz. an award that is four times the amount of plaintiff’s actual and potential harm . . . .”).

102. *Campbell*, 538 U.S. at 425. This comment was reinforced by *Exxon Shipping Co. v. Baker*, 554 U.S. 471 (2008), the U.S. Supreme Court decision in the Exxon Valdez case. In *Exxon*, a five-to-three majority of the Supreme Court exercising the Court’s role as an arbiter of U.S. maritime law vacated a decision of the Ninth Circuit ordering a reduction of punitive damages to $2.5 billion and directed that the punitive damages be reduced to a sum equal to the $507.5 million in compensatory damages recovered in the trial court. *Id.* at 481, 514-515. *Accord*, Jones v. United Postal Serv., Inc., 674 F.3d 1187, 1208 (10th Cir. 2012), cert. denied, 133 S. Ct. 413 (2012) (*Campbell* requires that punitive damages equal a substantial compensatory award).


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Process Clause of the Fourteenth Amendment forbids a punitive damage award punishing the defendant for injury to nonparties to the litigation.\textsuperscript{106} The specific constitutional flaw was procedural, the state trial judge’s rejection of a proposed jury charge stating “you are not to punish the defendant for the impact of its alleged misconduct on other persons . . . .”\textsuperscript{107} The charge given was “[p]unitive damages are awarded against a defendant to punish misconduct and to deter misconduct,” and “are not intended to compensate the plaintiff or anyone else for damages caused by the defendant’s conduct.”\textsuperscript{108} The Court majority concluded that “the Due Process Clause requires States to provide assurance that juries are not asking the wrong question, i.e. seeking, not simply to determine reprehensibility, but also to punish for harm caused strangers.”\textsuperscript{109} \textit{Williams} demonstrates that inadequate procedure can invalidate a punitive damage award even if punitive damages were warranted and the award was not excessive.\textsuperscript{110}

2. The Constitutionality of the Uniform Act Punitive Damages and Attorney’s Fees Provisions

\textit{a. Willful and Malicious Misappropriation}

The Uniform Act makes the existence of “willful and malicious misappropriation” a condition precedent to the award of punitive damages and attorney’s fees.\textsuperscript{111} Official Comments indicate that the approach is similar to that of discretionary provisions in the Patent Code without indicating that the Patent Code concept of “willful infringement” is followed.\textsuperscript{112}

The leading Federal Circuit case on willful infringement under both the

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\begin{itemize}
  \item 106. \textit{Williams}, 549 U.S. at 353.
  \item 107. \textit{Id.} at 356.
  \item 108. \textit{Id.} at 351.
  \item 109. \textit{Id.} at 355. The Supreme Court also had granted certiorari with respect to the amount of the punitive damage award but the majority opinion limited its holding to the adequacy of the jury instructions. \textit{Id.} at 352.
  \item 110. Melissa Michelle Davis, \textit{Procedural Protections in Punitive Damage Cases: Ensuring that Juries Are Asking the Right Questions About Wealth Evidence}, 81 Temp. L. Rev. 1119, 1138 (2008) (“[\textit{Williams}] confirms that inadequate procedures can invalidate a punitive damages award, even where punitive damages are warranted, and even where such procedures do not necessarily result in a constitutionally excessive award.”).
  \item 111. Unified Trade Secrets Act §§ 3(b)–(4), 14 U.L.A. at 634, 642. Both ill will and misappropriation must exist. Ill will alone is not enough. Lydall, Inc. v. Ruschmeyer, 919 A.2d 421, 444 (Conn. 2007) (“Ruschmeyer could not have violated the CUTSA maliciously merely by planning to purchase Lydall, regardless of whether he harbored animus toward his fellow corporate officers and members of the board of directors or intended to injure them.”).
  \item 112. Unified Trade Secrets Act §§ 3–4 cmts., 14 U.L.A. at 635, 642. 35 U.S.C. §§ 284–85 (2012) give a trial judge discretion to award damages of up to three times the amount found to exist and also to award reasonable attorney’s fees.
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Patent Code multiple damages and attorney’s fee provisions is In re Seagate Technology, LLC.\textsuperscript{113} The Seagate test is:

\textbf{[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent . . . .

The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.}\textsuperscript{114}

The 2007 Seagate decision repudiated the understanding of Patent Code “willful infringement” emerging when the Uniform Act was adopted.\textsuperscript{115} The Uniform Act’s “willful and malicious misappropriation” could not have been intended to incorporate the more recent Seagate test. Moreover, Seagate explains why the prior Federal Circuit view of willful infringement was inappropriate. The prior test was akin to negligence\textsuperscript{116} and insufficient justification for awarding punitive damages and attorney’s fees in a nonpatent context.

The “willful and malicious misappropriation” that justifies the award of punitive damages and reasonable attorney’s fees is more than ordinary misappropriation.\textsuperscript{117} The something more is either intentional misappropriation

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\textsuperscript{114} Seagate, 497 F.3d at 1371. A Federal Circuit panel subsequently ruled that the objective prong of the Seagate test for willful infringement was to be decided by the trial judge as a matter of law and was reviewable de novo upon appeal. Bard Peripheral Vascular, Inc. v. W.L. Gore & Assoc., 682 F.3d 1003, 1006–1007 (Fed. Cir. 2012) (“[T]he objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to de novo review.”).

\textsuperscript{115} See Danny Prati, In Re Seagate Technology, LLC: A Clean Slate for Willfulness, 23 BERKELEY TECH. L.J. 47, 62 (2008) (the pre-Seagate precedent had applied for over 20 years).

\textsuperscript{116} Seagate, 497 F.3d at 1371 (the prior test was “more akin to negligence”).

\end{footnotesize}
or conscious disregard of another’s known trade secret rights.\textsuperscript{118} Uniform Act misappropriation also can result from having “reason to know” that knowledge of a trade secret had been acquired through improper means.\textsuperscript{119} But “reason to know” misappropriation does not warrant the award of either punitive damages or attorney’s fees.\textsuperscript{120}

\textit{b. Application of the Gore/Campbell Guideposts}

The Uniform Act caps maximum punitive damages at two times the compensatory damages recovered,\textsuperscript{121} which is within the \textit{Campbell} presumption of constitutionality. The Act does not provide for nominal damages.\textsuperscript{122} The constitutionality of awarding punitive damages upon nominal damages will not arise.\textsuperscript{123}

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\item \textsuperscript{118} Mangren Research & Dev. Corp. v. Nat'l Chemical Co., 87 F.3d 937, 946 (7th Cir. 1996) ("[Willful and malicious misappropriation] surely must include an intentional misappropriation as well as a misappropriation resulting from the conscious disregard of the rights of another."); \textit{accord}, Learning Curve Toys, Inc. v. Plywood Toys, Inc., 342 F.3d 714, 730 (7th Cir. 2003). \textit{See also} Agilent Tech., Inc. v. Kirkland, CA No. 3512-VCS, 2010 WL 610725, at *34 (Del. Ch. Feb. 18, 2010) ("First, the defendants acted willfully because they knew that Agilent’s bonding, slurry solvent, and multilayering information were confidential, and were aware of the potential consequences of using those trade secrets . . . Second, Kirkland, DeStefano, and Langlois acted maliciously. They acted with the intent to cause commercial injury to Agilent by creating a product based on Agilent’s trade secrets to compete with Agilent."). Conscious disregard of the known trade secret rights of another hereinafter will be referred to as "conscious-disregard misappropriation." \textit{Id.}
\item \textsuperscript{119} UNIF. TRADE SECRETS ACT § 1(2)(i)–(ii)(B)(I), (III), 14 U.L.A. at 537.
\item \textsuperscript{120} The Model Punitive Damages Act does not permit an award of punitive damages unless “the plaintiff has established by clear and convincing evidence that the defendant maliciously intended to cause the injury or consciously and flagrantly disregarded the rights or interests of others in causing the injury . . . .” \textit{Id.} § 5(a)(2), 14 U.L.A. 325 (2005). The Official Comment explains:

Paragraph 2 essentially paraphrases the language from the Restatement (Second) of Torts, describing the bases for punitive awards. However, it differs from the Restatement in one regard. It does not encompass the situation, as does the Restatement, where the actor, from facts which he or she knows, \textit{should realize} that there is a strong probability that harm may result. Although contained in the definition of “reckless” conduct in Section 500 of the Restatement (Second) of Torts, this language sounds more in negligence and would permit, in the opinion of the Drafting Committee, cases to go to the jury without proof of the type of state of mind which should be required to warrant punitive damages.

\textit{Id.} at 325–326. The Prefatory Note to the Model Punitive Damages Act reviews the initial seven United States Supreme Court decisions dealing with punitive damages up to and including BMW v. Gore. \textit{Id.} at 315–319. Its provisions are intended to be consistent with the constitutional underpinning of \textit{Gore}, the guideposts of which continue to express prevailing U.S. Supreme Court doctrine. \textit{See supra} notes 96–104 and accompanying text.
\item \textsuperscript{121} UNIF. TRADE SECRETS ACT § 3(b), 14 U.L.A. at 634.
\item \textsuperscript{122} Alphamed Pharm. Corp. v. Arriva Pharm., Inc., 432 F. Supp. 2d 1319, 1334–1339 (S.D. Fla. 2006), \textit{aff’d per curiam}, 294 F. App’x 501 (11th Cir. 2008) (vacating jury verdict of liability for nominal damages).
\item \textsuperscript{123} \textit{Cf.} Fastenal Co. v. Crawford, 609 F. Supp. 2d 650, 658, 669–671 (E.D. Ky. 2009) (punitive damages awarded on fraud claim notwithstanding jury award of $0 compensatory damages
But, the punitive damages/compensatory damages ratio is only one of the three Gore/Campbell guideposts and not the most important one. In Campbell, Mr. Justice Kennedy explained:

[T]he most important indicium of the reasonableness of a punitive damages award is the degree of reprehensibility of the defendant’s conduct . . . . We have instructed courts to determine the reprehensibility of a defendant by considering whether: the harm caused was physical as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident . . . . The existence of any one of these factors weighing in favor of a plaintiff may not be sufficient to sustain a punitive damages award; and the absence of all of them renders any award suspect.

There is an issue under the Gore/Campbell line of United States Supreme Court cases how “reprehensible” deliberate and conscious disregard trade secret misappropriation is. In trade secret misappropriation cases, the harm ordinarily is economic; no personal injuries typically are involved; the health or safety of others is not necessarily affected; and the target of the misappropriation may or may not be financially vulnerable. The factor most likely to exist in addition to deliberate or conscious disregard misappropriation is repeated, profitable misconduct.

Both Gore and Campbell indicate that repeated misconduct is more reprehensible than isolated misconduct.

The reprehensiveness of profitable misconduct that is repeated for a substantial period of time is illustrated by Johnson v. Ford Motor Co. In Johnson, the purchasers of a used Taurus from a dealer acting for Ford sued Ford for concealing the Taurus’ history of transmission malfunction and repair.
The plaintiffs introduced evidence of identical or similar fraud in sales to others. The jury awarded them $17,811 in compensatory damages and $10 million in punitive damages. An intermediate court of appeals reduced the punitive damages to $53,435, approximately three times the compensatory damages. The California Supreme Court reversed and remanded because the court of appeals “gave no express weight, in its assessment of the constitutional maximum, to the profitability of the scheme to Ford or the scale at which Ford pursued it.” Upon reconsideration, the court of appeals approved punitive damages of $175,000, which was just short of ten times the compensatory damages and just over the single-digit ratio that Campbell indicated ordinarily marked the limit of constitutionality.

Damage recoveries under the Uniform Act can be large. The California federal district court decision in Mattel, Inc. v. MGA Entertainment, Inc. is illustrative. A jury found that Mattel willfully and maliciously had misappropriated twenty-six categories of the plaintiff’s trade secrets. The evidence indicated that for years Mattel had encouraged employees to use false pretenses to access competitors’ private displays at international toy fairs and improperly to acquire competitive information. Mattel praised employees that had engaged in this wrongdoing, had used the wrongfully acquired information, and had been unjustly enriched $85 million by the course of conduct. The jury awarded $88.5 million dollars in compensatory damages, which the trial court ordered remitted to $85 million dollars in order to avoid a new trial. Acknowledging that Mattel’s conduct had been “silly, not evil,” under the Gore/Campbell Guideposts, the federal district court awarded $85 million in punitive damages and $2,172,000 in attorney’s fees. Because the compensatory damages were large and Mattel’s conduct had been “silly not evil,” the federal district court in substance followed the Campbell dictum in rejecting a request for punitive damages that were two times the compensatory recovery and awarding punitive damages equal to the compensatory recovery.

130. Id. at 85.
131. Id. at 97.
133. Id. at 954–955, 958.
134. Id. at 955.
135. Id. at 956.
136. Id. at 955.
137. Id. at 953–955, 958.
138. Id. at 956. Mattel’s employees had used “cheap fake business cards, silly nicknames, and amateurish tactics” to gain access to competitors’ trade secrets. Id. at 955.
139. Id. at 956. See supra note 102 (indicating that a substantial compensatory damage
Of course, there have been and there will be willful and malicious misappropriation cases involving greater reprehensiveness. One example is a former employee who secretly submitted a patent application in his own name and deliberately deleted the only computer files describing the invention before surrendering his laptop and resigning.\footnote{140} In another case, a former accountant and vice-president of the plaintiff had setup a competing business to manufacture cheese according to the plaintiff’s secret method, and, using the plaintiff’s business plan, intended to choke off the plaintiff’s supply of milk and to take over the plaintiff’s customers.\footnote{141}

The Uniform Act provision giving a trial judge discretion to award a successful plaintiff reasonable attorney fees for willful and malicious misappropriation\footnote{142} is not per se subject to the \textit{Gore/Campbell} guideposts. The premise of \textit{Gore/Campbell} is that “[e]lementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose.”\footnote{143}

In contrast to purely punitive damages, a Uniform Act reasonable attorney’s fee award compensates a successful plaintiff for the attorney’s fees caused by willful and malicious misappropriation.\footnote{144} Moreover, an award of reasonable attorney’s fees must be based upon objective evidence\footnote{145} and approved by the

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\footnotetext[140]{B&B Microscopes v. Armogida, 532 F. Supp. 2d 744, 750–751, 753 (W.D. Pa. 2007).}
\footnotetext[141]{Elm City Cheese Co. v. Federico, 752 A.2d 1037, 1040–1042, 1056 (Conn. 1999).}
\footnotetext[142]{\textit{UNIF. TRADE SECRETS ACT} § 4(iii), 14 U.L.A. at 642.}
\footnotetext[144]{See Clearone Commc’n, Inc. v. Biamp Sys., 653 F.3d 1163, 1185–1186 (10th Cir. 2011) (dictum) (a Uniform Act attorney’s fee award is compensatory in nature). This is not to say that a Uniform Act attorney’s fee award should be included in compensatory damages in computing the ratio of punitive damages to compensatory damages under the Guideposts. Mark A. Behrens, Cary Silverman & Christopher E. Appel, \textit{Calculating Punitive Damage Ratios with Extracompensatory Attorney Fees and Judgment Interest: A Violation of the United States Supreme Court’s Due Process Jurisprudence?} 48 \textit{WAKE FOREST L. REV.}, 1295, 1326 (2013) ("[i]ncluding extracompensatory damages in the a[sic.] ratio calculation for punitive damages is contrary to the Supreme Court’s punitive damages jurisprudence and unsound as a matter of policy.").}
\footnotetext[145]{For this reason, Connecticut limits common-law punitive damages to a successful plaintiff’s expenses of litigation minus taxable costs. Berry v. Loiseau, 614 A.2d 414, 437 (Conn.}
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trial court. Reasonable attorney’s fees ordinarily can be awarded to a successful plaintiff based upon the defendant’s intentional or conscious-disregard course of profitable misappropriation.

Nevertheless, lax judicial supervision could result in an award of attorney’s fees that is “grossly excessive” and “arbitrary.” In Uhlig, LLC v. Shirley, for example, the plaintiff recovered a jury verdict for more than $2,770,000 in compensatory damages on multiple claims, including trade secret misappropriation. The successful plaintiff moved for an award of $4,541,235 in attorney’s fees for more than 15,000 hours of attorney time and 3,800 hours of paralegal time. After close scrutiny, the trial judge reduced the fee request 60%, awarding $1,816,494 in attorney’s fees. If the trial judge had approved the entire $4,541,235 fee request following minimal scrutiny, the award would have been “grossly excessive” and “arbitrary.”

V. OTHER FACTORS AFFECTING PUNITIVE DAMAGE AND ATTORNEY’S FEE AWARDS IN TRADE SECRET CASES

Traditional common-law factors considered by fact finders in determining the amount of punitive damages include: (1) the reprehensiveness of the defendant’s misconduct; (2) the defendant’s wealth; (3) the profitability of the misconduct; (4) the successful plaintiff’s litigation costs; (5) the aggregate of all civil and criminal sanctions against the defendant; and (6) the ratio between the harm caused or potentially caused by the defendant’s misconduct and the losses suffered by the plaintiff. The characteristics of trade secret cases require fine-tuning of these factors.

A. The Defendant’s Inability-to-Pay Defense

The traditional concern with the wealth of the defendant has special significance for punitive damages and attorney’s fee awards. Defendants charged with trade secret misappropriation frequently include former employees of the plaintiff, who may not have deep pockets.

The United States Supreme Court has minimized the significance of a

146. See Gore, 517 U.S. 559; Campbell, 538 U.S. 408. See supra note 143.
148. Id. at 708, 712–719.
149. 3 DOBBS et al., supra note 6, at 44.
150. Id.
151. E.g., Agilent Techs., Inc. v. Kirkland, CA No. 3512-VCS, 2010 WL 610725, at *1 (Del. Ch. Feb. 18, 2010) (former employer sued three former employees and the company that they had established for breach of contract and trade secret misappropriation).
defendant corporation’s strong financial condition in evaluating the constitutional excessiveness of a punitive damage award. The financial strength of the defendant is not a *Gore* guidepost.\(^{152}\) Indeed, Mr. Justice Stevens indicated that the defendant’s financial strength was irrelevant stating, “[t]he fact that BMW is a large corporation rather than an impecunious individual does not diminish its entitlement to fair notice of the demands that the several States impose on the conduct of its business.”\(^{153}\)

The *Campbell* majority decision reemphasized Mr. Justice Stevens’ comment, adding “[t]he wealth of a defendant cannot justify an otherwise unconstitutional punitive damages award.”\(^{154}\) The United States Supreme Court, however, has never indicated that a defendant’s poor financial condition could not reduce the amount or the appropriateness of punitive damages.\(^{155}\)

Except in Colorado, Kentucky, and North Dakota,\(^{156}\) evidence of the defendant’s financial condition is admissible with respect to the amount of punitive damages.\(^{157}\) The California courts have discussed the significance of the defendant’s inability to pay most explicitly. In the leading case, *Adams v. Murakami*,\(^ {158}\) a majority of the California Supreme Court said, “[e]ven if an

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152.  *Gore*, 517 U.S. at 574–575. The initial defendants were the Birmingham BMW dealer with which Dr. Gore dealt, the American distributor of BMW automobiles, and the German manufacturer. *Id.* at 563 n. 2. The Supreme Court of Alabama reversed the judgment against the German manufacturer due to insufficient minimum contacts with Alabama. *BMW of North America, Inc. v. Gore*, 646 So. 2d 619, 622 (Ala. 1994) (per curiam), *rev’d on other grounds*, 517 U.S. 559 (1996).


155.  *See F. Patrick Hubbard, Substantive Due Process Limits on Punitive Damage Awards*, 60 FLA. L. REV. 349, 387 (2008) (“To a considerable degree, the Court’s substantive framework is designed for large corporate defendants.”).  *But see Hayes Sight & Sound, Inc. v. Oneok, Inc.*, 136 P.3d 428, 450–451 (Kan. 2006) (“*Gore and Campbell* teach that consideration of wealth is a merely peripheral consideration compared to the three guideposts, which attend more closely to a defendant’s conduct than to its status. It seems reasonable to extend the principle to what MCMC urges the court to view as lack of wealth, which also would be merely peripheral to the guideposts.”) (defendants were corporations, not individuals).

156.  *Colo. Rev. Stat. Ann.* § 13-21-102(6) (Lexis Nexis 2013) (evidence of the income or net worth of a party shall not be considered in a civil action for exemplary damages); *N.D. Cent. Code* § 32-03.2-11(3) (2010) (evidence of a defendant’s financial condition or net worth is not admissible with respect to exemplary damages); *Sand Hill Energy, Inc. v. Smith*, 142 S.W.3d 153, 167 (Ky. 2004) (“[N]o evidence as to the financial condition of either defendant or plaintiff should be admitted in any case in which punitive damages might be recovered.”).

157.  *Restatement (Second) of Torts* § 908, cmt. e. (“The wealth of the defendant also is relevant, since the purposes of exemplary damages are to punish for a past event and to prevent future offenses, and the degree of punishment or deterrence resulting from a judgment is to some extent in proportion to the means of the guilty person.”); *Davis, supra* note 110 at 1145 (a majority of the courts that have encountered the issue consider the wealth of the defendant relevant to the award of punitive damages).

awards is entirely reasonable in light of the other two factors in *Neal* . . . (nature of the misconduct and amount of compensatory damages), the award can be so disproportionate to the defendant’s ability to pay that the award is excessive *for that reason alone.*”

The defendant’s financial condition at the time of trial ordinarily controls. The California Supreme Court majority also held that the burden is on the plaintiff seeking punitive damages to introduce evidence of the defendant’s financial condition, a position that has not been widely followed.

The Ninth Circuit has said that the California courts have limited punitive damage awards to approximately 10% or less of the defendant’s net worth. However, *Devlin v. Kearny Mesa AMC/Jeep/Renault, Inc.* one of three California cases relied upon by the Ninth Circuit for this statement, examined sixteen prior decisions without finding “a single formula for calculating punitive damages,” and upheld a punitive damage award that was 17.5% of the corporate defendant’s net worth.

The Florida Supreme Court also requires consideration of the defendant’s financial condition.

159.  *Id.* at 1351.

160.  *Zhadan v. Downtown Los Angeles Motor Distrib., Inc.*, 161 Cal. Rptr. 225, 236 (Cal. Ct. App. 1979) (“Defendant finally contends that the trial court improperly admitted evidence of defendant’s net worth at the time of trial which was substantially greater than that at the time of the first trial . . . . [T]he jury should make its determination of the punitive damages based on the defendant’s net worth at the time of trial.) *See also Rufo v. Simpson,* 86 Cal. 4th 573, 620–621 (Cal. 2001) (a net worth statement can reflect the present value of the defendant’s future income). *But see Tarr v. Bob Ciasulli’s Mack Auto Mall, Inc.*, 943 A.2d 866, 872–873 (N.J. 2008) (corporate defendant’s claim that it was defunct did not preclude considering its financial condition both at the time of the wrongful conduct and subsequently).


162.  *See, e.g., Kemezy v. Peters,* 79 F.3d 33, 34 (7th Cir. 1996) (Posner, C.J.) (“We think the majority rule, which places no burden of production on the plaintiff, is sound, and we take this opportunity to make clear that it is indeed the law of this circuit.”).

163.  *Provident Life & Accident Ins. Co. v. O’Connor,* 32 F. App’x 821, 826 (9th Cir. 2002) (“As a general rule, punitive damage awards of approximately 10 percent of the defendant’s net worth and less have been upheld by the California courts, while awards exceeding that amount have been set aside as excessive.”).


165.  *Provident Life,* 32 F. App’x at 826.


167.  *Id.* at 211.
ability to pay punitive damages. The Florida Supreme Court considers that the objective of punitive damages is the “punishment of each wrongdoer by exacting from his pocketbook a sum of money, which, according to his financial ability, will hurt, but not bankrupt.” 168 The wisdom of this policy was demonstrated when three individuals maintained a Florida class action against the major tobacco companies and were awarded $145 billion in punitive damages. This was approximately eighteen times the defendants’ combined net worth and would have put them all out of business! 169 The Florida Supreme Court held that the punitive damages were excessive based upon the defendants’ ability to pay. 170

Maryland, like Florida, considers that punitive damages should not be disproportionate to the defendant’s ability to pay. 171 A Maryland standard jury instruction states that punitive damages “must not bankrupt or financially destroy” the defendant. 172

The Florida and Maryland requirement that a punitive damage award should not bankrupt a defendant is not universally shared. In Mattison v. Dallas Carrier Corp., 173 for example, a panel of the Fourth Circuit drafted jury instructions under South Carolina law that included the statement, “[a]ny penalty must be limited to punishment and thus may not affect economic bankruptcy. To this end, the ability of the defendant to pay any punitive award entered should be considered.” 174

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170. Engle, 945 So. 2d 1246, 1265 n.8 (Fla. 2006) (per curiam) (alternative holding). Because the trial plan had allowed a lump sum determination of punitive damages for the entire class after compensatory damages had been determined for only three class representatives, the Florida Supreme Court alternatively held that a reviewing court could not meaningfully compare the relationship of the punitive damages to the compensatory damages. Id. at 1265 (alternative holding).

171. Ellerin v. Fairfax Savings, F.S.B., 652 A.2d 1117, 1130 (Md. 1995) (“Upon request, a jury should be instructed that punitive damages should not be disproportionate to . . . the defendant’s ability to pay.”).


174. Id. at 110.
When a South Carolina defendant subsequently challenged the excessiveness of the punitive damages awarded by a South Carolina jury to which this instruction had been given, the South Carolina Court of Appeals declared the instruction to be unduly favorable to the defendant. The resulting bankruptcy of the defendant is not a bar to the imposition of punitive damages in South Carolina.

In trade secret cases, it would be desirable if every jurisdiction adopted the California, Florida, and Maryland approach that requires fact finders to consider evidence that an award of punitive damages would be excessive in light of the defendant’s ability to pay. The defendant’s ability to pay likewise should affect the award of attorney’s fees. Even rigorously scrutinized requests for attorney’s fees can involve substantial amounts. In Uhlig, LLC v. Shirley, for instance, the trial judge reduced the requested attorney’s fees by 60%, but nevertheless awarded $1,816,494. Laughinghouse v. Risser represents the situation in most jurisdictions, and, even in California, Florida, and Maryland, a defendant should request a jury instruction or a finding that ability to pay matters and introduce meaningful evidence of inability to pay.

In Laughinghouse, a former female employee of a consumer loan corporation sued her former supervisor and the corporation for outrageous conduct causing severe emotional distress. A jury awarded the former employee $100,000 in compensatory damages. Ten thousand dollars in

176. Id. Although Hazelwood v. Illinois Cent. Gulf R.R., 450 N.E.2d 1199, 1207 (Ill. App. Ct. 1983), states in dictum that “an award which bankrupts the defendant is excessive,” the Illinois Supreme Court has not endorsed this. Deal v. Byford, 537 N.E.2d 267, 272 (Ill. 1989) (“Contrary to the defendants’ assertion, the absence of any evidence regarding their financial status does not mean that the jury’s award [of punitive damages] must be set aside. Evidence regarding the financial status of a defendant is simply one relevant consideration to be weighed by the judge or jury in determining an appropriate award of punitive damages. The plaintiff was not required to present such evidence, and the defendants made no attempt to do so. The defendants cannot now complain of its absence.”).
177. E.g., United Centrifugal Pumps v. Cusimano, No. B7-3074, 1988 WL 1091936, at *1, *16 (W.D. Ark. Aug. 31, 1988) (trial court utilized its discretion to decline to award prevailing corporation its attorney’s fees from defendant former employee). See also Chemetall Gmbh v. ZR Energy, Inc., No. 99 C 4334, 2002 WL 23826, at *1,*7 (N.D. Ill. Jan. 8, 2002) (the jury awarded punitive damages against an individual, but the trial judge declined to impose liability for the plaintiff’s attorney’s fees in part because of the individual’s “limited ability . . . to bear the substantial attorneys’ fee and cost award that is sought. . . .”).
179. Id. at 719.
181. Affirmative action by a defendant is least necessary in California, which atypically requires a plaintiff to introduce evidence of the defendant’s financial condition. See supra note 161. Affirmative action by the defendant nevertheless is the more prudent course in California as well.
182. Laughinghouse, 786 F. Supp. at 922. See generally RESTATEMENT (SECOND) OF TORTS § 46 (discussing outrageous conduct intentionally or recklessly causing severe emotional distress).
punitive damages were assessed against her former supervisor and $600,000 in punitive damages were assessed against her former employer.\textsuperscript{183} The corporation asserted that the punitive damages awarded against it had been the product of unfair speculation as no evidence of its financial condition had been presented. The trial court rejected this challenge, noting that the corporation had the burden of introducing evidence of its financial condition and requesting an instruction that the jury consider it, but had done neither.\textsuperscript{184} There also are other protective steps that each defendant from whom punitive damages or attorney’s fees are sought should be entitled to take. Because the financial condition of multiple defendants will vary, each defendant should be able to ask for a special verdict or finding with respect to its liability for punitive damages and attorney’s fees.\textsuperscript{185} The liability also should be several, not joint and several,\textsuperscript{186} and not subject to a right to contribution of fellow misappropriators.\textsuperscript{187}

It seems likely that defendants, not infrequently, fail to assert a meritorious

\textsuperscript{183} Laughinghouse, 786 F. Supp. at 922.

\textsuperscript{184} Id. at 926–927 (alternative holding). The trial court also noted that there had been testimony that the corporation had 1,130 offices as well as testimony on the types and size of loans made by the Topeka office. \textit{Id. Accord}, Pluid v. B.K., 948 P.2d 981, 985–986 (Alaska 1997) (“A defendant which does not put on evidence of its financial worth cannot complain the jury did not have such evidence.”); Rinaldi v. Aaron, 314 So. 2d 762, 765 (Fla. 1975) (“If defendant’s financial worth is meager, it would be to his advantage to introduce such evidence in order to mitigate the damage award.”); Deal v. Byford, 537 N.E.2d 267, 272 (Ill. 1989) (“Contrary to the defendants’ assertion, the absence of any evidence regarding their financial status does not mean that the jury’s award [of punitive damages] must be set aside . . . . The plaintiff was not required to present such evidence and the defendants made no attempt to do so. The defendants cannot now complain of its absence.”); Economy Roofing & Insulating Co. v. Zumaris, 538 N.W.2d 641, 654 (Iowa 1995) (“The district court made it clear it was submitting the punitive damage issue to the jury . . . . Douglas knew he was vulnerable for an award of punitive damages. Because he did not introduce evidence of his lack of resources to pay punitive damages, he cannot now complain because of the lack of such evidence.”).

\textsuperscript{185} Lehman v. Spencer Ladd’s Inc., 182 So. 2d 402, 403–404 (Fla. 1965) (“[A] special or separate verdict shall be used for the assessment of punitive damages against each tortfeasor . . . . This procedure with the allowance of evidence of the financial worth of the tortfeasors, will make possible . . . punishment of each wrongdoer by exacting from his pocketbook a sum of money which, according to his financial ability, will hurt but not bankrupt.”); Sanchez v. Clayton, 877 P.2d 567, 572 (N.M. 1994) (“[P]unitive damages against two or more defendants must be separately determined.”).

\textsuperscript{186} E.g., Smith v. Printup, 866 P.2d 985, 1011 (Kan. 1993) (“The imposition of joint and several liability for punitive damages is contrary to the purpose for which punitive damages are awarded . . . . The amount of the award is to be calculated with the individual defendant’s financial status and conduct in mind.”); Exxon Corp. v. Yarema, 516 A.2d 990, 997 (Md. Ct. Spec. App. 1986) (“Because of the exemplary nature of punitive damages, defendants may not be held jointly and severally liable for such damages.”).

\textsuperscript{187} E.g., Hall v. Archer-Daniels-Midland Co., 491 N.E.2d 879, 884 (Ill. App. Ct. 1986) (“punitive damages are not subject to contribution”), \textit{rev’d on other grounds}, 524 N.E.2d 586 (Ill. 1988); \textit{Exxon Corp.}, 516 A.2d at 997 (“[T]he Uniform Contribution Among Tortfeasors Act does not apply to punitive damages.”).
inability-to-pay defense. *McFarland v. Brier*\(^ {188} \) is a case in which this was true. Defendant Michael Brier had performed accounting services for the plaintiff corporation. Brier had established a competing business with the assistance of a former president of the plaintiff corporation who was bound by a covenant not to compete.\(^ {189} \) The corporate defendants were Brier’s accounting firm and the corporate competitor that Brier had formed.\(^ {190} \) A trial judge sitting without a jury held that the accounting firm was not liable but that Brier and the competing corporation were jointly and severally liable for $67,936 in compensatory damages; Punitive damages were denied.\(^ {191} \) The Rhode Island Supreme Court reversed and remanded, erroneously holding\(^ {192} \) that, in view of the clear willful and malicious misappropriation, it was an abuse of discretion for the trial court not to have awarded an additional two times compensatory damages in punitive damages plus reasonable attorney’s fees.\(^ {193} \) The Rhode Island Court also ruled that the accounting corporation was jointly and severally liable, and that the individual plaintiff was entitled to recover for the loss in value of his stock in the corporate plaintiff.\(^ {194} \) Upon remand, the trial judge imposed joint and several liability upon both corporations and Mr. Brier for $478,980 in compensatory damages, $302,760 in punitive damages,\(^ {195} \) and $401,090 in attorney’s fees.\(^ {196} \)

Rhode Island is a majority rule jurisdiction in which evidence of the defendant’s financial condition is admissible with respect to the amount of punitive damages and the defendant has the burden of introducing that evidence.\(^ {197} \) But the defendants in *McFarland* had not made their financial condition an issue and had not introduced any evidence. Mr. Brier, who filed

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189. *Id.* at 607–609.
190. *Id.* at 608–609.
192. The Rhode Island Supreme Court ignored the Uniform Act’s leaving the award of punitive damages and attorney’s fees to the discretion of a trial court sitting without a jury even if willful and malicious misappropriation existed. *See supra* note 51 and accompanying text.
194. *Id.* at 610–611, 613–614.
195. The reason that the punitive damages were not two times the $478,980 is that the trial court read the Supreme Court opinion as requiring the doubling of only the $151,380 discussed by the Supreme Court as compensatory damages. *McFarland v. Brier*, No. 96-1007, 2001 WL 1097779, at *6 (R.I. Super. Ct. Sept. 17, 2001).
196. *Id.*
197. General Providence Deposit Corp. v. Jenison, 485 A.2d 1242, 1245 (R.I. 1984) (“Here, Quaranto was on notice that punitive damages were being sought, and he made no effort to introduce any evidence of his modest means. Under these circumstances, we do not believe that he should now be heard to complain about their absence or paucity.”).
liquidation bankruptcy prior to the Rhode Island Supreme Court’s decision,\textsuperscript{198} had failed to assert a meritorious inability-to-pay defense.

\textbf{B. Exclusion of the Defendant’s Profit From Misappropriation from Punitive Damages}

A traditional consideration in determining the amount of punitive damages is the profitability of the defendant’s wrongdoing.\textsuperscript{199} However, this factor should not be utilized under the Uniform Act, which allows recovery of damages for the “unjust enrichment caused by misappropriation.”\textsuperscript{200}

\textbf{C. Either Inclusion or Exclusion of the Successful Plaintiff’s Reasonable Attorney’s Fees in Punitive Damages}

An Official Comment to Uniform Act § 4 states that a trial court should take into account the extent to which exemplary (punitive) damages are awarded in determining whether to award attorney’s fees.\textsuperscript{201} A prevailing plaintiff that has obtained or believes that he or she will obtain a finding of willful and malicious misappropriation ordinarily requests both punitive damages and attorney’s fees.\textsuperscript{202} Whether punitive damages will be awarded should be decided first. In some jurisdictions, unless a constitutional right to a jury trial is waived, a jury will decide whether willful and malicious misappropriation existed and the amount of punitive damages.\textsuperscript{203} In other jurisdictions, a trial judge will. What is important is that the trial judge knows whether or not reimbursement of the plaintiff’s attorney’s fees was included in a punitive damage award before ruling upon a motion for attorney’s fees. If reimbursement was included, the motion for attorney’s fees is duplicative and should be denied.

If a trial judge will decide whether both punitive damages and attorney’s fees

\begin{footnotes}
\item[198] In re Brier, 274 B.R. 37, 38 (Bankr. D. Mass. 2002) (Brier filed a Ch. 11 petition that was dismissed followed by a Ch. 7 petition on 1/30/01). The Rhode Island Supreme Court decision was handed down in April, 2001. See supra note 188.
\item[199] 3 DOBBS et al., supra note 5, at 44 (the profitability of the misconduct is a factor).
\item[200] UNIF. TRADE SECRETS ACT § 3(a), 14 U.L.A. at 633–634.
\item[201] Id. § 4 cmt., 14 U.L.A. at 642.
\item[202] Agilent Techs., Inc. v. Kirkland, No. 3512-VCS, 2010 WL 610725 at *33 (Del. Ch. Feb. 18, 2010) (“Agilent also argues that it is entitled to punitive damages and attorney’s fees for the defendants’ willful and malicious misappropriation of Agilent’s trade secrets.”).
\item[203] If evidence of the plaintiff’s attorney’s fees is submitted to a jury, under the Uniform Act, the defendant should be entitled to present evidence both that the amount claimed is unreasonable and that the attorney’s fees were not incurred with respect to a claim for trade secret misappropriation. Cf. UNIF. TRADE SECRETS ACT § 4(iii), 14 U.L.A. at 642. In other litigation in which evidence of litigation cost is offered for reimbursement through punitive damages, the courts may or may not review the reasonableness of the claimed expenses. See Berry v. Loiseau, 614 A.2d 414, 436–437 (Conn. 1992) (a court can consider a contingent fee agreement in determining the amount of punitive damages).
\end{footnotes}
fees will be awarded.\textsuperscript{204} Agilent Technologies, Inc. v. Kirkland\textsuperscript{205} is of interest. In Agilent, a Delaware Vice Chancellor awarded the plaintiff lost profits with prejudgment interest, consistent unjust enrichment damages, a permanent injunction against use of its trade secrets, and a mandatory injunction requiring the defendants to return the plaintiff’s property relating to the trade secrets. The defendants were also ordered to withdraw two pending patent applications and to refrain from filing a new patent application based upon the misappropriated trade secrets.\textsuperscript{206} The Vice Chancellor found that the defendants’ misappropriation had been willful and malicious, and the plaintiff moved for both punitive damages and attorney’s fees.\textsuperscript{207} In order to more fully compensate the plaintiff, the Vice Chancellor awarded reasonable attorney’s fees but declined to impose punitive damages because the other remedies granted adequately vindicated the plaintiff’s interests.\textsuperscript{208} On the other hand, if a trial judge elected to grant both motions, the judge should exclude reimbursement of the plaintiff’s attorney’s fees for misappropriation claims from the punitive damage award.\textsuperscript{209} But, if only the motion for punitive damages was granted, reimbursement of the plaintiff’s reasonable attorney’s fees for misappropriation claims could be included in the punitive damages award.\textsuperscript{210}

VI. CONCLUSION

Economic damage caused by repeated and profitable trade secret misappropriation that was either intentional or in conscious disregard of another’s trade secret rights involves sufficiently reprehensible conduct for punitive damages to be awarded. However, if the compensatory damages recovered are substantial and the reprehensibility did not include subjective evil intent, the ratio of punitive damages to compensatory damages should be nearer 1:1 than to the two times the compensatory damages allowed by the Uniform

\footnotesize{204. For example, as a result of waiver of the right to a jury trial. 
206. Id. at **24–33.
207. Id. at *33.
208. Id. at *34.
209. E.g., Boeing Co. v. Sierracin Corp., 738 P.2d 665, 672, 683–84 (Wash. 1987) (both punitive damages in the same amount as compensatory damages and attorney’s fees awarded); Great American Opportunities, Inc., LLC, CA No. 3718-VCP, 2010 WL 338219 at *27–29 (Del. Ch. Jan. 20, 2010) (both punitive damages in the same amount as compensatory damages and attorney’s fees awarded).
210. See supra notes 202–203. In including the plaintiff’s attorney’s fees in the punitive damages award, the trial judge should excise unreasonable fees and fees unrelated to trade secret misappropriation just as she or he would have if the motion for award of attorney’s fees had been granted. Cf. UNIF. TRADE SECRETS ACT§ 4(iii), 14 U.L.A. at 642.}
Act. On the other hand, attorney’s fee awards to plaintiffs that are limited to reasonable fees for successful trade secret misappropriation claims are not subject to Gore/Campbell restrictions.

All defendants, whether individuals, corporations, or partnerships, should take advantage of the opportunity afforded by most states to introduce evidence of inability to pay as a defense to liability for punitive damages. Inability to pay also should be a defense to liability for attorney’s fees.

The trial judge should defer acting upon a motion to award attorney’s fees to a successful plaintiff until the trier of fact determines whether any punitive damages awarded will include reimbursement of the plaintiff’s attorney’s fees for misappropriation claims. Whenever punitive damages reimburse the plaintiff’s attorney’s fees for misappropriation claims, a motion to award attorney’s fees should be denied. Furthermore, unjust enrichment damages are recoverable under the Uniform Act. Punitive damages should not include the defendant’s profit from misappropriation.