

When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine

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I. INTRODUCTION

The Vice President of Research and Development at ToyWorld has left to become the Vice President of Research and Development at ToyLand. ToyWorld and ToyLand are head-to-head competitors in the toy industry. Because he had access to trade secret and confidential information at ToyWorld, Mr. Vice President (Mr. VP) signed a nondisclosure agreement with ToyWorld at the start of his employment, but did not sign a noncompetition agreement. Having just learned of Mr. VP's plans to join ToyLand, ToyWorld moves for a preliminary injunction asking the court to prevent Mr. VP from working for ToyLand on the theory that he knows so much of ToyWorld's trade secret and proprietary information, that he cannot help but use that information in his new job with Toyland, and that ToyWorld will suffer irreparable harm if he is not enjoined.

Whether the judge finds in favor of ToyWorld and bars Mr. VP from working for ToyLand, or permits Mr. VP to work for ToyLand and place ToyWorld's trade secrets at risk will ultimately depend on a fact intensive analysis within the legal framework of the inevitable disclosure doctrine. It will call into play a balancing of social policy: the right of the employee to pursue employment of his choosing and earn a living versus the right of the employer to protect its trade secret and proprietary information.

Critics of the inevitable disclosure doctrine decry the inconsistency with which courts rule on these cases, and the difficulty in predicting case outcomes.¹ They contend that courts are left to "grapple with a decidedly . . . nebulous standard of 'inevitability.'"² Further, they claim the doctrine undermines the employee's fundamental right to move freely

1. See, e.g., Stephen L. Sheinfeld & Jennifer M. Chow, *Protecting Employer Secrets and the "Doctrine of Inevitable Disclosure"*, 600 PRACTISING L. INST. LITIG. 367, 410 (1999) ("[T]he appropriate role for the inevitability doctrine may be in buttressing a restrictive covenant."); *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 308-11 (S.D.N.Y. 1999).

2. *EarthWeb*, 71 F. Supp. 2d at 311.

and pursue his or her livelihood: “The freedom of employees to sell their expertise to the highest and most congenial bidder is an important facet of individual liberty.”³

Ultimately, both the problem and solution here are about fairness: fairness in the employer-employee relationship, fairness in the application of the law, and fairness in providing protection from unfair competition between competing employers. The crux of the opposition to the doctrine, in whatever form articulated, is that it is not fair to enjoin an individual from earning a living, especially when there is no noncompetition agreement in place, and when the cases and outcomes are inconsistent and unpredictable. Further, there is a judicial motivation to safeguard vigorous competition and prevent companies gaining competitive advantages through breaches of confidence, bad faith, or other wrongful conduct on the part of the departing employee.

To this author, inevitable disclosure cases represent the epitome of the delicate balancing act that judges struggle with each day. This Article will use these cases as a case study to suggest a framework within which decision makers may accomplish what others think impossible: fairness, through consistency and predictability, in cases that by their nature are fact intensive and can only be decided on a case-by-case basis.

This Article proposes a model that balances four factors: (1) the presence of a restrictive agreement (such as nondisclosure or noncompetition agreements); (2) the degree of competition between the former employer and the new employer, as well as the similarity of roles between the employee’s former position and new position; (3) the extent of the employee’s knowledge of, and familiarity with, the trade secrets in question; and (4) evidence of dishonesty or bad faith on the part of the employee.

This Article makes the point that even in cases where there is no noncompetition agreement, an injunction may issue on the theory of inevitable disclosure. However, these injunctions should be rare occurrences because several important factors must be present to permit the balance to weigh in favor of granting the injunction. Part II summarizes the relevant case law on inevitable disclosure. Part III addresses the tensions posed by the inevitable disclosure doctrine. Part IV explores the confidential nature of the employer-employee relationship. Part V discusses noncompetition and nondisclosure agreements in the workplace. Part VI provides relevant background on trade secret law. Part VII introduces the implications of seeking

3. *FMC Corp. v. Cyprus Foote Mineral Co.*, 899 F. Supp. 1477, 1484 (W.D.N.C. 1995).

injunctive relief in inevitable disclosure cases. The proposed model for handling inevitable disclosure cases is presented in Part VIII, and a summary checklist of the model follows in Part IX. Parts X and XI discuss application of the model and generalizability of the model, respectively. This Article concludes with Part XII.

II. SUMMARY OF RELEVANT CASE LAW

Many other articles on this topic contain summaries of the inevitable disclosure cases.⁴ Accordingly, they need not be reviewed here. Rather, this section will discuss the seminal case on inevitable disclosure, as well as a sampling of cases (including some of the most recent cases on this topic) that demonstrate the inconsistencies that plague the doctrine.

One author has identified four general approaches that courts have taken in trying to decide inevitable disclosure cases. These include: (1) a general, fact-intensive analysis; (2) a focus on the bad faith of the employee, or the bad faith of the competitor or the competitor's intent; (3) whether the ex-employee's new position requires technical or high-tech skills; and (4) an objective look at the competition, or similarity of positions analysis.⁵ However, these approaches are by no means standard, and courts vary widely in terms of the weight given to various factors. Some courts grant an injunction without any mention at all of whether the employee had signed either a noncompetition agreement or a nondisclosure agreement.⁶ Other courts deny injunctions without discussing what agreements existed between the employer and

4. See, e.g., Sheinfeld & Chow, *supra* note 1, at 411-22 (containing multistate survey); James J. Mulcahy & Joy M. Tassin, Note, *Is PepsiCo the Choice of the Next Generation: The Inevitable Disclosure Doctrine and Its Place in New York Jurisprudence*, 21 HOFSTRA LAB. & EMP. L.J. 233, 250-67 (2003); Brandy L. Treadway, *An Overview of Individual States' Application of Inevitable Disclosure: Concrete Doctrine or Equitable Tool?*, 55 SMU L. REV. 621, 626-49 (2002).

5. Jay L. Koh, *From Hoops to Hard Drives: An Accession Law Approach to the Inevitable Misappropriation of Trade Secrets*, 48 AM. U.L. REV. 271, 285-99 (1998).

6. See, e.g., *Int'l Bus. Mach. Corp. v. Seagate Tech., Inc.*, No. CIV. 3-91-630, 1991 U.S. Dist. LEXIS 20406, at *1-*17 (D. Minn. Dec. 31, 1991); see also *Temco Metal Prods. v. GT Dev. Corp.*, No. 99-755-KI, 2000 U.S. Dist. LEXIS 6305, at *2-*4, *10-*13 (D. Or. May 5, 2000) (issuing injunction and discussing nondisclosure agreement between new employer and plaintiff, but not whether a nondisclosure agreement existed between former employer and employee). The *Temco Metal* court initially issued an injunction preventing the defendant from hiring the employee in question, but later removed the injunction after the plaintiff had been given sufficient time to protect its trade secrets. *Temco Metal*, 2000 U.S. Dist. LEXIS 6305, at *3.

employee.⁷ These examples further support this Article's premise that the inevitable disclosure doctrine is applied inconsistently.

A. *PepsiCo, Inc. v. Redmond*

The inevitable disclosure doctrine was given new life in 1995 in the case of *PepsiCo, Inc. v. Redmond*.⁸ It is worth noting that prior to *PepsiCo*, several courts applied theories that mirrored the inevitable disclosure doctrine, albeit sometimes without the buzzwords that have become commonplace since *PepsiCo*.⁹ However, it is *PepsiCo* that deserves, and indeed has garnered, recognition for the contemporary popularity or notoriety of the doctrine.

In *PepsiCo*, the United States Court of Appeals for the Seventh Circuit affirmed a district court's grant of a preliminary injunction enjoining William Redmond, Jr. (Redmond), a former employee of PepsiCo, from divulging trade secrets in his new job with a competitor, Quaker, and temporarily preventing him from assuming his duties with Quaker.¹⁰

The Seventh Circuit noted that the facts of the case "lay against a backdrop of fierce beverage-industry competition between Quaker and PepsiCo, especially in 'sports drinks' and 'new age drinks.'"¹¹ Quaker marketed "Gatorade," the dominant sports drink brand.¹² PepsiCo sold "All Sport," in competition with Quaker's "Gatorade."¹³ In 1994, Quaker also purchased Snapple Beverage Corp.¹⁴

Redmond worked for PepsiCo for ten years.¹⁵ He signed a confidentiality agreement with PepsiCo, but not a noncompetition agreement.¹⁶ At the time he left PepsiCo, he was General Manager of

7. See *CMI Int'l, Inc. v. Internet Int'l Corp.*, 649 N.W.2d 808, 808-14 (Mich. Ct. App. 2002) (discussing nondisclosure agreement between plaintiff and new employer, but not between plaintiff and employee); see also *Int'l Bus. Mach. Corp. v. Seagate Tech. Inc.*, 941 F. Supp. 98, 99-101 (D. Minn. 1992) (discussing the plaintiff's failure to prove the existence of protectable trade secrets and the likelihood the employee would disclose them, but not the existence of a nondisclosure agreement between the plaintiff and the employee).

8. 54 F.3d 1262, 1262-72 (7th Cir. 1995).

9. See, e.g., *FMC Corp. v. Varco Int'l, Inc.*, 677 F.2d 500, 500-05 (5th Cir. 1982); *Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232, 232-34 (Fla. Dist. Ct. App. 1960); *Nat'l Starch & Chem. Corp. v. Parker Chem. Corp.*, 530 A.2d 31, 31-33 (N.J. Super. Ct. App. Div. 1987).

10. See *PepsiCo*, 54 F.3d at 1272.

11. *Id.* at 1263-64 (footnotes omitted).

12. *Id.* at 1264.

13. *Id.*

14. *Id.*

15. *Id.*

16. *Id.*

PepsiCo's Northern California Business Unit, which had revenues of over \$500 million and represented twenty percent of PepsiCo's United States profits.¹⁷ PepsiCo alleged that Redmond, through his senior position at PepsiCo, gained access to information and trade secrets regarding PepsiCo's "Strategic Plan," "Annual Operating Plan," attack plans, and innovations in PepsiCo's selling and delivery systems.¹⁸

On November 16, 1994, PepsiCo sued Redmond and sought an injunction against his acceptance of the Quaker position.¹⁹ In granting the injunction, the district court placed great weight on Redmond's untrustworthiness.²⁰ It questioned his credibility for the following reasons: Redmond made false statements to PepsiCo executives about having accepted Quaker's offer;²¹ Redmond unconditionally accepted the offer from Quaker yet he intended to negotiate for a higher position with PepsiCo;²² Redmond presented a sworn declaration describing a Quaker business plan of which he knew nothing, and he appeared to have lied about obtaining the information from his new supervisor at Quaker;²³ Redmond presented "widely varying" descriptions of his expected job title and duties for Quaker;²⁴ and Redmond swore in an affidavit to the court that his job performance could be influenced by confidential PepsiCo information, while his supervisor at Quaker denied that could be the case.²⁵

In December 1994, the district court enjoined him from working for Quaker until May 1995, and permanently enjoined him from using or disclosing any of PepsiCo's trade secrets or confidential information.²⁶ Although Redmond had not signed a noncompetition agreement, the court relied on several factors in granting the injunction and found that PepsiCo had established that Redmond possessed extensive PepsiCo trade secrets.²⁷ Redmond had not just general skills and knowledge, but "particularized plans or processes developed by [PepsiCo] and disclosed to him while the employer-employee relationship existed, which are

17. *Id.*

18. *Id.* at 1265-66.

19. *Id.* at 1265.

20. *PepsiCo, Inc. v. Redmond*, No. 94 C 6838, 1995 U.S. Dist. LEXIS 19437, at *15 (N.D. Ill. Jan. 26, 1995).

21. *Id.*

22. *Id.*

23. *Id.* at *16.

24. *Id.*

25. *Id.*

26. *Id.* at *91-93.

27. *See PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1267 (7th Cir. 1995).

unknown to others in the industry and which give the employer an advantage over his competitors.”²⁸

Because his new position at Quaker was so closely related to his former position at PepsiCo, the court reasoned that “unless Redmond possessed an uncanny ability to compartmentalize information, he would necessarily be making decisions about Gatorade and Snapple by relying on his knowledge of [PepsiCo’s] trade secrets.”²⁹ The court rejected Quaker’s argument that the information would be useless to it, and found that “Quaker, unfairly armed with PepsiCo’s plans, would be able to anticipate its distribution, packaging, pricing and marketing moves. . . . In other words, PepsiCo finds itself in the position of a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game.”³⁰

Finally, the court found that Redmond could not be trusted:³¹

Redmond’s lack of forthrightness on some occasions, and out and out lies on others, in the period between the time he accepted the position with defendant Quaker and when he informed plaintiff that he had accepted that position leads the court to conclude that defendant Redmond could not be trusted to act with the necessary sensitivity and good faith under the circumstances in which the only practical verification that he was not using plaintiff’s secrets would be defendant Redmond’s word to that effect.³²

The *PepsiCo* decision has become the seminal case on the inevitable disclosure doctrine and has ignited much controversy, because it enjoined an employee without a noncompetition agreement. Many feared that it would provide a windfall for employers who could benefit from ex post facto noncompetition agreements without having bargained for them.³³ However, this has not been the case because many courts have found the presence of valid and reasonable noncompetition agreements to be a key factor in the decision to issue an injunction.³⁴

28. *Id.* at 1269 (quoting *AMP, Inc. v. Fleischhacker*, 823 F.2d 1199, 1202 (7th Cir. 1987)).

29. *Id.*

30. *Id.* at 1270.

31. *Id.*

32. *Id.*

33. See Peter Huang, Comment, *Preventing Post-PepsiCo Disaster: A Proposal for Refining the Inevitable Disclosure Doctrine*, 15 SANTA CLARA COMPUTER & HIGH TECH. L.J. 379, 389 (1999); Matthew K. Miller, Note, *Inevitable Disclosure Where No Non-Competition Agreement Exists: Additional Guidance Needed*, 6 B.U. J. SCI. & TECH. L. 9, ¶¶ 39-49 (2000).

34. See, e.g., *Minn. Mining & Mfg. Co. v. Francavilla*, 191 F. Supp. 2d 270, 274-75, 278-80 (D. Conn. 2002); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 632-34 (E.D.N.Y. 1996); *Maxxim Med., Inc. v. Michelson*, 51 F. Supp. 2d 773, 777, 780-83 (D. Tex. 1999). Although the district court in *Maxxim* found the noncompetition agreement in question to be invalid, it still issued an injunction after the plaintiff presented other strong evidence to show it would be irreparably harmed. *Maxxim*, 51 F. Supp. 2d at 788. The United States Court of Appeals for the

B. Other Case Examples

Courts have used the doctrine in two primary ways. First, they have used inevitable disclosure as a way of determining whether an existing noncompetition agreement is reasonable.³⁵ Second, as in *PepsiCo*, the doctrine has been applied separately as a way to enjoin the threatened misappropriation of trade secrets even without a noncompetition agreement.³⁶ However, courts have never clearly defined “inevitable,” but have appeared to leave it to the facts of the particular case.³⁷

The cases decided after *PepsiCo* are similar in that virtually every plaintiff cites *PepsiCo* as support for seeking its injunction, and generally tries to present *PepsiCo* type facts to show the strength of its case.³⁸ However, there are vast differences in outcomes depending on the facts of each case and the jurisdiction in which it is decided. The courts vary widely on the weight assigned to various factors present in these cases. For instance, some courts treat the departing employee’s bad faith as a very important indicator of whether disclosure is likely.³⁹ Other courts have issued injunctions even upon finding that the former employee is honest and forthright.⁴⁰ The following are a few additional illustrations.

Fifth Circuit later reversed in an unpublished opinion. *Maxxim Med. v. Michelson*, 182 F.3d 915 (5th Cir. 1999).

35. See, e.g., *Lumex*, 919 F. Supp. at 632-34. Inevitable disclosure is generally used in helping to determine whether there would be irreparable harm for breach of a noncompetition agreement. For instance, in *Branson Ultrasonics Corp. v. Stratman*, 921 F. Supp. 909, 913-14 (D. Conn. 1996), the court found that a high degree of similarity between an employee’s former and current employer makes it likely that the former employer’s trade secrets will be used and disclosed by the employee, and thus it was necessary to enforce the noncompetition agreement to protect against such disclosure.

36. See, e.g., *Novell Inc. v. Timpanogos Research Group Inc.*, 46 U.S.P.Q.2d 1197, 1198 (Utah Dist. Ct. 1998); *DoubleClick, Inc. v. Henderson*, No. 116914/97, 1997 WL 731413, at *2-*3, *5-*6 (N.Y. Sup. Ct. Nov. 7, 1997).

37. See, e.g., *PepsiCo*, 54 F.3d at 1268; *Novell*, 46 U.S.P.Q.2d at 1197-1218; *DoubleClick*, 1997 WL 731413, at *5-*6; *Bridgestone/Firestone, Inc. v. Lockhart*, 5 F. Supp. 2d 667, 667-89 (S.D. Ind. 1998); *Carboline Co. v. Lebeck*, 990 F. Supp. 762, 762-68 (E.D. Mo. 1997); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1443-65 (M.D.N.C. 1996).

38. See, e.g., *Marietta Corp. v. Fairhurst*, No. 37265, 2002 N.Y. Slip Op. 50351U, at *9 (N.Y. Sup. Ct. 2002), *rev’d*, 754 N.Y.S.2d 62 (N.Y. App. Div. 2003); *Maxxim*, 51 F. Supp. 2d at 777-78; *Merck*, 941 F. Supp. at 1457-58.

39. See, e.g., *Campbell Soup Co. v. Giles*, 47 F.3d 467, 471-72 (1st Cir. 1995); *Bendinger v. Marshalltown Trowell Co.*, 994 S.W.2d 468, 474 (Ark. 1999); *DoubleClick*, 1997 WL 731413, at *6.

40. See, e.g., *Lumex*, 919 F. Supp. at 624-27; *Air Prods. & Chems., Inc. v. Johnson*, 215 U.S.P.Q. 547, 551, 559-60 (Pa. Super. Ct. 1982).

1. *Merck & Co. v. Lyon*⁴¹

The defendant employee in this case had not signed a noncompetition agreement, but he did sign a nondisclosure agreement.⁴² Unlike in *PepsiCo*, the court did not make bad faith a necessary element, stating that “when the trade secret is clearly established and the possibility of disclosure high and the value to the competitor great, an injunction would issue even when there had been no bad faith or underhanded dealing by the former employee or the competitor.”⁴³ However, the court found that misappropriation was likely and issued a preliminary injunction enjoining the new employer and the employee from discussing pricing for one year, and from discussing product line extensions and product launch plans for two years.⁴⁴

2. *DoubleClick, Inc. v. Henderson*⁴⁵

Two employees were allegedly caught misappropriating trade secrets from their former employer to help with plans to start their own competing company.⁴⁶ One of the employees had signed a noncompetition agreement, but its application to the conduct in question was in dispute.⁴⁷ The other employee had not signed a noncompetition agreement.⁴⁸ Neither employee had signed an adequate nondisclosure agreement with the entity that was the plaintiff in the case.⁴⁹

The court granted the preliminary injunction based in part on the evidence of actual misappropriation.⁵⁰ It also found that because of the key role the employees played with the former employer, it was unlikely that they could “eradicate [the former employer’s] secrets from [their] mind.”⁵¹ Their actual misappropriation combined with their “cavalier

41. 941 F. Supp. 1443 (M.D.N.C. 1996).

42. *See id.* at 1454.

43. *Id.* at 1460 (citing *Travenol Labs., Inc. v. Turner*, 228 S.E.2d 478, 485 (N.C. Ct. App. 1976)).

44. *Id.* at 1464-65.

45. No. 116914/97, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997).

46. *Id.* at *3.

47. *See id.* at *2.

48. *Id.*

49. *See id.* at *4 n.2. The question of whether there was a valid nondisclosure agreement in place was in dispute because the employees had signed nondisclosure agreements with a predecessor company, but these did not appear to inure to the benefit of plaintiff. *See id.* It was clear, however, that they had not signed new nondisclosure agreements with plaintiff. *See id.* The court found that despite the absence of a nondisclosure agreement, the employees nevertheless owed a duty not to divulge their employer’s trade secrets. *See id.* at *4 n.2, *6-7.

50. *Id.* at *8.

51. *Id.* at *5.

attitude” gave the court reason to believe that they would use the former employer’s trade secrets.⁵² Therefore, the court enjoined the defendants from starting any company or working for any company that competes with their former employer for a period of six months.⁵³

3. *Barilla America, Inc. v. Wright*⁵⁴

In this case, the employee was the plant manager at Barilla’s pasta manufacturer’s production facility.⁵⁵ He left to become plant manager at a competitor’s production facility after only four months at Barilla.⁵⁶ He had signed neither a noncompetition agreement nor a nondisclosure agreement, although both had been given to him in his preemployment packet.⁵⁷ However, he did sign a form acknowledging that he had received and reviewed the employee manual, which contained the company’s confidentiality policies.⁵⁸

As plant manager, the employee was exposed to a large amount of proprietary information, including manufacturing and financial data.⁵⁹ The testimony did not show that he necessarily remembered the trade secret information “held in his head.”⁶⁰ However, there was physical evidence of trade secret information that the employee took with him, and several factors weighed against his credibility.⁶¹ The court found that a threat of disclosure did exist and granted the preliminary injunction.⁶²

52. *Id.* at *6.

53. *See id.* at *8.

54. No. 4-02-CV-90267, 2002 U.S. Dist. LEXIS 12773 (S.D. Iowa July 5, 2002).

55. *Id.* at *2.

56. *Id.*

57. *Id.* at *4-*5.

58. *Id.* at *5.

59. *Id.* at *5-*8.

60. *Id.* at *26.

61. *See id.* at *14-*16. Among the evidence considered by the court was the fact that Wright initially did not reveal that he had two confidential CDs and two notebooks full of confidential information, financial and otherwise, in his possession. He later turned the CDs over to the court. *See id.* There was also inconsistency in his statements regarding information he knew and the whereabouts of certain items such as financial statements and another CD containing highly sensitive trade secret information. *See id.* at *31-*32. Also, when his desk was searched after he left the plaintiff’s company, the company found financial information from the defendant’s employer before he worked for the plaintiff, demonstrating his potential for bringing information to another employer. *Id.* at *32-*33.

62. *Id.* at *34-*36.

4. *Marietta Corp. v. Fairhurst*⁶³

In this case, plaintiff Marietta, a provider of guest amenities in the hospitality industry, brought suit to enjoin its former employee, a Senior Vice-President of Sales and Marketing, from working for a competitor.⁶⁴ The court found that he “was privy to a great deal of confidential information in the course of his employment with plaintiff.”⁶⁵ As to the employee’s role at the new employer, the court stated that “there is undeniably substantial overlap, particularly when each company’s future plans and intentions are considered.”⁶⁶ The employee worked for the plaintiff from 1994 to 2002 and had previously signed an agreement with an express covenant not to compete.⁶⁷ However, when the noncompetition agreement expired in 1999, the parties did not enter into a new one.⁶⁸ Instead, the employee signed a confidentiality agreement only.⁶⁹

The court granted plaintiff’s request for an injunction for a period of eleven months.⁷⁰ It found that it was “likely” that defendant would use the trade secrets, “if only unconsciously.”⁷¹ Other than noting that the defendant had contacted several of plaintiff’s customers “to inform them of his new affiliation and initiate a relationship on behalf of his new employer,”⁷² there was no evidence of bad faith or dishonesty by the departing employee.⁷³

5. *Rencor Controls, Inc. v. Stinson*⁷⁴

Plaintiff Rencor distributed valves for industrial applications.⁷⁵ “Rencor developed a unique computer program and database . . . containing customer, pricing, sales, product inventory, distribution, and

63. No. 37265, 2002 N.Y. Slip. Op. 50351U (N.Y. Sup. Ct. Aug. 23, 2002), *rev’d*, 754 N.Y.S.2d 62 (N.Y. App. Div. 2003).

64. *Id.* at *1.

65. *Id.* at *6.

66. *Id.* at *12.

67. *Id.* at *4.

68. *Id.* Defendant attempted to amend the noncompetition agreement, proposing that the employer provide him with a salary for the two year period after the noncompetition agreement was terminated. *Id.* at *5. The employer did not agree to do so. *Id.* The court found that the opportunity to negotiate for the noncompete covenant would not, of itself, preclude recovery for plaintiff. *Id.* at *13.

69. *Id.* at *4.

70. *Id.* at *18.

71. *Id.* at *13.

72. *Id.* at *5.

73. *Id.* at *9.

74. 230 F. Supp. 2d 99 (D. Me. 2002).

75. *Id.* at 100.

delivery information.”⁷⁶ Defendant Stinson was an outside sales representative for Rencor, and he was provided with Rencor’s software containing proprietary information.⁷⁷ Defendant Ingram, an officer and director of Rencor, left to form a competing company.⁷⁸ Rencor prevented Ingram from taking the proprietary software, but it soon learned that Stinson had gone to work for Ingram as a sales representative and still had the software on his laptop.⁷⁹ Stinson allegedly used the program to enable Ingram’s new company to underbid Rencor.⁸⁰

Rencor sought, among other things, to enjoin Stinson from working for Ingram’s company.⁸¹ Rencor sought to “prevent the harm that inevitably [would] arise if Mr. Stinson [were] permitted to take his knowledge of Rencor’s pricing architecture, which Mr. Stinson acquired through his use of the Rencor Software, with him to [the competitor].”⁸² Stinson had not signed either a nondisclosure agreement or a noncompetition agreement.⁸³ Because Stinson had returned the copy of the software and information taken from Rencor, the court did not agree that disclosure would be inevitable.⁸⁴ The court refused to enjoin Stinson from working for the competitor.⁸⁵

6. *Lawler Mfg. Co. v. Bradley Corp.*⁸⁶

In this case, Lawler manufactured a thermostatic water mixing valve and an emergency valve.⁸⁷ The valves were designed and patented by the defendant employee who assigned the patents to Lawler.⁸⁸ The employee subsequently went to work for a competitor.⁸⁹ Lawler soon thereafter “discovered that hundreds of engineering drawings and component parts were missing.”⁹⁰ The employee had signed neither a noncompetition agreement nor a nondisclosure agreement.⁹¹

76. *Id.*

77. *Id.*

78. *Id.*

79. *Id.*

80. *Id.* at 101.

81. *Id.*

82. *Id.* at 102 (internal quotations omitted).

83. *See id.* at 103 n.4. There is no discussion of either employee having signed a nondisclosure agreement, so it can be assumed that one did not exist. *See id.* at 99-104.

84. *See id.* at 102.

85. *Id.* at 104.

86. No. IP 98-1660-C M/S, 2000 U.S. Dist. LEXIS 14197 (S.D. Ind. Apr. 26, 2000).

87. *Id.* at *4.

88. *Id.* at *6.

89. *Id.* at *8.

90. *Id.*

91. *See id.* at *42.

Lawler sought a preliminary injunction on an inevitable disclosure claim three years after the employee left the company.⁹² The court denied injunctive relief on plaintiff's trade secrets claim finding a small likelihood of success on the merits, and especially finding that the plaintiff's delay in seeking injunctive relief did not support its claim of irreparable harm.⁹³

7. *Bridgestone/Firestone, Inc. v. Lockhart*⁹⁴

Plaintiff Bridgestone/Firestone sought to enjoin a former vice president of sales who left to join a competitor in its commercial roofing products division.⁹⁵ Seventy-five percent of Bridgestone/Firestone's roofing business involved "residential" products.⁹⁶ The court held that the confidential marketing information, which the plaintiff claimed was a trade secret, was likely to erode quickly.⁹⁷

The court also found that the threatened misappropriation failed to rise to the level of "inevitability."⁹⁸ In reaching this conclusion, the court considered several key facts: that the employee took no documents; the employee and other former coworkers testified that even though they once had knowledge of the employer's financial information, they could no longer remember the information that was sensitive and claimed to be a trade secret; the employee was not working on competing products; valiant efforts were made by both the employee and his new employer to ensure that disclosure would not take place; and an agreement was reached between the new employer and the employee so that the employee would not violate the terms of the noncompetition agreement with the former employer.⁹⁹

Although the employee signed a noncompetition agreement, the court held that it was "unreasonably broad and unenforceable."¹⁰⁰ The court did not grant the injunction.¹⁰¹

92. *See id.* at *40.

93. *See id.* at *44.

94. 5 F. Supp. 2d 667 (S.D. Ind. 1998).

95. *Id.* at 671.

96. *Id.* at 670-71.

97. *Id.* at 685.

98. *See id.* at 682.

99. *See id.*

100. *Id.* at 683.

101. *Id.* at 689.

C. *Confusion Between Threatened Misappropriation and Inevitable Disclosure*

One prime example of the misunderstanding surrounding the inevitable disclosure doctrine is that courts¹⁰² and commentators appear confused about whether threatened disclosure and inevitable disclosure are the same theory or completely different theories.¹⁰³ The belief that the two theories are separate and distinct is misplaced. Rather, a careful review of the case law, particularly the leading case of *PepsiCo* makes clear that inevitable disclosure is a way of establishing threatened disclosure.¹⁰⁴

The Seventh Circuit in *PepsiCo* clearly recognized the tension created when a plaintiff “sues to prevent not the actual misappropriation of trade secrets but the mere threat that it will occur.”¹⁰⁵ However, it noted that the Illinois Uniform Trade Secret Act (UTSA) allowed a court to enjoin either the actual or threatened misappropriation of a trade secret, and proceeded to analyze the case treating inevitable disclosure interchangeably with threatened misappropriation.¹⁰⁶

More recent cases, however, sometimes treat inevitable disclosure as if it were different from threatened disclosure, and thus held it to a higher standard. One court’s analysis in the *Del Monte* case serves to illustrate the problem.¹⁰⁷ In *Del Monte*, the defendant employee worked for Del Monte as a senior scientist and one of its highest ranking executives.¹⁰⁸ He left Del Monte after sixteen years to join Dole, a direct competitor of Del Monte’s.¹⁰⁹ Del Monte sought to enjoin the employee, who had not signed a noncompetition agreement, from working for Dole.¹¹⁰

102. See, e.g., *Barilla Am., Inc. v. Wright*, No. 4-02-CV-90267, 2002 U.S. Dist. LEXIS 12773, at *29-*30 (S.D. Iowa July 5, 2002); *Del Monte Fresh Produce Co. v. Dole Food Co.*, 148 F. Supp. 2d 1326, 1337-38 (S.D. Fla. 2001); see also *Novell Inc. v. Timpanogos Research Group Inc.*, 46 U.S.P.Q.2d 1197, 1218 (D. Utah 1998) (stating that the inevitable disclosure doctrine “is used to show that the probability of a threatened injury or misappropriation is so high that it becomes ‘inevitable’ . . . [and thus] is not . . . a separate basis for action, but rather is used to establish the existence of threatened misappropriation”).

103. See Miller, *supra* note 33, ¶¶ 2-3; James Pooley, *The Top Ten Issues in Trade Secret Law*, 70 TEMPLE L. REV. 1181, 1186 (1997).

104. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1267-68 (7th Cir. 1995); see also *Barilla*, 2002 U.S. Dist. LEXIS 12773, at *27-*30.

105. *PepsiCo*, 54 F.3d at 1268.

106. See *id.* at 1267-68.

107. 148 F. Supp. 2d at 1326-40.

108. *Id.* at 1329.

109. *Id.* at 1329-32.

110. *Id.* at 1328-30.

The court took the position that threatened disclosure and inevitable disclosure “are separate and distinct and that threatened disclosure requires proof beyond inevitability.”¹¹¹ Interestingly, the opinion offers no case law support for this position.¹¹² It appears that even the plaintiff put forth inevitable disclosure and threatened disclosure as alternative arguments, yet its argument for threatened misappropriation was identical to its argument under the inevitable disclosure doctrine.¹¹³ It may be that this was a purely strategic approach, since as the court found, neither Florida nor California (which supplied the law of the case) have adopted the inevitable disclosure doctrine.¹¹⁴

Nevertheless, after deciding that the inevitable disclosure doctrine could not afford relief to Del Monte in this case, the court’s analysis of whether there was threatened disclosure, or in its own words “inevitability-plus,” focused on the likelihood that the employee would divulge Del Monte’s trade secrets.¹¹⁵ The court considered, for instance, that the employee took no documents or confidential information with him when he left, that he could not remember any trade secrets with precision, and that Dole, his new employer, had taken steps to ensure that the employee would not divulge any of Del Monte’s trade secrets in his new role at Dole.¹¹⁶ Under the model presented in this Article, the court’s reasoning is no different from consideration of the evidence of bad faith or dishonesty that would lead a court to believe the employee is likely to disclose.¹¹⁷ Accordingly, the inevitable disclosure versus threatened disclosure dichotomy appears to be a distinction without a difference.

III. THE TENSIONS POSED IN INEVITABLE DISCLOSURE CASES

At their core, inevitable disclosure cases cut across many facets of the employer-employee relationship and the social policies underlying them. On one level, these cases are about the individual employee versus the company employer. On another level, they are about employer versus employer or competitor versus competitor. This second level appears to overlap with the law of unfair competition. However, most of the tension

111. *See id.* at 1338.

112. *See id.*

113. *See id.* at 1336-38.

114. *See id.* at 1336-37.

115. *See id.* at 1336, 1338-39. The court noted in passing that Del Monte “probably would succeed on its inevitable disclosure theory” if the case were in a jurisdiction more favorable to the doctrine. *Id.* at 1336.

116. *See id.* at 1339.

117. *See infra* Part VIII.D (discussing bad faith).

lies in the examination of the expectations and policies surrounding the employer-employee relationship.

A. Freedom to Fire and Freedom to Leave?

The inevitable disclosure doctrine is controversial primarily because it has the potential to upset the balance that courts have traditionally tried to achieve in employment cases, and because, at its core, it appears to go against a fundamental tenet of employment law: the at-will doctrine. The employment at-will doctrine provides that an employee may be fired at any time, for any reason, by his employer.¹¹⁸

It similarly follows that the employee may voluntarily leave his employer at any time, or for any reason, to pursue a job of his choosing. Critics contend that the inevitable disclosure doctrine undermines the employee's fundamental right to move freely and pursue his livelihood.¹¹⁹ This freedom by both parties to do as each pleases is generally only restricted when the parties specifically contract to do so. Thus, an employee who agrees to work with an employer for a specified period of time, or who agrees not to join a competitor after leaving the employer, receives valuable consideration for agreeing to those restrictions.

B. Trade Secret Protection as Sword or Shield?

An employer has a strong interest in protecting its valuable trade secrets, and trade secret theft continues to be a growing problem for businesses.¹²⁰ Trade secret protection is often justified on the grounds that it would be unfair for one party to become enriched at the expense of another through theft of the latter's secrets.¹²¹ Employers also rely on the protections provided under trade secret law as an incentive to invest the resources to create trade secrets, and to share those secrets with employees.¹²²

118. See HORACE G. WOOD, A TREATISE ON THE LAW OF MASTER AND SERVANT 272 (R.H. Helmholz et al. eds., William S. Hein & Co. 1981) (1877).

119. See *FMC Corp. v. Cyprus Foote Mineral Co.*, 899 F. Supp. 1477, 1482-83 (W.D.N.C. 1995).

120. See H.R. REP. NO. 104-788, at 5-6 (1996), *reprinted in* 1996 U.S.C.C.A.N. 4021, 4023-25.

121. See JERRY COHEN & ALAN S. GUTTERMAN, TRADE SECRETS PROTECTION AND EXPLOITATION 12-13 (1998).

122. See *id.*; see also PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 153 (4th ed. 1997).

Courts have consistently recognized an employer's right to protect and preserve trade secrets, confidential, and proprietary information.¹²³ An employer has a recognized business interest in protecting trade secrets disclosed in confidence to an employee during the course of his employment even where there is no enforceable restrictive covenant between the parties.¹²⁴ This is especially true where the employee was placed in a position of trust and responsibility by the employer.¹²⁵ Ultimately, it is intimate knowledge of a company's inner workings that is of value to a competitor. That value to a competitor helps make the information a trade secret, and "[a] trade secret once lost, is lost . . . forever."¹²⁶ However, as one court notes:

[The] protection given to trade secrets is a shield, sanctioned by the courts, for the preservation of trust in confidential relationships; it is not a sword to be used by employers to retain employees by the threat of rendering them substantially unemployable in the field of their experience should they decide to resign.¹²⁷

Accordingly, careful consideration must be given to protecting trade secrets in a way that does not unreasonably impinge on employees' rights.

C. *General Knowledge or Specific Knowledge?*

Another important tension presented in these types of cases is the right of the employee to use the information that is in his head, versus an employer's right to stake a claim to that information. A former employee may use the general knowledge, skills, and experience acquired during his employment, even in competition with his former employer.¹²⁸ However, the former employee may not use the confidential or trade secret information of the former employer.¹²⁹

It has long been established that a former employee may take general knowledge with him to a new employer:

123. See, e.g., *New England Canteen Serv., Inc. v. Ashley*, 363 N.E.2d 526, 528 (Mass. 1977); *D.C. Wiring, Inc. v. Lamontagne*, No. 91-1722, 1993 WL 818562, at *1-*2 (Mass. Super. Ct. Dec. 20, 1993); *Stevens & Co. v. Stiles*, 71 A. 802, 805 (R.I. 1909).

124. See, e.g., *Stevens & Co.*, 71 A. at 805.

125. See *D.C. Wiring*, 1993 WL 818562, at *2 ("Courts have confirmed that businesses may protect confidential information by means of a covenant not to compete."); see also *New England Canteen Serv.*, 363 N.E.2d at 528 (holding that an employer's interest in trade secrets, confidential data, and goodwill are entitled to protection).

126. *FMC Corp. v. Taiwan Tainan Giant Indus. Co.*, 730 F.2d 61, 63 (2d Cir. 1984).

127. *E.W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1112-13 (8th Cir. 1969).

128. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. d (1995).

129. See *id.* § 42 cmts. b-c.

It is also “well settled that an employee upon terminating his employment may carry away and use the general skill or knowledge acquired during the course of the employment.” This principle effectuates the public interest in labor mobility, promotes the employee’s freedom to practice a profession, and freedom of competition.¹³⁰

D. Competition Fair or Unfair?

Aside from the employer-employee relationship, the general interests of competitor employers must also enter the balance. One of the goals of trade secret law is “the maintenance of standards of commercial ethics.”¹³¹ Thus, while competition is a valued part of doing business, our laws establish boundaries to ensure that this competition is not conducted unfairly. Just as it would not be fair for a company to break into a competitor’s locked safe to steal its secret formula, it is also unfair to misappropriate a competitor’s trade secrets by hiring a former employee who will disclose these secrets. Accordingly, courts must strike the appropriate balance between anticompetitive conduct and trade secret protection in inevitable disclosure.

Indeed, it appears to this author that the two levels (company to company and employer to employee) become melded together in inevitable disclosure cases, because the cases are really about the competitive aspect, but with the employee caught in the middle as the tool for the unfair competition. This marrying of unfair competition and trade secret law may be a sign of things to come. Trade secret law has already made its way from the *Restatement of Torts* to the *Restatement (Third) of Unfair Competition*.¹³² In addition, unfair competition claims involving trade secrets often mirror trade secret misappropriation claims.¹³³ For the purposes of this Article, this implies that any proposed model must recognize this fusion, and take it into consideration in building a workable model.¹³⁴

130. *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842, 852 (1st Cir. 1985) (citations omitted).

131. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974).

132. See discussion *infra* Part VI.C.

133. See, e.g., *Int’l Bus. Mach. Corp. v. Seagate Tech., Inc.*, No. CIV. 3-91-630, 1991 U.S. Dist. LEXIS 20406, at *11 (D. Minn. Dec. 31, 1991); *GlobeSpan, Inc. v. O’Neill*, 151 F. Supp. 2d 1229, 1236 (C.D. Cal. 2001).

134. See discussion *infra* Part VIII.B.

IV. THE CONFIDENTIAL NATURE OF THE EMPLOYER/EMPLOYEE RELATIONSHIP

The general rule is that the employee stands in a confidential relationship with his employer with respect to the employer's confidences.¹³⁵ An employee's "duty not to disclose the secrets of [his] employer may arise [from] either . . . an express contract, or may be implied from the confidential relationship existing between the employer and employee," and an employee may not use this information to the detriment of the employer.¹³⁶ The courts have been clear that this protection applies to an employer's trade secrets even after the employee no longer works for the employer.¹³⁷

Some courts view the employee's duty of confidentiality to the employer as a fiduciary obligation.¹³⁸ While working for the employer, the employee owes a duty of loyalty to the employer and accordingly, must not behave in any manner that would be harmful to the employer.¹³⁹ There appears to be a limited exception, however, allowing an employee to take certain steps to prepare to start a competing business, such as obtaining business space, and meeting with professional advisers in preparation for the new business.¹⁴⁰

135. See *E.I. DuPont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917) (holding that a confidential relationship existed between the employee and his former employer).

136. *BIEC Int'l, Inc. v. Global Steel Servs., Ltd.*, 791 F. Supp. 489, 548 (E.D. Pa. 1992); see also *Flotec, Inc. v. S. Research, Inc.*, 16 F. Supp. 2d 992, 1000 (S.D. Ind. 1998).

137. *Air Prods. & Chems., Inc. v. Johnson*, 215 U.S.P.Q. 547, 552 (Pa. Super. Ct. 1982) ("[A]n ex-employer can reasonably rely upon the obligation of its employees not to disclose trade secrets about which they obtained knowledge while working in a confidential relationship with that employer."); *L.M. Rabinowitz & Co. v. Dasher*, 82 N.Y.S.2d 431, 435 (N.Y. Sup. Ct. 1948) ("It is implied in every contract of employment that the employee will hold sacred any trade secrets or other confidential information which he acquires in the course of his employment.").

138. See, e.g., *Churchill Communications Corp. v. Demyanovich*, 668 F. Supp. 207, 211 (S.D.N.Y. 1987) (remarking that even in the absence of a restrictive covenant an employee's use of an employer's trade secrets can be enjoined since it violates a fiduciary duty owed to the employer); *Rubner v. Gursky*, 21 N.Y.S.2d 558, 561 (N.Y. Sup. Ct. 1940) (holding that a fiduciary duty not to disclose is implied in all employment contracts).

139. See *Royal Carbo Corp. v. Flameguard, Inc.*, 645 N.Y.S.2d 18, 19 (N.Y. App. Div. 1996) (holding that a duty of loyalty was breached where employee surreptitiously organized competing entity and utilized former employer's customer lists); RESTATEMENT (SECOND) OF AGENCY § 387 (1958) ("Unless otherwise agreed, an agent is subject to a duty to his principal to act solely for the benefit of the principal in all matters connected with his agency."); see also EMPLOYEE DUTY OF LOYALTY (Arnold H. Pedowitz et al. eds., 1995) (providing a comprehensive state-by-state survey).

140. See, e.g., *United Aircraft Corp. v. Boreen*, 413 F.2d 694, 700 (3d Cir. 1969) (holding that merely "preparing" to compete while still in a party's employ does not violate any duty owed to the employer); *Mercer Mgmt. Consulting, Inc. v. Wilde*, 920 F. Supp. 219, 234 (D.D.C. 1996) (making arrangements for office space, inquiring about benefit packages, investigating computer

Thus, under common law, an employee is generally free to compete with his prior employer or work for a competitor, as long as he does not breach the duty of loyalty.¹⁴¹ Section 396(b) of the *Restatement (Second) of Agency* explains that unless otherwise agreed, an agent has no duty not to compete with the principal, but

has a duty to the principal not to use or disclose to third persons, on his own account or on the account of others, in competition with the principal or to his injury, trade secrets, written lists or names, or other similar confidential matters given to him only for the principal's use or acquired by the agent in violation of duty.¹⁴²

However, an agent is entitled to use general information of the business that is in his head.¹⁴³ In one case, the court made the following distinction:

[The former employee] has a great deal of general skill and knowledge as an engineer who has worked for 14 years in the area of lithium production. That experience and his skills are "general" not in the sense that everyone has them, but rather, in the sense that they are not specific to the techniques and processes utilized by [the company]. [The former employee] is free to sell those skills in the marketplace. The mere fact that [the former employee] acquired some of these skills while working for [the company] does not mean that he must work for [the company] or not work at all The law and his contract only oblige [the former employee] to refrain from disclosing confidential information particular to [the former employer's] processes.¹⁴⁴

While an employer may protect its trade secrets, it does not have the right to appropriate the ordinary experience and general knowledge of its employees.¹⁴⁵ Individuals have a fundamental right to pursue the occupation for which they are best trained.¹⁴⁶ As one court has noted:

Our society is extremely mobile and our free economy is based upon competition; one who has worked in a particular field cannot be compelled

systems, and meeting with accountants in preparation for competing business not a breach of duty); *see also* RESTATEMENT (SECOND) OF AGENCY § 393 cmt. e (1958).

141. *See* Canteen Vending Servs. v. Mfirs. & Traders Trust Co., 98-CV-0314E, 1998 U.S. Dist. LEXIS 7589, at *5-*6 (W.D.N.Y. May 15, 1998) (acknowledging that absent an express agreement or misappropriation of trade secrets, an employee may compete with his former employer after the termination of the employment relationship).

142. RESTATEMENT (SECOND) OF AGENCY § 396.

143. *See id.*

144. FMC Corp. v. Cyprus Foote Mineral Co., 899 F. Supp. 1477, 1483 (W.D.N.C. 1995).

145. *See, e.g.,* Teradyne, Inc. v. Clear Communications Corp., 707 F. Supp. 353, 356 (N.D. Ill. 1989).

146. *See* AMP, Inc. v. Fleischhaker, 823 F.2d 1199, 1202 (7th Cir. 1987) (quoting ILG Indus. v. Scott, 273 N.E.2d 393, 396 (Ill. 1971)).

to erase from his mind all of the general skills, knowledge and expertise acquired through his experience. . . . Restraints cannot be lightly placed upon an employee's right to compete in the arena of his greatest worth.¹⁴⁷

Accordingly, courts must be very careful to safeguard these rights and to determine that the information on which the employer claims protection does not usurp the employee's general knowledge.

V. RESTRICTIVE COVENANTS/AGREEMENTS

Restrictive covenants enhance an employer's legitimate interests in its trade secrets and other assets, such as goodwill. Courts recognize the employer's need for such covenants to encourage investment, protect innovation, and promote free competition.¹⁴⁸ Generally, carefully drafted post-employment covenants require that the employee maintain secrecy, refrain from soliciting customers or employees, and not engage in certain competitive activities.¹⁴⁹ In addition, the agreements typically contain provisions recognizing that any breach of the employment agreement would cause irreparable harm for which the company would have no adequate remedy at law, and that in the event of any such breach the company would have the right to seek an injunction.¹⁵⁰

A. Confidentiality/Nondisclosure Agreements

As a condition of employment, many employees, especially higher level employees, generally sign agreements acknowledging that the employment creates a relationship of confidence and trust with respect to confidential information. Confidential information may be broadly defined in these agreements to include trade secrets, processes, formulae, data and know-how, discoveries, developments, designs, improvements, inventions, techniques, marketing plans, strategies, forecasts, new products, software, software documentation, unpublished financial statements, budgets, projections, licenses, prices, costs, and customer and

147. *Bendinger v. Marshalltown Trowel Co.*, 994 S.W.2d 468, 475 (Ark. 1999) (emphasis omitted, citation omitted) (citing *AMP*, 823 F.2d at 1202).

148. *See Tigor Title Ins. Co. v. Cohen*, No. 98 CIV. 4001 (JSM), 1998 U.S. Dist. LEXIS 9700, at *10 (S.D.N.Y. July 1, 1998) (enforcing restrictive covenant "to protect legitimate business interest" of former employer); *Applied Micro, Inc. v. SJI Fulfillment Inc.*, 941 F. Supp. 750, 757-58 (N.D. Ill. 1996) (enforcing noncompetition agreement designed to protect employer's investment); *ISC-Bunker Ramo Corp. v. Altech, Inc.*, 765 F. Supp. 1310, 1335 (N.D. Ill. 1990) (granting injunction to "foster the development of new technology").

149. *See, e.g.*, LEXIS CLAUSE LIBRARY, LABOR AND EMPLOYMENT LAW cls. 12.1-12.3 (2002).

150. *Id.* cls. 12.6.

supplier lists.¹⁵¹ However, a confidentiality agreement cannot transform information that is generally known into a trade secret.¹⁵²

A typical nondisclosure agreement may contain language similar to the following:

All Confidential Information¹⁵³ and rights relating to Confidential Information shall be the sole property of the company. I will not disclose to anyone outside the company or use for my own benefit or for the benefit of others any Confidential Information either during or after my employment without the company's prior written permission except as may be necessary in the ordinary course of performing my duties as an employee of the Company.

Upon the termination of my employment with the Company for any reason, I will deliver to the Company all documents or other materials relating to my work with the Company and will not take with me any of the foregoing or any reproduction thereof or anything containing any, or relating to any, Confidential Information.¹⁵⁴

Confidentiality agreements express in writing the common law obligation of an employee to maintain the confidential nature of the employer-employee relationship. On a more practical level, confidentiality agreements are helpful for (1) delineating the confidentiality expectations between the employer and employee, (2) showing that the employer takes trade secret protection seriously, and (3) demonstrating the employer's reasonable efforts to maintain the secrecy of its confidential information.¹⁵⁵ Employees typically do not need to provide additional consideration for nondisclosure agreements, and unlike noncompetition agreements, there is generally little or no hesitation to signing a nondisclosure agreement.

151. See, e.g., *McFarland v. Brier*, No. C.A. 96-1007, 1998 WL 269223, at *3-*4 (R.I. Super. Ct. May 13, 1998), *rev'd on other grounds*, 769 A.2d 605, 614 (R.I. 2001). Exceptions usually apply to such Confidential Information that may have already been part of the public domain at the time of disclosure to the employee. See *id.* at *5 (citations omitted).

152. See, e.g., *Early, Ludwick & Sweeney, LLC v. Steele*, CV 980409063S, 1998 WL 516156, at *3 (Conn. Super. Ct. Aug. 6, 1998) ("Not all confidential information meets the definition of trade secret."); *Iroquois Indus. Corp. v. Popik*, 415 N.E.2d 4, 7 (Ill. App. Ct. 1980) (holding that restrictive covenant alone did not create a protectable business interest in customer list).

153. Confidential Information would be defined in the agreement. It would usually include the kinds of information that the employer could claim as a protectable trade secret.

154. See, e.g., *Safety-Kleen Sys., Inc. v. McGinn*, 233 F. Supp. 2d 121, 123 (D. Mass. 2002); *First Health Group Corp. v. Nat'l Prescription Adm'rs, Inc.*, 155 F. Supp. 2d 194, 201-02 (M.D. Pa. 2001); *Maxxim Med., Inc. v. Michelson*, 51 F. Supp. 2d 773, 783 n.8 (S.D. Tex. 1999); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 626 (E.D.N.Y. 1996).

155. See *Sheinfeld & Chow*, *supra* note 1, at 389.

B. Noncompetition Agreements

By entering into a noncompetition agreement, the employee usually agrees that for a specified period of time after the end of his employment not to work for any company that is a competitor of the employer. For instance, typical language may include the following:

I agree that during the period of my employment by the Company I will not, without the Company's prior express written consent, engage in any employment, consulting or other business other than for the Company.

I agree that during the period of my employment by the Company, and for a period of one year thereafter I will not, without the Company's prior express written consent, engage in, have an interest in, be employed by, or be in any way directly or indirectly connected with any business that is in competition with the Company.¹⁵⁶

However, such a covenant will generally be enforceable only if the employer can show that (1) it is necessary to protect a legitimate interest of the employer, (2) it is reasonably limited in duration, and (3) it is reasonably limited in geographic scope.¹⁵⁷

State law establishes the requirements for determining the validity of noncompetition agreements. Many states recognize and enforce noncompetition agreements as long as the restrictions are reasonable in view of the totality of the circumstances, including the scope of geographical, temporal, and competitive activity restrictions.¹⁵⁸ Even in these jurisdictions courts also appear to take into consideration the financial hardship to the employee if the noncompetition agreement is enforced.¹⁵⁹ Some states prohibit the use of noncompetition agreements

156. See, e.g., *Kempner Mobile Elecs. v. Southwestern Bell Mobile Sys.*, No. 02-C-5403, 2003 U.S. Dist. LEXIS 3512, at *10-*12 (W.D. Ill. Mar. 7, 2003); *United Rentals (N. Am.), Inc. v. Keizer*, 202 F. Supp. 2d 727, 731-32 (W.D. Mich. 2002); *RKI, Inc. v. Grimes*, 177 F. Supp. 2d 859, 864-65 (N.D. Ill. 2001); *Lumex*, 919 F. Supp. at 626.

157. See, e.g., *All Stainless, Inc. v. Colby*, 308 N.E.2d 481, 485 (Mass. 1974); *Novelty Bias Binding Co. v. Shevrin*, 175 N.E.2d 374, 375-76 (Mass. 1961); *New England Tree Expert Co., Inc. v. Russell*, 28 N.E.2d 997, 999-1000 (Mass. 1940); *Sherman v. Pfefferkorn*, 135 N.E. 568, 569-70 (Mass. 1922).

158. See, e.g., *Ticor Title Ins. Co.*, No. 98 CIV. 4001 (JSM), 1998 U.S. Dist. LEXIS 9700, at *5 (S.D.N.Y. July 1, 1998) (enforcing six-month noncompetition covenant); *Inflight Newspapers, Inc. v. Magazines In-Flight, LLC*, 990 F. Supp. 119, 135-40 (E.D.N.Y. 1996) (enforcing one-year restriction); *Habif, Arogeti & Wynne, P.C. v. Baggett*, 498 S.E.2d 346, 354-55 (Ga. Ct. App. 1998) (enforcing two-year restriction).

159. *Compare Trans-Clean Corp. v. Terrell*, No. CV 9703480395, 1998 Conn. Super. LEXIS 717, at *17-*20 (Conn. Super. Ct. Mar. 13, 1998) (refusing to enforce restriction measured by sixty-mile radius from Stratford, Connecticut, where restriction prevented ex-employee from supporting himself, his wife, and nine children), *with DoubleClick, Inc. v. Henderson*, No. 116914/97, 1997 WL 731413, at *7 (N.Y. Sup. Ct. Nov. 7, 1997) (“[A]part from references to the fact that [defendants] are apparently the only bread winners in single-income

entirely.¹⁶⁰ Other states recognize these covenants under narrow and specified circumstances.¹⁶¹

As with all contracts, a noncompetition agreement will not be enforced without valid consideration, and the employee must receive some benefit in exchange for the restriction. When an employee signs such a covenant upon being hired, the promise of at-will employment provides sufficient consideration.¹⁶² However, states are divided as to whether a covenant not to compete imposed after the commencement of at-will employment requires new and additional consideration.¹⁶³

VI. RELEVANT TRADE SECRET LAW

Over the years, states developed their own laws governing the protection of trade secrets, which resulted in a lack of uniformity among the states.¹⁶⁴ In an effort to make the law of trade secrets more uniform, the *Restatement (First) of Torts*, published in 1939, set forth a widely followed definition of trade secrets.¹⁶⁵ However, the *Restatement* failed to achieve harmony among the states, resulting in the drafting of the Uniform Trade Secrets Act (UTSA), which was approved by the National Conference of Commissioners on Uniform State Laws in 1979.¹⁶⁶ Since then, the *Restatement (Third) of Unfair Competition* was released and reflects additional changes to the definition of trade secret.¹⁶⁷ All three of these sources adopt a relative versus an absolute standard of secrecy. The sources are described below.

families, defendants have done nothing to demonstrate what financial hardship they would suffer if the injunction were imposed.”)

160. See, e.g., CAL. BUS. & PROF. CODE § 16600 (Deering 1992); COLO. REV. STAT. § 8-2-113(2) (1997); OKLA. STAT. ANN. tit. 15, § 217 (2001).

161. See, e.g., TEX. BUS. & COM. CODE ANN. § 15.50-15.52 (Vernon 2002) (providing procedures and remedies in action to enforce); FLA. STAT. ANN. § 542.35 (West 2002) (allowing reasonable contracts “that restrict or prohibit competition during or after the term of restrictive covenants”); N.D. CENT. C. § 9-08-06 (2003) (allowing exceptions for restrictions on the sale of good will and restrictive covenants in partnerships).

162. See, e.g., *Geisinger Clinic v. DiCuccio*, 606 A.2d 509, 513 (Pa. Super. Ct. 1992), *appeal denied*, 637 A.2d 285 (Pa. 1993), *cert. denied*, 513 U.S. 1112 (1995) (enforcing noncompetition covenant entered into at commencement of employment).

163. Compare *Lowry Computer Prods., Inc. v. Head*, 984 F. Supp. 1115 (E.D. Mich. 1997) (holding that approximately two years of continued employment was sufficient consideration), with *Prudential Ins. Co. of Am. v. Stella*, 994 F. Supp. 308, 314 n.1 (E.D. Pa. 1998) (requiring new consideration such as corresponding benefit or change of status).

164. See Harlan M. Blake, *Employee Agreements Not To Compete*, 73 HARV. L. REV. 625, 625-28 (1960) (discussing historical background of what constitutes a protectable trade secret).

165. See RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

166. See UNIF. TRADE SECRETS ACT §§ 1-11 (amended 1985), 14 U.L.A. 434 (1990).

167. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995).

A. *Restatement (First) of Torts*

1. Definition of Trade Secret

The *Restatement of Torts* defines a trade secret as “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.”¹⁶⁸ “It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.”¹⁶⁹

2. Six-Factor Test

The *Restatement* identified six factors generally used to determine whether information is a trade secret, and these factors continue to govern through the U.T.S.A.¹⁷⁰ The six factors are:

- the extent to which the information is known outside of [the] business;
- the extent to which it is known by employees and others involved in [the] business;
- the extent of measures taken . . . to guard the secrecy of the information;
- the value of the information to [the business] and to [its] competitors;
- the amount of effort or money expended by [the business] in developing the information; and
- the ease or difficulty with which the information could be properly acquired or duplicated by others.¹⁷¹

Other than the first factor, which essentially asks whether the information is secret, no one factor is determinative, and each of the factors must be weighed to determine whether a trade secret exists.¹⁷²

168. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b.

169. *Id.*

170. *See, e.g.*, Religious Tech. Ctr. v. Wollersheim, 796 F.2d 1076, 1089-90 (9th Cir. 1986), *cert. denied*, 479 U.S. 1103 (1987); Optic Graphics, Inc. v. Agee, 591 A.2d 578, 584-85 (Md. App. 1991); Minuteman, Inc. v. Alexander, 434 N.W.2d 773, 777-78 (Wis. 1989).

171. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b. Examples of safeguards typically employed by companies include (1) maintaining electronic card systems that limit access to and within the facilities, (2) limiting access to confidential information to employees on a need-to-know basis, (3) requiring the use of pass codes for computer access to confidential information, (4) restricting access to visitors by requiring visitors to sign in and wear identification badges, and (5) distributing hard copies of confidential information by means of tailored distribution lists to select employees on a need-to-know basis. *See, e.g.*, Mangren Research & Dev. Corp. v. Nat’l Chem. Co., 87 F.3d 937, 943 (7th Cir. 1996); Alagold Corp. v. Freeman, 20 F. Supp. 2d 1305, 1315-16 (M.D. Ala. 1998), *aff’d*, 237 F.3d 637 (11th Cir. 2000); Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc., 923 F. Supp. 1231, 1253-54 (N.D. Cal. 1995).

3. Misappropriation

The use of improper means to procure another's trade secret, rather than the mere copying of the trade secret, forms the basis for liability under the *Restatement (First)*.¹⁷³ Thus, it is the breach of one's duty of good faith through "breach of contract, abuse of confidence, or impropriety in the method of ascertaining the [trade] secret" that makes it misappropriation.¹⁷⁴ The *Restatement* specifically sets forth:

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if

- (a) he discovered the secret by improper means, or
- (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or
- (c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or
- (d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.¹⁷⁵

The *Restatement* recognizes that "an injunction against future harm by disclosure or adverse use" is an appropriate remedy.¹⁷⁶

B. Uniform Trade Secrets Act

In 1979, the Uniform Trade Secrets Act (UTSA) was approved by the National Conference of Commissioners on Uniform State Laws.¹⁷⁷ It codifies the basic principles of common law trade secret protection and was developed for three reasons: (1) to protect those with substantial investments in technology, (2) to eliminate inconsistencies between different states in interpreting trade secret law, and (3) because there were few reported decisions on trade secret law in less populated states.¹⁷⁸ The UTSA has been adopted in whole or in part by forty-four states and

172. See GALE R. PETERSON, TRADE SECRET PROTECTION IN AN INFORMATION AGE 2.2(A), at 2-23 (1997); see also *IVS Hydro, Inc. v Robinson*, Nos. 03-1827, 03-1898, 2004 WL 626828, at *4-*6 (4th Cir. Mar. 31, 2004).

173. RESTATEMENT (FIRST) OF TORTS § 757 cmt. a.

174. *Id.*

175. *Id.* § 757.

176. *Id.* § 757 cmt. e.

177. See Johanna L. Edelstein, Note, *Intellectual Slavery?: The Doctrine of Inevitable Disclosure of Trade Secrets*, 26 GOLDEN GATE U. L. REV. 717, 724 (1996).

178. See UNIF. TRADE SECRETS ACT, Prefatory Note (amended 1985), 14 U.L.A. 434 (1990).

Washington, D.C.¹⁷⁹ The six states that have not enacted the UTSA are Massachusetts, New Jersey, New York, North Carolina, Texas, and Wyoming.¹⁸⁰ This movement toward the adoption of the UTSA by such a large majority of states may have advantages for the inevitable disclosure doctrine. However, as discussed below, the model presented here is an important step for helping to achieve consistency.¹⁸¹

The UTSA defines a trade secret as

information, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.¹⁸²

It is noteworthy that a trade secret may take many different forms and is not limited to, for instance, a chemical formula that may immediately come to mind when one thinks of a trade secret. Rather, any kind of information may constitute a trade secret as long as it meets the secrecy requirements. Some courts have found that confidential business information, such as “customer lists, accounts receivable, sales records, costs, pricing, [and] inventories” and customer information, including “credit history, sales volume, prospective future business, service relationships, special needs of customers, supplier lists, cost

179. See Uniform Law Commissioners, *A Few Facts About the Uniform Trade Secrets Act*, at http://www.nccusl.org/Update/uniformact_factsheets/uniformacts-fs-utsa.asp (last visited Aug. 30, 2004). Seven states adopted the original 1979 version of the UTSA. They are Arkansas, California, Connecticut, Indiana, Louisiana, Rhode Island, and Washington. Thirty-eight other states adopted the UTSA with the 1985 amendments. They are Alabama, Alaska, Arizona, Colorado, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, West Virginia, and Wisconsin. See *id.*

180. The UTSA is currently under consideration by the legislature in Massachusetts, New York, and U.S. Virgin Islands. *Id.* It was recently enacted in 2003 by the Pennsylvania legislature. See S.152, 188th Gen. Assem., Reg. Sess. (Pa. 2004) (codified at 12 PA. CONS. STAT. ANN. §§ 5301-08 (West 2004), 18 PA. CONS. STAT. ANN. § 3930 (West 2004)).

181. See *infra* discussion Part VIII.

182. UNIF. TRADE SECRETS ACT § 1 (amended 1985), 14 U.L.A. 438 (1990). The UTSA requires only reasonable efforts, not all conceivable efforts, to protect the confidentiality of trade secrets. See *Surgidev Corp. v. Eye Tech., Inc.*, 828 F.2d 452, 455 (8th Cir. 1987); see also *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 923 F. Supp. 1231, 1253-54 (N.D. Cal. 1995) (holding that a church made reasonable efforts under UTSA to protect secrecy of religious documents, including: use of locked cabinets and safes, logging and identification of materials, electronic sensors, alarms, photo identifications, security personnel, and confidentiality agreements for all given access to materials).

information, pricing policies and profitability” constitutes protected trade secrets if it has not been disclosed and it is not generally known in the trade.¹⁸³

Similarly, UTSA jurisdictions have found that unpublished pricing information, secret contract terms, marketing strategies, and industry studies are also protected trade secrets.¹⁸⁴ Some may fear that expansion of trade secret protection to such “soft” areas as marketing and strategic business planning under the inevitable disclosure doctrine could be problematic. However, if we keep in mind the rigorous standard that must be met in order to establish a trade secret, and assume as we must, that judges will strictly observe these guidelines, this fear may be misplaced. If the plaintiff can establish that its proprietary information is a trade secret, it need not be a scientific formula to be protected. To hold otherwise would ignore the realities of the current marketplace and place employers at an unfair disadvantage.

The UTSA provides broader protection than the *Restatement* because it does not require that a trade secret be in use to be protected, and it protects negative information about research or a process that does not work.¹⁸⁵ The UTSA also allows for injunctions against threatened misappropriation of trade secrets.¹⁸⁶ However, “despite the wide adoption

183. *McFarland v. Brier*, No. C.A. 96-1007, 1998 WL 269223, at *3 (R.I. Super. Ct. May 13, 1998).

184. *See PepsiCo v. Redmond*, 54 F.3d 1262, 1265-70 (7th Cir. 1995) (finding strategic financial and marketing information protected trade secrets under UTSA); *ConAgra, Inc. v. Tyson Foods, Inc.*, 30 S.W.3d 725, 728-30 (Ark. 2000) (recognizing that Tyson’s business information concerning production, marketing strategies, pricing programs and contract terms were protectible trade secrets under UTSA, but refusing to grant such protection for failure to maintain their secrecy).

185. UNIF. TRADE SECRETS ACT § 1 (amended 1985), 14 U.L.A. 438 (1990) (defining misappropriation); *see* ROGER M. MILGRIM, *MILGRIM ON TRADE SECRETS* § 1.01[2] (1997) (discussing the UTSA). A negative trade secret is the knowledge of what not to do or what doesn’t work, a lesson learned from a certain process or research and development effort that failed. *See* JAMES POOLEY, *TRADE SECRETS* § 4.02[3] (1997).

186. *See* UNIF. TRADE SECRETS ACT § 2(a) (amended 1985), 14 U.L.A. 449 (1990). Section 2 states:

- (a) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.
- (b) In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited. . . .
- (c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

Id.

of the UTSA, section 757 of the *Restatement (First) of Torts* continues to have interpretive force across the country in both” UTSA and non-UTSA jurisdictions.¹⁸⁷

1. Misappropriation

In states that have adopted the UTSA, employers may protect against both threatened misappropriation and actual misappropriation.¹⁸⁸ The UTSA defines “misappropriation,” as:

- (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means;
or
- (ii) disclosure or use of a trade secret of another without express or implied consent by a person who:
 - (A) used improper means to acquire knowledge of the trade secret;
or
 - (B) at the time of disclosure or use, knew, or had reason to know, that his knowledge of the trade secret was:
 - (I) derived from, or through, a person who had utilized improper means to acquire it;
 - (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or,
 - (III) derived from, or through, a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
 - (C) before a material change of his position knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.¹⁸⁹

“Improper means” under the UTSA includes “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.”¹⁹⁰ Thus, any unauthorized taking, transferring, or use of a secret is misappropriation under the UTSA.¹⁹¹

187. See Sheinfeld & Chow, *supra* note 1, at 381-82; see also *Carolina Chem. Equip. Co. v. Muckenfuss*, 471 S.E.2d 721, 724 (S.C. Ct. App. 1996) (finding no misappropriation under UTSA since the information in question was not a trade secret under the common law definition of the Restatement).

188. UNIF. TRADE SECRETS ACT § 2(a), 14 U.L.A. 449.

189. *Id.* § 1(2).

190. *Id.* § 2(a).

191. See *id.* § 1(2).

2. Provision for Injunctive Relief

The UTSA further provides that either actual or threatened misappropriation may be enjoined.¹⁹² Accordingly, in states that have adopted the UTSA, a former employer need not show actual disclosure in order to obtain an injunction under the inevitable disclosure doctrine.¹⁹³ Rather, the existence of a real and present danger of disclosure is enough.¹⁹⁴ However, mere suspicion or apprehension of injury will not be enough to constitute an actionable threat.¹⁹⁵ Nor does the possibility of disclosure, by itself, rise to the level of inevitability of disclosure.¹⁹⁶

3. Benefit of/Need for the Model

Because of the UTSA's prohibition against threatened misappropriation, it would seem that states that have adopted the UTSA would have more favorable treatment of the inevitable disclosure doctrine than those that have not. However, in keeping with the inconsistencies in this area of the law, that is not the case. Some states that have adopted the UTSA, like California, have rejected the inevitable disclosure theory.¹⁹⁷ On the other hand, New York and New Jersey have not adopted the UTSA, but they have adopted the doctrine.¹⁹⁸

192. *Id.* § 2(a).

193. *See* PepsiCo, Inc. v. Redmond, 54 F. 3d 1262, 1267-68 (7th Cir. 1995); *see also* Barilla Am. Inc. v. Wright, No. 4-12-CV-902 67, 2002 U.S. Dist. LEXIS 12773, at *28-*34 (S.D. Iowa July 5, 2002) (issuing an injunction without proof of actual disclosure of confidential information); Teradyne, Inc. v. Clear Communications Corp., 707 F. Supp. 353, 356 (N.D. Ill. 1989) (stating inevitable disclosure of trade secret information is equivalent to threatened misappropriation under Illinois statute adopting the Uniform Trade Secrets Act).

194. *See* Merck & Co. v. Lyon, 941 F. Supp. 1443, 1457 (M.D.N.C. 1996) (granting injunction with showing of threat of misappropriation); La Calhene, Inc. v. Spolyar, 938 F. Supp. 523, 531 (W.D. Wis. 1996) (granting injunction where there was threat of disclosure).

195. *See* Int'l Bus. Mach. Corp. v. Seagate Tech., Inc., 941 F. Supp. 98, 101 (D. Minn. 1992).

196. *See* FMC Corp. v. Cyprus Foote Mineral Co., 899 F. Supp. 1477, 1481 (W.D.N.C. 1995) (stating that the "mere possibility of misappropriation" is insufficient grounds for injunctive relief); Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp., 255 F. Supp. 645, 654 (E.D. Mich. 1966) ("A trade secret will not be protected by the extraordinary remedy of injunction on mere suspicion or apprehension of injury. There must be a substantial threat of impending injury.").

197. *See, e.g.,* Bayer Corp. v. Roche Molecular Sys., Inc., 72 F. Supp. 2d 1111, 1111-12 (N.D. Cal. 1999) ("The theory of 'inevitable disclosure' is not the law in California."); Computer Scis. Corp. v. Computer Assocs. Int'l, Inc., Nos. CV 98-1374-WMB (SHX) & CV 98-1440-WMB (SHX), 1999 U.S. Dist. LEXIS 21803, at *23, *50 (C.D. Cal. Aug. 12 1999).

198. *See, e.g.,* EarthWeb, Inc. v. Schlack, 71 F. Supp. 2d 299, 316 (S.D.N.Y. 1999); Marietta Corp. v. Fairhurst, No. 37265, 2002 N.Y. Slip. Op. 50351U (N.Y. Sup. Ct. 2002), rev'd, 754 N.Y.S.2d 62 (N.Y. App. Div. 2003). For New Jersey, *see, for example,* National Starch & Chemical Corp. v. Parker Chemical Corp., 530 A.2d 31, 33 (N.J. Super. Ct. App. Div. 1987).

The model presented herein for determining whether an injunction should issue is consistent with the UTSA's attempt to achieve uniformity. The UTSA provides a definition of trade secret and of misappropriation that ensures consistency among states that adopted the Act. However, since the *application* of these definitions in the inevitable disclosure context seems to have led to even greater inconsistencies, the model serves the additional benefit of bolstering the aims of the UTSA.

C. *The Restatement of Unfair Competition*

Instead of revising the trade secrets portion of the *Restatement (First) of Torts*, the American Law Institute chose to omit the topic from the *Restatement (Second) of Torts* and include it in the *Restatement of Unfair Competition*.¹⁹⁹ In 1995, the *Restatement (Third) of Unfair Competition* was released. It reflected the changes in the law since the *Restatement (First) of Torts*, in particular the adoption of the UTSA by a majority of states.

The authors apparently thought that trade secret analysis was more properly analyzed under the law of unfair competition than tort law.²⁰⁰ This is an interesting shift in the overall treatment of this area of the law and it corresponds with the growing union of trade secret and unfair competition issues becoming evident in the case law.²⁰¹

1. Definition of Trade Secret

In a nutshell, this *Restatement* provides an expansive definition of trade secret as something of value that is secret: "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 potential economic advantage over others."²⁰² This definition, although different from that in

199. RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 39-45 (1995).

200. Although the precise reason for this change is not explicitly stated, perhaps it is because trade secret law is inextricably tied to the values of our competitive marketplace. As the authors note:

[T]he law of trade secrets . . . reflects the accommodation of numerous interests, including the trade secret owner's claim to protection against the defendant's bad faith or improper conduct, the right of competitors and others to exploit information and skills in the public domain, and the interest of the public in encouraging innovation and in securing the benefits of vigorous competition.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. b; see Mulcahy & Tassin, *supra* note 4, at 243.

201. See discussion *supra* Part III.D.

202. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39.

the UTSA, was meant to be consistent with the UTSA.²⁰³ Indeed, section 39 of the *Restatement (Third)* makes clear that “[t]he 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.”²⁰⁴

Interestingly, the drafters of the *Restatement (Third) of Unfair Competition* did not incorporate the *Restatement of Torts* six-factor test for determining the existence of a trade secret.²⁰⁵ “However, even despite this omission from the Restatement (Third), and its lack of written presence in the UTSA[,] many courts continue to rely heavily on the six factors for guidance.”²⁰⁶

2. Misappropriation

Liability for misappropriation under the *Restatement (Third) of Unfair Competition* is nearly identical to that of the UTSA.²⁰⁷ Subsection (b) of the *Restatement (Third)* mirrors the rule adopted in the UTSA,

203. *Id.* § 39 cmt. b.

204. *Id.*

205. RESTATEMENT (FIRST) OF TORTS § 757 (1939); *see also* UNIF. TRADE SECRETS ACT, Prefatory Note (amended 1985), 14 U.L.A. 434 (1990) (noting that when the UTSA was drafted the six factors provided under § 757 were “the most widely accepted rules of trade secret law”).

206. Mulcahy & Tassin, *supra* note 4, at 244.

207. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40. Under section 40, Appropriation of Trade Secrets:

One is subject to liability for the appropriation of another’s trade secret if:

- (a) the actor acquires by means that are improper under the rule stated in § 43 information that the actor knows or has reason to know is the other’s trade secret; or
- (b) the actor uses or discloses the other’s trade secret without the other’s consent and, at the time of the use or disclosure,
 - (1) the actor knows or has reason to know that the information is a trade secret that the actor acquired under circumstances creating a duty of confidence owed by the actor to the other under the rule stated in § 41; or
 - (2) the actor knows or has reason to know that the information is a trade secret that the actor acquired by means that are improper under the rule stated in § 43; or
 - (3) the actor knows or has reason to know that the information is a trade secret that the actor acquired from or through a person who acquired it by means that are improper under the rule stated in § 43 or whose disclosure of the trade secret constituted a breach of a duty of confidence owed to the other under the rule stated in § 41; or
 - (4) the actor knows or has reason to know that the information is a trade secret that the actor acquired through an accident or mistake, unless the acquisition was the result of the other’s failure to take reasonable precautions to maintain the secrecy of the information.

Id.

imposing liability for the acquisition of a trade secret by improper means.²⁰⁸

3. Provision for Injunctive Relief

Similar to the UTSA, the *Restatement (Third)* provides generally that injunctive relief may be granted “to prevent a continuing or threatened appropriation of another’s trade secret.”²⁰⁹ It further calls for the court to make a “comparative appraisal of all the factors of the case” to determine whether an injunction is appropriate.²¹⁰ Unlike the UTSA and *Restatement of Torts*, the *Restatement (Third)* provides a list of primary factors to guide the court in crafting the appropriate relief.²¹¹ It includes the following factors:

- a) the nature of the interest to be protected;
- b) the nature and the extent of the appropriation;
- c) the relative adequacy to the plaintiff of an injunction and of other remedies;
- d) the relative harm likely to result to the legitimate interests of the defendant if an injunction is granted and to the legitimate interests of the plaintiff if an injunction is denied;
- e) the interests of third persons and of the public;
- f) any unreasonable delay by the plaintiff in bringing suit or otherwise asserting its rights;
- g) any related misconduct on the part of the plaintiff; and
- h) the practicality of framing and enforcing the injunction.²¹²

While a step in the right direction, these eight factors are themselves vague and relatively general. They appear to focus on harm to, and conduct by, the plaintiff, and the relative benefits of an injunction. However, the sheer number of them, and the lack of specificity of each, makes them of questionable usefulness to a court.

Finally, the *Restatement (Third)* also states that injunctive relief may extend for as long as necessary to protect the plaintiff from harm of misappropriation and to deprive the defendant of any benefit that may ensue from the misappropriation.²¹³

208. *See id.* § 40 cmt. b.

209. *Id.* § 44. Under this section, the person misappropriating the trade secret must fall under section 40.

210. *Id.*

211. *See id.*

212. *Id.*

213. *See id.*

D. *The Economic Espionage Act*

In 1996 Congress passed the Economic Espionage Act of 1996 (EEA) which provides the first comprehensive criminal federal trade secret law on trade secret theft and misappropriation.²¹⁴ The EEA criminalizes “theft of trade secrets” and economic espionage for the benefit of a foreign government, instrumentality or agent.²¹⁵ The Act defines “trade secret” broadly, utilizing parts of the definitions provided in the UTSA, *Restatement (First) of Torts* and the *Restatement (Third) of Unfair Competition*.²¹⁶ The EEA is unlikely to be used by federal prosecutors to pursue inevitable disclosure cases because the Act requires specific intent to misappropriate.²¹⁷

VII. IMPLICATIONS OF SEEKING INJUNCTIVE RELIEF

Employers seeking to enjoin former employees from joining a competitor will generally first seek ex parte temporary restraining orders (TRO), as allowable in their respective jurisdictions. The more successful TROs, especially ex parte TROs, may not necessarily seek the ultimate relief sought under a preliminary injunction. Rather, they may simply seek an order that the defendant not destroy evidence or divulge any confidential information to the competitor until a preliminary injunction hearing is held. This serves as a strategic advantage of serving the complaint with the TRO already in place.

A. *The Temporary Restraining Order*

Rule 65(b) of the Federal Rules of Civil Procedure provides that a TRO may issue where it “clearly appears from specific facts . . . that immediate and irreparable injury, loss or damage will result to the applicant before the adverse party or [his] attorney can be heard in opposition.”²¹⁸ A TRO is warranted where a defendant who receives prior notice of the request is likely to take advantage of the opportunity to conceal or destroy evidence, and thereby impair prosecution of the action.²¹⁹

214. 18 U.S.C. §§ 1831-1839 (2000).

215. *See id.* §§ 1831(a), 1832(b).

216. *See id.* § 1839.

217. *See id.* § 1832.

218. FED. R. CIV. P. 65(b).

219. *See In re Vuitton et Fils S.A.*, 606 F.2d 1, 4 (2d Cir. 1979) (discussing FED. R. CIV. P. 65(b)); *Ivy Mar Co., Inc. v. C.R. Seasons, Ltd.*, 907 F. Supp. 547, 553-54 (E.D.N.Y. 1995) (same).

B. The Preliminary Injunction Hearing

After a TRO hearing, or even without one, the litigation in inevitable disclosure cases are processed through preliminary injunction hearings. The party seeking the preliminary injunction order must generally demonstrate (1) a substantial likelihood of success on the merits, (2) that the moving party will suffer irreparable harm in the absence of injunctive relief, and (3) that the balance of harm weighs in favor of the moving party.²²⁰

C. The Impact of the Preliminary Injunction Standard

The fact that inevitable disclosure cases are handled via preliminary injunction hearings is a significant factor that has been overlooked by virtually all commentators on this subject. It is significant because the preliminary injunction hearing serves as a filter that affects not only the procedure of the case, but the manner in which the case is evaluated by the court, and thus ultimately has a tremendous impact on the outcome.

1. Expedited Discovery

One of the important ways in which the process can affect the outcome is through discovery. The parties in a preliminary injunction case will generally agree to, or the judge will order, expedited discovery. This usually means that discovery in a complex trade secret case will be conducted in a very compressed time frame. For instance, it may take only two weeks rather than the several months as may be provided under a normal tracking order.

This is the time when the defendant asks the plaintiff to produce evidence that (1) the information which it claims is confidential is actually a trade secret and (2) that the employee actually had access to it. Depending on the nature of the industry and the aggressiveness of the parties, this could mean the exchange of thousands of pages of documents and several depositions within a very short time frame. It could also be a major turning point in the litigation because the employer

220. See *Hull Mun. Lighting Plant v. Mass. Mun. Wholesale Elec. Co.*, 506 N.E.2d 140, 141-44 (Mass. 1987); *Brookline v. Goldstein*, 447 N.E.2d 641, 644 (Mass. 1983); see also *Planned Parenthood League of Mass. v. Bellotti*, 641 F.2d 1006, 1009 (1st Cir. 1981), cited in *Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 12 (1st Cir. 1981). In addition, some courts may, but need not, consider the public interest. See *Hull*, 506 N.E.2d at 144.

may not be able to demonstrate through discovery that it actually took the necessary precautions to earn trade secret protection.²²¹

While the various Restatements, state statutes, and the UTSA are helpful in determining what may or may not be a trade secret, there is no “exact” definition of a trade secret.²²² The determination whether specific information is a trade secret is generally a mixed question of law and fact.²²³ In many cases, this analysis alone can be the death of a case where, for instance, the employer did not take sufficient steps to protect its information.²²⁴ Accordingly, the fear that inevitable disclosure cases are or will become easy to win is unwarranted.

Another concern, particularly for the plaintiff, is the protection of its confidential information during the discovery process and the litigation.²²⁵ Without reasonable safeguards to protect confidentiality, trade secret litigation could be hindered. To that end, the parties may agree to, or the court may order a protective order to protect the information.²²⁶ Depending on the arrangement, there may be varying levels of protection, such as designating the information for “attorneys eyes only,” or ordering that it be sealed.²²⁷ In some cases, the court could also appoint a special master or disinterested expert to hear secret information and report conclusions to the court.²²⁸

2. Likelihood of Success on the Merits

Aside from the procedural hurdle that may befall the employer through discovery, it must meet the high burden of demonstrating a substantial likelihood of success on the merits.²²⁹ For all intents and purposes, it must show the inevitability of disclosure of its trade secrets. A plaintiff not only must demonstrate the traditional criteria for obtaining injunctive relief (i.e., a likelihood of success on the merits, the potential

221. See, e.g., *Carboline Co. v. Lebeck*, 990 F. Supp. 762, 767-68 (E.D. Mo. 1997) (finding that employer did not take sufficient measures to guard the secrecy of its alleged trade secret information).

222. See, e.g., RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

223. See, e.g., *APAC Teleservices, Inc. v. McRae*, 985 F. Supp. 852, 864 (N.D. Iowa 1997); *Econ. Roofing & Insulating v. Zumaris*, 538 N.W.2d 641, 648 (Iowa 1995).

224. See, e.g., *Carboline*, 990 F. Supp. at 767-68; *NewLeaf Designs, LLC v. BestBins Corp.*, 168 F. Supp. 2d 1039, 1043-44 (D. Minn. 2001); *J.H. Wright & Assocs. v. Engerson, C.A. No. 00-0906-RV-L 2000*, U.S. Dist. LEXIS 18138, at *22-*23 (S.D. Ala. Nov. 2, 2000).

225. See *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 316-17 (S.D.N.Y. 1999).

226. See *Symonds v. Smith*, No. CV487-084, 1987 U.S. Dist. LEXIS 7873, at *13 (S.D. Ga. Aug. 25, 1987).

227. See *Cacique, Inc. v. Robert Reiser & Co.*, 169 F.3d 619, 622 (9th Cir. 1999).

228. See *Norris Mfg. Co. v. R.E. Darling Co.*, 315 F.2d 633, 634 (4th Cir. 1963).

229. See *Am. Red Cross v. Palm Beach Blood Bank*, 143 F.3d 1407, 1410 (11th Cir. 1978).

for irreparable harm, and a balance of the equities in favor of the plaintiff), but also must demonstrate that (1) it has valuable, proprietary, confidential information that is the subject of reasonable measures to preserve its secrecy (i.e., trade secrets); (2) the departing employee has knowledge of at least one of its trade secrets; and (3) the departing employee's new employment puts him in a position to exploit the trade secret(s) to the detriment of the former employer.²³⁰

Given that the grant or denial of the preliminary injunction can make or break the case, since it captures the ultimate relief sought by the plaintiff, this substantial likelihood of success standard makes the mountain that much steeper to climb for the employer. Accordingly, fears that courts may take these cases too cavalierly or employers may have an easy time obtaining injunctions in these cases are far from accurate. Rather, the preliminary injunction process itself serves as a stringent filter through which the cases are processed. The model proposed in this Article must thus be overlaid over this process, and used in conjunction with it to determine this prong of the preliminary injunction standard.

3. Irreparable Harm

Irreparable harm is presumed where a trade secret may be misappropriated.²³¹ Furthermore, it is well recognized that "loss of trade secrets is not measurable in money damages."²³² However, several courts have denied injunctions in inevitable disclosure cases, reasoning that irreparable harm was not established.²³³ As the *EarthWeb* court stated, "A demonstration of irreparable harm is the 'single most important prerequisite for the issuance of a preliminary injunction.' The mere possibility of harm is not sufficient: the harm must be imminent and the

230. See, e.g., *Campbell Soup Co. v. Giles*, 47 F.3d 467, 469-70 (1st Cir. 1995); *EarthWeb*, 71 F. Supp. at 316 (denying an injunction on the basis that there was no imminent risk of improper trade secrets disclosure, and noting that the inevitable disclosure doctrine, while viable, "should be applied in only the rarest of cases" absent evidence of actual misappropriation).

231. See *FMC v. Taiwan Tainan Giant Indus. Co.*, 730 F.2d 61, 63 (2d Cir. 1984) ("A trade secret, once lost is, of course, lost forever."); *Williams v. Compressor Eng'g Corp.*, 704 S.W.2d 469, 470 (Tex. App. 1986). However, some courts make the presumption only when there is a strong showing of likelihood of success on the merits. See *Lawler Mfg. Co. v. Bradley Corp.*, No. IP 98-1660-C M/S, 2000 U.S. Dist. LEXIS 14197, at *40 n.5 (S.D. Ind. Apr. 26, 2000).

232. *Branson Ultrasonics Corp. v. Stratman*, 921 F. Supp. 909, 913 (D. Conn. 1996).

233. See, e.g., *EarthWeb*, 71 F. Supp. 2d at 316-17; *Leach v. Ford Motor Co.*, 299 F. Supp. 2d 763, 776 (D. Mich. 2004); *Drayton Enters., L.L.C. v. Dunker*, No. A3-00-159, 2001 U.S. Dist. LEXIS 474, at *4 (D.N.D. Jan. 9, 2001) (holding that the failure of plaintiff to show irreparable harm was one of the reasons why a preliminary injunction was inappropriate).

movant must show it is likely to suffer irreparable harm if equitable relief is denied.²³⁴

Inevitable disclosure claims may be based on future harm, but they may not be based on speculative harm. Plaintiffs must be able to point to actual, indeed inevitable, harm to succeed on an inevitable disclosure claim.²³⁵ “There must be an imminent threat of the allegedly harmful disclosure” to justify an injunction.²³⁶

4. Balance of the Harms

The model proposed herein would also be useful in determining whether the balance of the harms favors the employer or the employee. The balance of the harms analysis used by courts appears to call into question the very policies at the heart of this doctrine—balancing the right of the employer to protect its trade secrets with the right of the employee to earn a living.²³⁷ It is similar to the concept of “balancing” that appears in the model proposed here, thus creating a synergy between the preliminary injunction standard and the components of the model to determine a fair outcome for the employer and employee.

Employers may argue that, given the presumption of irreparable harm in trade secret misappropriation cases, the substantial harm to the company if injunctive relief is not granted substantially outweighs any harm that would flow to the former employee if the injunction is granted. The potential harm to the company is absolute—without injunctive relief it will face the significant loss of its trade secrets and confidential information, giving the former employee and his or her new employer an unfair advantage.²³⁸ This argument is stronger in cases where there is a noncompetition agreement, because the employee was fully aware of the

234. *EarthWeb*, 71 F. Supp. 2d at 308 (citations omitted).

235. *See* *Sprint Corp. v. Deangelo*, 12 F. Supp. 2d 1184, 1194 (D. Kan. 1998) (“The injury complained of must be of such imminence that there is a clear and present need for equitable relief to prevent irreparable harm.”); *In re Rare Coin Galleries of Am., Inc.*, 862 F.2d 896, 902 (1st Cir. 1988) (“[S]peculation or unsubstantiated fears about what may happen in the future cannot provide the basis for preliminary injunction.”).

236. *Cont’l Group, Inc. v. Amoco Chems. Corp.*, 614 F.2d 351, 358-59 (3d Cir. 1980); *see also* *Int’l Bus. Mach. Corp. v. Seagate Tech., Inc.*, 941 F. Supp. 98, 101 (D. Minn. 1992) (“A trade secret will not be protected by the extraordinary remedy of injunction on mere suspicion or apprehension of injury. There must be a substantial threat of impending injury before an injunction will issue.” (quoting *Allis-Chalmers Mfg. Co. v. Cont’l Aviation & Eng’g Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966)).

237. *See* *RKI, Inc. v. Grimes*, 177 F. Supp. 2d 859, 873 (N.D. Ill. 2001).

238. *Cf. Colonize.com, Inc. v. Perlow*, No: 03-CV-466, 2003 U.S. Dist. LEXIS 20021, at *1 (N.D.N.Y. Oct. 23, 2003) (holding that employer had not established that without injunctive relief it would suffer irreparable harm).

consequences of breach.²³⁹ In such cases, the employee may need to show extraordinary hardship would be caused by the enforcement of the promise not to compete.²⁴⁰

Sometimes the former employer does not seek a total bar; rather, it seeks only to prevent the former employee from working for the new employer in a particular capacity. In such cases, the employer may argue the harm to the employee would be even less, since he or she would be able to earn a living for the chosen employer. The only harm to the employee would be in doing that which the law requires anyway when the employee signed the nondisclosure agreement. Thus, the harm to the company would outweigh any potential harm to the employee.

5. The Public Interest

In cases where the employee signed a noncompetition agreement, the argument that the public has a right to expect that valid agreements will be enforced, takes center stage. Courts have long recognized that the public interest is served by protecting an employer's trade secrets. They have held that "where a confidential relationship has existed, out of which one of the parties has derived information or secrets concerning the other, equity fastens an obligation upon his conscience not to divulge such knowledge, and enforces the obligation, when necessary, by injunction."²⁴¹ That argument can also be made where the employee has signed a nondisclosure agreement.

There is another issue here that is not frequently raised, but is worth mentioning. It is the potential concern that the extension of trade secret protection in cases like these could impede the ability of antitrust laws to maintain a free and competitive market. It stems back to the idea that inevitable disclosure injunctions, in the absence of noncompetition agreements, are an impermissible attempt to destroy competition.²⁴² The full ramifications of this argument are beyond the scope of this Article. However, proper application of the model presented herein should make

239. See *Cereva Networks, Inc. v. Lieto*, No. CA 01 3835, 2001 Mass. Super. LEXIS 435, at *21 (Mass. Super. Ct. Oct. 12, 2001).

240. See, e.g., *Marine Contractors Co. v. Harley*, 310 N.E.2d 915, 921 (Mass. 1974).

241. *Stevens & Co. v. Stiles*, 71 A. 802, 805 (R.I. 1909).

242. See *Dial Media, Inc. v. Schiff*, 612 F. Supp. 1483, 1489 (D.R.I. 1985) ("[I]n the absence of trade secret abuse, misappropriation of good will, or other damage Plaintiff is simply attempting to restrain competition which is in this instance an unreasonable restraint on trade."); *Steenhoven v. Coll. Life Ins. Co. of Am.*, 460 N.E.2d 973, 975 n.7 (Ind. App. Ct. 1984) ("[The employer] seemingly seeks not to protect a trade secret, but rather, to prevent competition. . . . Insofar as [the employer] attempts to merely restrain [the defendant's] competition, we believe the UNIFORM TRADE SECRETS ACT to be an improper vehicle therefor?").

this argument moot. If after a rigorous analysis a court finds that inevitable disclosure is threatened, then it has the power by law to enjoin such misappropriation. Any resulting “harm” to a competitor is no harm at all because no law, whether trade secret or antitrust, permits the kind of business practice whereby one acquires an unfair advantage by misappropriating a competitor’s intellectual property.

VIII. THE PROPOSED MODEL—FACTORS TO BE WEIGHED

The challenge here is to address the complaint that the application of the inevitable disclosure doctrine is “fraught with hazards.”²⁴³ In particular, the fear is that the doctrine creates a noncompetition agreement where one did not exist.²⁴⁴ Moreover, application of the inevitable disclosure doctrine absent a noncompetition agreement leaves courts without the parameters of a noncompetition agreement to test for reasonableness, but with a “nebulous ‘standard of inevitability.’”²⁴⁵

In order to address these problems, this Article proposes a structure whereby the application of the inevitable disclosure doctrine is treated as if it were a noncompetition agreement. Like a noncompetition agreement, the inevitable disclosure doctrine can be a de facto restrictive covenant, but without the safeguards necessary to protect employees. Therefore, parameters should be created to determine reasonableness. When these parameters are applied uniformly, the decision of whether to issue an injunction should be fair and consistent.

Despite the wide-ranging fact patterns presented in these types of cases, there are certain criteria by which the facts of each case should be evaluated. This Article proposes four factors that should serve as a balancing test for determining whether a preliminary injunction should issue in a given case. Each factor is necessary and important to the totality analysis, but no one factor is determinative.

A. *Presence of an Agreement*

The first step in the model calls for an examination of any restrictive covenants between the employer and employee. It requires at a minimum a nondisclosure agreement with the employee. A valid

243. *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999).

244. *See Int’l Bus. Mach. Corp. v. Seagate Tech., Inc.*, 941 F. Supp. 98, 101 (D. Minn. 1992) (“A claim of trade secret misappropriation should not act as an ex post facto covenant to compete.” (citing *Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1112-13 (8th Cir. 1969)).

245. *See EarthWeb*, 71 F. Supp. 2d at 311.

noncompetition agreement, on the other hand, is preferred but not required. The reason for this distinction is discussed below.

1. A Nondisclosure Agreement

In order to seek an injunction on inevitable disclosure, this model requires that the employee must have signed a nondisclosure agreement. Indeed a review of the cases revealed only one case where the court granted an injunction without a nondisclosure agreement.²⁴⁶ These agreements tend to be part of most employment contracts or manuals, and an employer should be hard pressed to justify a circumstance under which it should have but did not obtain a nondisclosure agreement. Further, unlike noncompetition agreements, employees tend to be more willing to sign nondisclosure agreements, since they are not perceived as being overly restrictive.

Since, however, the common law imposes some confidential obligations between an employer and employee, it may seem unfair to require a nondisclosure agreement from the employer.²⁴⁷ Arguably, these agreements merely codify the employee's already existing common law obligations. Nevertheless, given the drastic nature of the remedy sought in inevitable disclosure cases, fairness also seems to dictate that at the very least, the employee must have signed and acknowledged these obligations in writing. An employer claiming to have protectable trade secrets, but careless enough not to obtain a relatively obscure nondisclosure agreement, should not be heard to complain that it is unfairly disadvantaged by not being entitled to injunctive relief. Indeed, the nondisclosure agreement would have laid out injunctive relief as a remedy for breach of the nondisclosure agreement.

2. A Noncompetition Agreement

The presence of a noncompetition agreement is key, but not determinative. Where an employer has obtained a valid and enforceable noncompetition agreement, this should weigh heavily in favor of enjoining the employee from joining a competitor.²⁴⁸ Indeed, courts

246. See *DoubleClick Inc. v. Henderson*, No. 116914/97, 1997 WL 731413, at *4 n.2 (N.Y. Sup. Ct. Nov. 7 1997); *cf. Rencor Controls v. Stinson*, 230 F. Supp. 2d 99, 99-104 (D. Me. 2002) (denying injunction where there was no mention of a nondisclosure agreement in the opinion); *Lawler Mfg. v. Bradley Corp.*, No. IT 98-1660-C M/S, 2000 U.S. Dist. LEXIS 14197, at *1 (S.D. Ind. Apr. 26, 2000) (same).

247. See discussion *supra* Part IV.

248. See *Cont'l Group, Inc. v. Kinsley*, 422 F. Supp. 838, 844 (D. Conn. 1976) ("The non-competition covenant adds something to the protection available to the employer beyond what he

appear more willing to grant injunctive relief based on inevitable disclosure if the former employee signed a noncompetition agreement.²⁴⁹ The parties have contracted for their arrangement, and the employee should have foreseen, and indeed expected, that his mobility would be impinged.²⁵⁰ In practice, however, one would expect that the cases with noncompetition agreements would not be as dependent on the inevitable disclosure doctrine for the outcome of the case (unless, perhaps there is a challenge to the validity of the agreement).²⁵¹

It should not be necessary that an employer require an employee to sign a noncompetition agreement in order to protect its trade secrets from inevitable disclosure.²⁵² Many jurisdictions do not favor noncompetition covenants because of the concern that they effectively prevent employees from earning a living.²⁵³ Accordingly, they are generally subject to stringent review requirements before a court will enforce such a covenant. For instance, the employer “must have a valid interest to protect[,] the geographical restriction must not be overly broad[, and the] time limit” imposed must be reasonable.²⁵⁴

Where there is no noncompetition agreement, the case should be viewed in a very different light. Indeed, there have been very few reported decisions applying the inevitable disclosure doctrine where no noncompetition agreement was in place.²⁵⁵ Only three cases actually

would expect from the normal incidents of the employer-employee relationship or from a secrecy agreement.”).

249. See, e.g., *Minn. Mining & Mfg. Co. v. Francavilla*, 191 F. Supp. 2d 270, 274 (D. Conn. 2002); *Maxxim Med. v. Michelson Inc.*, 51 F. Supp. 2d 773, 777 (S.D. Tex. 1999); *Lumex Inc. v. Highsmith*, 919 F. Supp. 631, 624 (E.D.N.Y. 1996).

250. As far back as 1929, Judge Learned Hand stated:

[I]t has never been thought actionable to take away another's employee, when the defendant wants to use him in his own business, however much the plaintiff may suffer. It is difficult to see how servants could get the full value of their services on any other terms; time creates no prescriptive right in other men's labor. If an employer expects so much, he must secure it by contract.

Harley & Lund Corp. v. Murray Rubber Co., 31 F.2d 932, 934 (2d Cir. 1929).

251. See *Carboline Co. v. Lebeck*, 990 F. Supp. 762, 768 (E.D. Mo. 1997); *Int'l Paper Co. v. Suwyn*, 966 F. Supp. 246, 256-59 (S.D.N.Y. 1997).

252. See, e.g., *PepsiCo, Inc. v. Redmond*, 54 F.3d 1271, 1262 (7th Cir. 1995); *FMC Corp. v. Varco, Int'l, Inc.*, 677 F.2d 500, 500 (5th Cir. 1982); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1446-55, 1464-65 (M.D.N.C. 1996); *Chem-Trend Inc. v. McCarthy*, 780 F. Supp. 458, 458-59 (E.D. Mich. 1991).

253. See, e.g., *Drs. Blum, Newman, Blackstock & Assocs., Optometrist, P.C. v. Jessee*, 42 Va. Cir. 187, 187 (Cir. Ct. 1997) (noting that “[c]ontracts that prevent a person from earning a living are looked upon with disfavor”).

254. See, e.g., *Duffner v. Alberty*, 718 S.W.2d 111, 112 (Ark. Ct. App. 1986) (citing *Rebsamen Ins. v. Milton*, 600 S.W.2d 441 (Ark. Ct. App. 1980)).

255. See *PepsiCo*, 54 F. 3d at 1269; *Merck*, 941 F. Supp. at 1460-61; *DoubleClick Inc. v. Henderson*, No. 116914/97, 1997 WL 731413, at *4 n.2 (N.Y. Sup. Ct. Nov. 7, 1997).

granted the injunction without a noncompetition agreement.²⁵⁶ Many would espouse that the case not be permitted to proceed or that the inquiry end at this juncture.²⁵⁷ However, this author believes that there are cases, like *PepsiCo* for instance, where the totality of the circumstances would still weigh in favor of an injunction.²⁵⁸ Thus, the other three factors should still be evaluated.

B. Degree of Competition and Similarity of Roles

The second factor to be considered is the degree of competition between the former employer and the new employer, as well as the similarity of the roles between the employee's former position and new position. Are the employers direct competitors providing the same or very similar products or services? Is the employee's new position so similar to his old one that he could not reasonably be expected to fulfill his new job responsibilities without utilizing the trade secrets of his former employer?

Where the companies are fierce, head-to-head competitors, the balance tips toward the issuance of an injunction. Where, however, the level of competitiveness is not as strong, such as when the companies are not in the same industry, or compete for a different market segment, an injunction should probably not issue in the absence of other compelling factors.²⁵⁹

In *EarthWeb*, the court was presented with a situation where the alleged competitor's business was not yet in operation.²⁶⁰ The former employee was Vice-President of an information technology Web site at EarthWeb.²⁶¹ EarthWeb sued the defendant employee seeking a preliminary injunction to, among other things, enjoin the defendant from pursuing employment with plaintiff's competitor.²⁶²

256. See *PepsiCo*, 54 F.3d at 1262; *Merck*, 941 F. Supp. at 1443; *DoubleClick*, 1997 WL 731413, at *8.

257. See, e.g., *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999); Sheinfeld, *supra* note 1, at 410 (“[T]he appropriate role for the inevitability doctrine may be in buttressing a restrictive covenant.”).

258. See *Air Prods. & Chems., Inc. v. Johnson*, 215 U.S.P.Q. 547, 552, 559 (Pa. Super. Ct. 1982) (enjoining disclosure of trade secrets and also prohibiting ex-employee undertaking certain engineering assignments where the new employer had tried unsuccessfully to develop aspect of business that employee could provide); *Merck*, 941 F. Supp. at 1464-65 (issuing injunction based upon inevitability of disclosure, despite absence of noncompetition agreement).

259. See *EarthWeb*, 71 F. Supp. 2d at 299, 302-08, 317.

260. See *id.* at 302-08.

261. *Id.* at 303.

262. *Id.* at 302.

The court was unable to assess the degree of competitiveness because the new employer had not begun business as of the time of the litigation.²⁶³ Although the companies would both be covering similar areas of the information technology industry, the court considered it “a nascent industry which is evolving and re-inventing itself with breathtaking speed.”²⁶⁴ It reasoned that EarthWeb sought to prohibit competition not because of a prejudicial effect arising out of defendant’s knowledge of plaintiff’s trade secrets, but rather simply to inhibit competition.²⁶⁵ It denied the injunction.

Having determined that the companies are competitors, the court should then examine the similarity of the positions, and not merely the job titles. An employee who will assume an almost identical role with a competitor as she occupied with the former employer should receive a more critical eye than one who will not.²⁶⁶ The argument here is that misappropriation is threatened not because the employee intends to steal the former employer’s trade secrets, but rather because he or she cannot avoid such misappropriation in performing his or her responsibilities.

In *Continental Group, Inc. v. Kinsley*, the court found it enough that the new employer’s work was sufficiently similar to that of the old employer to make likely the risk of disclosure by the employee in the course of his subsequent employment.²⁶⁷ “The mere rendition of the service along the lines of [the former employee’s] training would almost necessarily impart such knowledge [as he had acquired from the first employer] to some degree.”²⁶⁸ It found that

[Where the two companies were] endeavoring to develop the identical product, a plastic bottle for carbonated beverages . . . whatever variation there may be in techniques, there is a high risk that in the course of working with the [new employer’s] process, [the former employee] will, perhaps inadvertently, disclose secret aspects of [the former employer’s] process. Some feature of the [new employer’s] process may prompt him to compare it favorably with a less satisfactory aspect of the [former

263. *See id.* at 305-06.

264. *Id.* at 306.

265. *See id.* at 316.

266. *See* Branson Ultrasonics Corp. v. Stratman, 921 F. Supp. 909, 913-14 (D. Conn. 1996) (entering injunction where “high degree of similarity” between current and prior employment made it likely that disclosure and use of trade secrets would occur); Emery Indus., Inc. v. Cottier, 202 U.S.P.Q. 829, 834 (S.D. Ohio 1978) (granting injunction where “transfer of employment is to a head-to-head competitor and the responsibilities in the employments are comparable”).

267. *Cont’l Group, Inc. v. Kinsley*, 422 F. Supp. 838, 845 (D. Conn. 1976).

268. *Id.* (citing *Eastman Kodak Co. v. Powers Film Prods., Inc.*, 179 N.Y.S. 325, 330 (N.Y. App. Div. 1919)).

employer's] process, or vice versa. It is not difficult to imagine numerous opportunities for such inadvertent disclosure.²⁶⁹

The court also found that, apart from specific secrets concerning its process, the former employer is entitled to protect information about its product development stage.²⁷⁰

With a small number of companies competing vigorously to be among the first to develop a new product with potentially enormous sales, information concerning one company's proximity to success would have considerable value to competitors faced with important decisions as to the rate at which their own development should proceed.²⁷¹

However, the mere fact that an individual assumed a similar position with a competitor does not, without more, make it inevitable that he will disclose the former employer's trade secrets.²⁷² In *Campbell Soup Co. v. Giles*, the court refused to enjoin the former employee from working for a chief competitor finding only "minimal room for competitive maneuvering."²⁷³

As discussed in Part III, an underlying theme of inevitable disclosure cases is unfair competition. Indeed, employees are sometimes caught in the middle. They are perceived as the tool for the unfair competition between competitor employers. Accordingly, aside from the obvious consideration of the level of competition between the two companies involved, this model recognizes and incorporates the blending of trade secret misappropriation with unfair competition.²⁷⁴

C. *Extent of Knowledge and Exposure*

Third, the extent of the employee's knowledge of and familiarity with the trade secrets in question should also play a prominent role.

269. *Id.*

270. *See id.*

271. *Id.*

272. *See* PepsiCo, Inc. v. Redmond, 54 F. 3d 1268, 1262-69 (7th Cir. 1995); *see also* Int'l Bus. Mach. Corp. v. Seagate Tech., Inc., 941 F. Supp. 98, 101 (D. Minn. 1992) ("Merely possessing trade secrets and holding a comparable position with a competitor does not justify an injunction.").

273. *Campbell Soup Co. v. Giles*, 47 F.3d 467, 471 (1st Cir. 1995).

274. The model is a mix of company level (unfair competition element) and employee level (inevitable disclosure element) considerations. In particular, the degree of competition/similarity of roles factor is a consideration at the company level (competition) and the individual employee level (similarity of roles). The presence of any agreement concerns the employee and the employer's right to restrain him. The employee's familiarity and exposure to the former employer's trade secrets focuses on what the employee knows and can contribute to the new employer or use to cause damage to the former employer. Finally, the bad faith analysis, although mostly about the individual employee's intentions and conduct, also includes a consideration of the new employer's participation and efforts.

Implicit in this criterion is the analysis of whether the information is indeed a trade secret. The employer should have clearly identified the trade secrets at risk.²⁷⁵ General allegations of the existence of trade secret information and general claims of secrecy of broad categories of information are insufficient to show that a trade secret exists.²⁷⁶

The long-time employee who was intimately involved with developing a product line and was privy to highly confidential business information should be held in a different light than one who was only with the company for a short period, and may have occasionally seen confidential data or participated in meetings where confidential information was exchanged. While the former is more likely to have valuable information in his head and present a greater risk to the former employer, the latter would generally not pose such a risk.

1. Is the Knowledge Specific or General?

Where an employee has worked in an industry for a long time, it can be difficult to differentiate between an employee's general knowledge, and the employer's trade secret information.²⁷⁷ As one court stated:

Mere "knowledge of the intricacies of a [former employer's] business operation" does not constitute a protectable secret that would justify prohibiting the employee from "utilizing his knowledge and talents in this area. A contrary holding . . . would make those in charge of operations or specialists in certain aspects of an enterprise virtual hostages of their employers."²⁷⁸

However, in treading this delicate balance, the court must determine whether the employee's main value to the new employer lies in his knowledge of the competitor's trade secrets, or whether it lies in the employee's vast array of general knowledge and experience gained from educational training and years of working in the industry.

275. See related discussion *supra* Part VII.C.1.

276. See *AMP Inc. v. Fleischhacker*, 823 F.2d 1199, 1203 (7th Cir. 1987); *Int'l Bus. Mach.*, 941 F. Supp. at 100-01 ("Indeed, an injunction is inappropriate if plaintiff fails 'to identify specific trade secrets and instead produces long lists of general areas of information which contain unidentified trade secrets.'" (quoting *AMP*, 823 F.2d at 1203)).

277. See, e.g., *Briskin v. All Season Servs., Inc.*, 615 N.Y.S.2d 166, 167 (N.Y. App. Div. 1994) (refusing to enjoin "knowledgeable and experienced sales representative" who did not know trade secrets).

278. *Int'l Paper Co. v. Suwyn*, 966 F. Supp. 246, 256 (S.D.N.Y. 1997) (quoting *Reed Roberts Assocs., Inc. v. Strauman*, 353 N.E. 2d 590, 594 (N.Y. 1976) (alteration in original)).

2. Is It Inevitable That the Employee Will Disclose the Specific Knowledge?

While the employer must demonstrate that the former employee has specific knowledge of its trade secrets, it must also show that it is inevitable that such knowledge will actually be used.²⁷⁹ In *Marcam Corp. v. Orchard*, the court issued a preliminary injunction and reasoned as follows:

[The defendant] has knowledge of [plaintiff's] marketing strategies and its plans for future development. Even if [the defendant] thinks he is keeping [plaintiff's] secrets, he will, as [the competitor's employee] inevitably, even if inadvertently, be influenced by the knowledge he possesses of all aspects of [plaintiff's] development efforts. That knowledge will provide an advantage to [the competitor] as it contemplates its own strategies regarding future development of products that compete with [plaintiff's] products.²⁸⁰

However, the mere fact that an employee has knowledge of an employer's trade secrets, does not mean that he will inevitably disclose those secrets. As one court reasoned,

[T]he mere existence of particularized knowledge cannot render future misappropriation inevitable. Such a rule would undermine the maxim that [the UTSA] "should not prevent workers from pursuing their livelihoods when they leave their current positions." While the facts of this case suggest that [the former employee] holds particularized knowledge about [the former employer's] manufacturing and marketing operations and should be enjoined from divulging that information in the future, the court finds that this is not a case where future misappropriation is inevitable.²⁸¹

D. Evidence of Dishonesty or Bad Faith

Finally, by the time inevitable disclosure cases reach litigation, the defendant employee will usually give assurances to the court and to the former employer that he or she will not disclose any trade secret

279. See *C.R. Bard, Inc. v. Intoccia*, No. 94-11568-Z, 1994 WL 601944, at *3 (D. Mass. Oct. 13, 1994) (issuing preliminary injunction and reasoning that "[the employee] could not and did not leave behind his special knowledge of plaintiff's operation, and in serving his new employer he will inevitably draw upon that knowledge"); *Investors Bank & Trust Co. v. Gunes*, No. 94-2567F, 1994 WL 879800, at *1-*2 (Mass. Super. Ct. June 2, 1994) (finding there was an immediate threat that a former mutual fund employee would use his employer's confidential and proprietary information for the benefit of his new employer and to the detriment of his former one because it would be "difficult or impossible" for the employee not to use such information while working for the competitor).

280. 885 F. Supp. 294, 297 (D. Mass. 1995).

281. *Dulisse v. Park Int'l Corp.*, 45 U.S.P.Q.2d 1688, 1691 (N.D. Ill. 1998) (citations omitted).

information. Some courts may give these declarations some weight.²⁸² However, courts should look beyond these self-serving assurances to determine whether there is any evidence to indicate contrary intentions.²⁸³

When all of the above factors point to an injunction, evidence of dishonesty or bad faith on the part of the departing employee would be the icing on the cake in granting an injunction. Where, as in these cases, a court is being asked to predict whether a person will engage in misconduct at some future date, absent a looking glass, it is very difficult to predict.

Misappropriation and misuse [of trade secrets] can rarely be proved by convincing and direct evidence. In most cases[,] plaintiffs must construct a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inferences which convince him that it is more probable than not what plaintiffs allege happened did in fact take place. Against this often delicate construct of circumstantial evidence there frequently must be balanced defendants and defendants' witnesses who directly deny everything.²⁸⁴

Therefore, the fact that the employee has already demonstrated a propensity toward dishonesty should make the call a little easier.²⁸⁵ Where the former employer has evidence that the former employee has actually taken information with him or her, it can be the smoking gun.²⁸⁶

1. Not Necessary That Employee Took Information

However, it is not necessary that the employee have taken any confidential documents.²⁸⁷ It could be enough that given these other

282. See, e.g., *Cont'l Group, Inc. v. Amoco Chems. Corp.*, 614 F.2d 351, 358 (3d Cir. 1980) (reversing grant of injunction where "[t]he trial court appeared to find credible the testimony that [the employee] did not intend to disclose, and [the new employer] did not intend to use, any of [the former employer's] confidential information").

283. See, e.g., *FMC Corp. v. Cyprus Foote Mineral Co.*, 899 F. Supp. 1483, 1477 (W.D.N.C. 1995) ("According to [the former employer] he has no intention of [disclosing the confidential information] and as of yet there is no evidence to the contrary."):

284. *McFarland v. Brier*, No. C.A. 96-1007, 1998 WL 269223, at *5 (R.I. Super. Ct. May 13, 1998) (internal citations omitted) (citing *Greenberg v. Croydon Plastics Co.*, 378 F. Supp. 806, 814 (E.D. Pa. 1974)).

285. See, e.g., *FMC Corp.*, 899 F. Supp. at 1483 ("[Courts] refuse to enjoin an employee from working for its former employer's competitor under the doctrine of 'inevitable discovery' absent some showing of bad faith, underhanded dealing, or employment by an entity so plainly lacking comparable technology that misappropriation can be inferred."):

286. See, e.g., *Ackerman v. Kimball Int'l, Inc.*, 652 N.E.2d 507, 510-11 (Ind. 1995) (holding that where a departing employee took the former employer's customer and supplier lists before joining a competitor, there was a threat of misappropriation).

287. See *C.R. Bard, Inc. v. Intoccia*, No. 94-11568-Z, 1994 WL 601944, at *3 (D. Mass. Oct. 13, 1994) (assuming that even if defendant took no documents, "he could not and did not

considerations, including similarity of roles, employees will be influenced by the knowledge they possess of aspects of the former employer's trade secrets. As one court stated,

[the former employee] does not go with a *tabula rasa* with respect to [the former employer's] products, . . . its customers and other significant business information. It is difficult to conceive how all this information stored in [his] memory can be set aside as he applies himself to a competitor's business and its products. On the contrary, what [the former employee knows] about [the former employer] is bound to influence what he does for [the new employer], and to the extent it does, [the former employer] will be disadvantaged.²⁸⁸

Other courts are also in agreement with this reasoning.²⁸⁹

2. Efforts By New Employer

Another consideration here is the extent to which the new employer has taken steps to honor the employee's nondisclosure agreement with the former employer. Some employers will, for instance, segregate the employee from any areas of work where he or she may be tempted to rely upon the former employer's trade secrets.

One court denied an injunction even where the employee knew trade secrets because (1) the former employee made no effort to take confidential information with him when he left the employer, (2) the former employee and his new employer made an arrangement that he would not violate the noncompetition agreement with the prior employer, (3) the new employer made known among its senior management the nature of the former employee's obligations to the previous employer, and

leave behind his special knowledge of plaintiff's operation, and in serving his new employer he will inevitably draw upon that knowledge").

288. *Marcam Corp. v. Orchard*, 885 F. Supp. 294, 297 (D. Mass. 1995).

289. *See, e.g., Aetna Retirement Servs., Inc. v. Hug*, No. CV 9704799743, 1997 Conn. Super. LEXIS 1781, at *28 (Conn. Super. Ct. June 18, 1997) (granting TRO although "[i]t is unquestionable that [the ex-employee] is a person of unimpeachable integrity whose honesty is widely respected and admired"); *Am. Totalisator Sys., Inc. v. Automatic Totalisators (U.S.A.) Ltd.*, No. Civ. A. No. 5562, 1978 WL 4479, at *1 (Del. Ch. Apr. 20, 1978) (entering preliminary injunction despite knowledge that defector was a "man of integrity," where ex-employee was intimately familiar with strategic plans and possessed valuable information); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 631 (E.D.N.Y. 1996) (entering six-month preliminary injunction where, notwithstanding good intentions, the court found it was inevitable that the former employee would disclose important trade secrets); *Monovis, Inc. v. Aquino*, 905 F. Supp. 1205, 1234 (W.D.N.Y. 1994) ("[E]ven assuming the best of good faith, it is doubtful whether the [former employee] could completely divorce his knowledge of the trade secrets from any . . . work in which he might engage."); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1464-65 (M.D.N.C. 1996) (crafting narrow injunction based upon inevitability of disclosure, despite absence of noncompetition agreement, or concerns regarding ex-employee's candor).

(4) there was no evidence the former employee needed to disclose confidential information to fulfill his obligations to his new employer.²⁹⁰

However, expression of good faith and intent to honor the former employer's agreements with the new employer is not determinative. Such measures will not necessarily prevent the inevitable disclosure of trade secrets and confidential information as the employee pursues his new role to his own benefit and the benefit of his new employer.²⁹¹

Even with good faith on the part of the new employer, trade secrets may be revealed, to the former employer's serious business detriment. Accordingly, a court, in its discretion, may not give much weight to these measures.²⁹²

3. No Injunction Without Bad Faith Where No Noncompetition Agreement Exists

Indeed, it very well may be in this type of litigation, that evidence of dishonesty or bad faith may be the most important of these factors in persuading the court to grant an injunction.²⁹³ This author proposes that an injunction should not issue absent a noncompetition agreement unless there has been a showing of bad faith or evidence of dishonesty.²⁹⁴

The employer's case is strengthened where it can show that the employee has already revealed confidential information.²⁹⁵ The employer could easily argue that a former employee's lack of forthrightness shows a willingness to use confidential information to advance his or her career.

In one case, for instance, the court reasoned that "[I]f [the former employee] would misrepresent the truth in order to gain more money

290. *Bridgestone/Firestone, Inc. v. Lockhart*, 5 F. Supp. 2d 667, 682 (S.D. Ind. 1998).

291. *Marcam*, 885 F. Supp. at 297.

292. *See, e.g., Lumex*, 919 F. Supp. at 631 (discrediting letter to former employer, and a similar memorandum to its top personnel, assuring them that it did not want to receive or discuss any of its trade secrets).

293. *See, e.g., PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270-71 (7th Cir. 1995) (holding that evidence of Redmond's bad faith demonstrated willingness to misuse trade secrets); *Sigma Chem. Co. v. Harris*, 586 F. Supp. 704, 710-11 (E.D. Mo. 1984) ("[T]he facts that defendant attempted to mislead plaintiff about his new employment . . . and has solicited some of plaintiff's suppliers . . . strongly suggests a threat of harm to plaintiff."); *Novell, Inc. v. Timpanogos Research Group, Inc.*, 46 U.S.P.Q.2d 1197, 1204-17 (Utah Dist. Ct. 1998) (stating that there was a high probability of the disclosure of trade secrets where ex-employees demonstrated a "predatory" intent and one had a "penchant for creating a separate reality and for deliberate misrepresentation").

294. *See Callahan v. R.I. Oil Co.*, 240 A.2d 411, 411-14 (R.I. 1968) (refusing to enjoin employee from soliciting former employer's customers absent noncompete clause or a showing of bad faith).

295. *See Union Carbide Corp. v. UGI Corp.*, 731 F.2d 1186, 1191 (5th Cir. 1984); *DoubleClick, Inc. v. Henderson*, No. 116914/97, 1997 WL 731413, at *5 (N.Y. Sup. Ct. Nov. 7, 1997); *Novell*, 46 U.S.P.Q.2d at 1217.

through a severance package, he might also find that the temptation to succeed in his career would be too much for him to ignore the confidential information he has about plaintiffs' operations."²⁹⁶

4. Nature of the Dishonesty

The nature of the dishonesty is important. It may make a difference in the analysis if the employer has evidence of the employee actually disclosing information or putting it to otherwise improper use, versus evidence that the employee was not completely truthful or candid about his or her plans to join a competitor.²⁹⁷ The former may be more persuasive than the latter.

In one case the court denied an injunction pointing out that (1) the employee did not take with him nor did he have access to the former employer's written information or material such as designs or blueprints, and (2) the employee appeared to be an "honest, honorable person who respects [the former employer's] rights to protect its trade secrets."²⁹⁸

IX. CHECKLIST OF THE MODEL

As discussed above, whether an injunction should issue on an inevitable disclosure claim requires findings of a substantial likelihood of success on the merits of the claim and irreparable harm. Based on the preceding discussion, the analytical model to arrive at such a conclusion is presented below.

1. Is there a nondisclosure agreement (either as a stand-alone or as part of another agreement such as a noncompetition agreement)?
If not, then the case cannot proceed under the doctrine.
2. Is there a valid and enforceable noncompetition agreement?
If so, continue with the balancing test, balancing all remaining factors, namely, (i) degree of competition, (ii) extent of

296. *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1461 (M.D.N.C. 1996).

297. *See, e.g., APAC Teleservices, Inc. v. McRae*, 985 F. Supp. 852, 859 (N.D. Iowa 1997) (treating employee's lying to colleagues about his position with the new employer as mere "puffing" to make it seem as if he was getting a better job than he was"); *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405, 1419-20 (N.D. Iowa 1996) (refusing to address conflicting testimony regarding joining a competitor).

298. *Bendinger v. Marshalltown Trowell Co.*, 994 S.W.2d 468, 474 (Ark. 1999); *see also Eng'g Assocs., Inc. v. Pankow*, 150 S.E.2d 56, 59 (N.C. 1966) (rejecting preliminary injunction because "[t]he plaintiff has offered no evidence that defendant acquired knowledge of its business in bad faith. . . . He has merely exercised the privilege every citizen has of accepting employment in the field for which he is trained.").

knowledge and exposure, and (iii) evidence of dishonesty or bad faith.

3. If there is no noncompetition agreement, is there evidence of dishonesty or bad faith?

If not, no injunction should issue.

If so, continue with the balancing test, balancing all remaining factors, namely, degree of competition and extent of knowledge and exposure.

4. Do the totality of the circumstances, after balancing the factors, weigh in favor of issuing an injunction?

If not, an injunction is denied on the inevitable disclosure claim.

If so, determine the scope of the injunction. Among the possible considerations are:

- (i) The length of the injunction and terms of the injunction.
- (ii) Whether there should be a complete bar against the employee working for the new employer in any position.
- (iii) Whether the employee should be barred from working for the new employer in a particular role and for a particular period of time (usually either until the time remaining on the non-competition agreement expires, or until the trade secret information known by the employee becomes stale).
- (iv) Whether the former employer will be required to pay the salary of the former employee for the period of the injunction.
- (v) Whether the former employer will be required to post a bond, and the amount of such a bond.

X. APPLICATION OF THE MODEL

The model presented above should effectively deal with the critics' concerns, as articulated by one court:

[I]n the absence of a covenant not to compete or a finding of actual or an intent to disclose trade secrets, employees "may pursue their chosen field of endeavor in direct competition" with their prior employer. Merely possessing trade secrets and holding a comparable position with a competitor does not justify an injunction. A claim of trade secret

misappropriation should not act as an *ex post facto* covenant not to compete.²⁹⁹

At this point we will revisit some of the cases discussed earlier in this Article to determine how they would fare under this model. Where it appears a case would have had the same outcome it will receive a “pass” designation, whereas those where the outcome would have been different will be designated a “fail.”

The model, while new and different from any that have been proposed, is an effective tool because it helps to achieve balance and fairness. Unlike what has been proposed by critics of the inevitable disclosure doctrine, the model does not advocate abolishing the use of the doctrine. Nor does it promote widespread granting of injunctions. Rather, it presents a format that establishes careful scrutiny of cases whereby injunctions will be granted only in the most deserving cases. Indeed, many cases where injunctions were denied will “pass” this model, meaning that the model would have also recommended denial of the injunction.

Some, however, will “fail” because of other considerations in the case, such as competition and similarity, degree of exposure and knowledge of the trade secrets, and especially if evidence of dishonesty or bad faith were sufficiently high enough to justify an injunction with or without a noncompetition agreement. Thus, the model addresses the concerns of critics and the “haphazard” nature in which the doctrine is currently applied.

One may find that many decisions are consistent with the model. That is because most courts already strive to achieve the kind of fairness and equitable result to which the model aspires. The model makes it easier to do that; it imposes a common language in the criteria for all cases, and makes it easier to predict the likelihood of success. Moreover, the fact that the model is consistent also means that it should be easier to adopt because it is not so much of a stretch that it would be difficult to adopt and apply.

While it is beyond the scope of this Article to examine every case, certain exemplary cases, particularly those identified earlier as being inconsistent, will be evaluated. The value of the model, however, lies not in its retrospective analytical benefit, but in its prospective application to cases that will arise in the future. The retrospective analysis also faces the limitation that it is confined to facts raised and discussed in the

299. *Int'l Bus. Mach. Corp. v. Seagate Tech., Inc.*, 941 F. Supp. 98, 101 (D. Minn. 1992) (citing *E.W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108 (2d Cir. 1969)).

published opinion. Thus, other factors relevant to the model may well be present in a case but are not adequately reflected in the opinion.

A. Examples of Cases that Pass the Model

These are cases where their outcomes, either in granting or denying, a preliminary injunction are consistent with the model. That is, the result would more than likely have been the same, had the model been applied.

1. *PepsiCo v. Redmond*³⁰⁰

Although Redmond did not sign a noncompetition agreement, his nondisclosure agreement was buttressed by the court's finding that he could not be trusted.³⁰¹ Moreover, the level of competitiveness between the two companies along with Redmond's "extensive" knowledge of PepsiCo's trade secrets justified the issuance of the preliminary injunction.

2. *Barilla America, Inc. v. Wright*³⁰²

An injunction was correctly issued in this case even without the employee having signed the noncompetition agreement and nondisclosure agreement that were in his employment packet.³⁰³ As the court found, the employee signed that he received and reviewed the employment manual that contained the plaintiff company's confidentiality policies.³⁰⁴ This, in effect, was the nondisclosure agreement required under the model. The necessary bad faith was present, since there was strong evidence that the employee had taken trade secret information with him.³⁰⁵ There were also serious questions about his credibility.³⁰⁶ Given similarly strong evidence on the competitiveness and knowledge elements, the injunction was justified under the model.

3. *Rencor Controls and Lawler*

The courts in *Rencor Controls* and *Lawler* correctly denied injunctions in these cases where there was neither a noncompetition

300. 54 F.3d 1262 (7th Cir. 1995); see discussion *supra* Part II.A.

301. *PepsiCo*, 54 F.3d at 1270; see *supra* Part II.A (discussing Redmond's credibility).

302. No. 4-02-CV-90267, 2002 U.S. Dist. LEXIS 12773 (S.D. Iowa July 5, 2002).

303. See *id.* at *4.

304. *Id.* at *5.

305. See *id.* at *8.

306. See *id.* at *31.

agreement nor a nondisclosure agreement in either case.³⁰⁷ Accordingly, under the model the cases could not proceed as inevitable disclosure cases. This is so even in the face of some indication that an employee may have taken the former employer's information with him.³⁰⁸ Although this result may appear harsh, the model is unforgiving of employers who neglect to enter into nondisclosure agreements with employees, but later seek to enjoin them from working for a competitor.

4. *Del Monte Fresh Produce Co. v. Dole Food Co.*³⁰⁹

In *Del Monte*, assuming the court had been in a jurisdiction that adopted the inevitable disclosure doctrine, the injunction should not have issued. Absent a noncompetition agreement, there was no evidence of bad faith to support the injunction.³¹⁰ Thus, despite the court's wrangling with whether disclosure was inevitable or merely threatened, the outcome under the model would have been the same.³¹¹

5. *Bridgestone/Firestone, Inc. v. Lockhart*³¹²

The employee's noncompetition agreement in the *Bridgestone/Firestone* case was declared unenforceable by the court. Accordingly, there was, in effect, no noncompetition agreement. Fortunately the employee had signed a nondisclosure agreement.³¹³ A finding of the necessary bad faith element under the model was missing, however.³¹⁴ Accordingly, even if the other factors under the model had been met (which they had not), an injunction should not have issued. The court's denial of the injunction is therefore consistent with the model.

B. Examples of Cases That Fail Under the Model

These are cases where their outcomes are inconsistent with the model. Had the model been applied to the facts, the outcome would likely have been different.

307. See *Rencor Controls, Inc. v. Stinson*, 230 F. Supp. 2d 99, 103 (D. Me. 2002); *Lawler Mfg. Co. v. Bradley Corp.*, No. IP 98-1660-e M/S, 2000 U.S. Dist. LEXIS 14197, at *19 (S.D. Ind. Apr. 26, 2000); discussion *supra* Part VII.B.

308. See *Rencor*, 230 F. Supp. 2d at 102; *Lawler*, 2000 U.S. Dist. LEXIS 14197, at *42.

309. 148 F. Supp. 2d 1326 (S.D. Fla. 2001); see also discussion *supra* Part II.C.

310. See *Del Monte*, 148 F. Supp. 2d at 1338; see also discussion *supra* Part II.C.

311. See *Del Monte*, 148 F. Supp. 2d at 1338.

312. 5 F. Supp. 2d 667 (S.D. Ind. 1998).

313. *Id.* at 671, 683-85.

314. See discussion *supra* Part II.B.7. Note that in some of these cases it just may be that the evidence of bad faith was not sufficiently developed or litigated by the parties, but this analysis assumes that failure to discuss such evidence means that there was none.

1. *Marietta Corp. v. Fairhurst*³¹⁵

Although this court issued an injunction in a case that on the surface appears very similar to *PepsiCo*, that outcome is inconsistent with the model. The key reason (unlike in *PepsiCo*) is the absence of bad faith or dishonesty. Given that the noncompetition agreement in this case had expired, there was insufficient evidence of bad faith to bolster the nondisclosure agreement.³¹⁶ Other than noting that the defendant had contacted several of plaintiff's customers "to inform them of his new affiliation and initiate a relationship on behalf of his new employer;" there was no other evidence of dishonesty or untrustworthiness.³¹⁷ Accordingly, even if the other elements of the model were met and the defendant was "privity to a great deal of confidential information in the course of his employment with plaintiff," an injunction should not have issued.³¹⁸ These discrepancies, in fact, were among the reasons why the case was reversed on appeal.³¹⁹

2. *Merck & Co. v. Lyon*³²⁰

Similarly, the absence of any evidence of bad faith in *Merck* should have prevented the issuance of an injunction. Recognizing this missing element, the court nonetheless found it unnecessary to its balancing: "when the trade secret [is] clearly established and the possibility of disclosure high and the value to the competitor great, an injunction would issue even when there had been no bad faith or underhanded dealing by the former employee or the competitor."³²¹ This is at odds with the model presented here, which requires bad faith where there is no noncompetition agreement and only a nondisclosure agreement.

3. *DoubleClick, Inc. v. Henderson*³²²

In *DoubleClick*, there was evidence of bad faith and indeed actual misappropriation by the former employees.³²³ However, an injunction

315. No. 37265, 2002 WL 31056732 (N.Y. Sup. Ct. Aug. 23, 2002), *rev'd*, 754 N.Y.S.2d 62 (N.Y. App. Div. 2003); see discussion *supra* Part II.B.4.

316. See *Marietta*, 2002 WL 31056732, at *3.

317. See *id.* at *5, *9.

318. See *id.* at *6-*7.

319. See *Marietta*, 754 N.Y.S.2d at 65.

320. 941 F. Supp. 1443 (M.D.N.C. 1996); see discussion *supra* Part II.B.1.

321. *Merck*, 941 F. Supp. at 1460 (citing *Travenol Labs., Inc. v. Turner*, 228 S.E. 2d 478, 485 (N.C. App. Ct. 1996)).

322. No. 116914/97, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997); see discussion *supra* Part II.B.2.

323. See *DoubleClick*, 1997 WL 731413, at *4-*6.

should not have issued because apart from having not signed a noncompetition agreement, the employees had no nondisclosure agreement with the plaintiff either.³²⁴ Thus, under the model, the case should not have proceeded under the inevitable disclosure analysis without a nondisclosure agreement.

It may be that in granting the injunction the court was swayed by the special circumstances surrounding the nondisclosure agreements—the defendants had signed nondisclosure agreements with a predecessor company, which did not inure to the benefit of the plaintiff as the successor company.³²⁵ However, the court made clear that the defendants had not signed nondisclosure agreements with the plaintiff company.³²⁶ The court, nevertheless, perhaps persuaded by the other strong factors in the case such as the employees' actual misappropriation and their "cavalier attitude" toward the plaintiff's trade secrets, issued the injunction.³²⁷ The court also relied upon the employees' common law duty not to divulge their employer's trade secrets.³²⁸ The model takes a less tolerant approach when the employer did not insist upon the signing of a nondisclosure agreement.³²⁹

XI. GENERAL APPLICABILITY OF THE MODEL

A. *Civil Procedure—Preliminary Injunction Cases*

The model presented herein applies to a broader concern about preliminary injunction cases in general, not just inevitable disclosure cases. While all preliminary injunction cases are already subject to the preliminary injunction standard, that standard leaves a wide open hole as to how it is applied from case to case. Thus, for instance, whether a litigant has demonstrated "likelihood of success on the merits" or "irreparable harm" in a particular type of case depends on the facts of that case. What one judge may deem a "substantial likelihood" another may not.

This raises two issues: (1) whether uniformity in the results of similar types of cases decided on preliminary injunction is desirable, and (2) if so, then how can it be achieved. Inevitable disclosure cases and the

324. *See id.* at *2, *4 n.2.

325. *See id.* at *4 n.2.

326. *Id.*

327. *See id.* at *6-*8.

328. *See id.* at *4 n.2, *6.

329. In circumstances, as in *DoubleClick*, where there is evidence of actual use but no nondisclosure agreement, the employer is not without recourse. Indeed, there is probably a viable actual misappropriation claim, but not an inevitability case under the model.

strong criticism surrounding the inevitable disclosure doctrine answer the first question in the affirmative. Indeed, it is the inconsistency and unpredictability in case outcomes, coupled with a perception of unfairness that demonstrate the need for uniformity. This desire for uniformity should be just as strong whether the preliminary injunction ruling is a First Amendment issue or a land use action.

The kind of model presented here, with few and definite factors, changes the fundamental nature by which a preliminary injunction decision is rendered. In essence, it imposes a standard upon or within another standard. Where the approach is to take each case as it comes, and examine it solely based on its facts and merits, the decision is more like a factual determination. Given that preliminary injunction cases tend to be very fact intensive, then a ruling on the merits of a case will be based on individualized factors. These include the particular court, the facts of the case, the application of the law to the particular facts, the jurisdiction, and ultimately the judge's discretion. The end result is that three similar cases in three different courts may have three possibly inconsistent outcomes.

A model of few and definite factors, however, imposed on every case of a particular kind, makes the decision more like a decision as a matter of law. It imposes a uniform structure that is applied across the board, regardless of the court or the jurisdiction, to determine an outcome. The case either meets the criteria in the model or it does not. It guides and in some ways limits judicial discretion because three judges in three different courts, using the same formula to determine "likelihood of success on the merits," are more likely to have consistent rulings.

Aside from the benefit to judges, both at the trial level and the appellate level, it is advantageous to parties and their counsel. Attorneys, even before filing cases, can better advise their clients about likely case outcomes by applying the model to the case at hand. Thus, rather than shooting in the dark and hoping for the best, there are more objective indicators of likely case outcomes. Case law research on the outcome of preliminary injunction cases in the particular area will likely reveal fewer inconsistencies, resulting in higher predictability. It would also allow counsel to better assess the strengths and weaknesses of their particular cases. All this leads to greater economy and efficiency in the litigation marketplace.

B. Other Cases—Union of Flexibility with Rigidity

The model presented here is also similar to the balancing utilized by courts in analyzing some constitutional law issues. In the Fourth

Amendment context, for instance, there is a weighing of the government's interests against the individual's interest. Although this kind of balancing is sometimes criticized for allowing judges to implement their subjective value judgments, balancing in this type of model is no more subjective than other analytical methods.³³⁰ That is because the specific guidelines and factors to be weighed define and set the boundaries rather than leaving them to chance or the particular judge's discretion. This provides the flexibility to work with the facts of the individual case while providing the more rigid framework through which they should be filtered.

XII. CONCLUSION

The inevitable disclosure doctrine is important in that it has far reaching applications. It covers employment law, trade secret law, and the law of unfair competition. It is perhaps because of its powerful reach and potential consequences that it has become a hot topic, garnering more critics than supporters. However, a careful look at the criticism of the doctrine reveals that it is the application of the doctrine by courts across the country, rather than the doctrine itself, that seems to be in disfavor.

As currently applied, its application is perceived to be unfair. This is especially so when an employee is enjoined from working for a competitor without having signed a noncompetition agreement. However, this is hardly reason enough to abolish the doctrine. Rather, the challenge is to make its application more consistent, predictable, and ultimately fairer. That is what the proposed model aspires to accomplish. On a general level it is similar to the analysis involved in determining whether a noncompetition agreement should be enforced. It presents parameters to determine reasonableness. When these parameters are applied uniformly, the decision of whether to issue an injunction should be more fair and consistent.

330. ANDREW E. TASLITZ & MARGARET L. PARIS, CONSTITUTIONAL CRIMINAL PROCEDURE 170 (2d ed. 2003).