A State-By-State Analysis of Inevitable Disclosure: A Need For Uniformity and a Workable Standard

I. INTRODUCTION

Imagine you are a supervisor at a company that participates in a competitive market. Your company's success is attributed to its trade secrets: technological processes; marketing, production, and distribution strategies; etc. that are unknown to your competitors. One day an employee informs you she is leaving your company to work for your competitor. The employee, because of her position, had access to your company's trade secrets; consequently, in the wake of her departure, you are concerned about protecting the trade secrets. What options do you have from stopping your employee from taking the position with your competitor and using or disclosing your trade secrets? Because of inconsistency in the relevant law, the answer is not simple. In many states you could gain an injunction against the employee from working for your competitor if you could show the employee would be unable to perform duties for your competitor without *inevitably* using or disclosing your company's trade secrets: known as the inevitable disclosure doctrine. Further, in other states no such protection is afforded and your employee is free to work for your competitor. Ultimately, the applicable remedy will differ depending on where the action is commenced.

It is evident that, after analyzing the states' applications of the doctrine, a uniform standard is needed. The ultimate solution is the adoption of federal statutes regulating trade secret law, much like the Copyright Act, Patent Act, and Lanham Act regulate the other areas of intellectual property. However, this comment will focus specifically on a solution to the states' inconsistent applications of inevitable disclosure by providing (1) an introduction to trade secret law and inevitable disclosure; (2) an introduction to the Uniform Trade Secrets Act and its subsequent enactment by the states; (3) an overview of the Seventh Circuit's application of inevitable disclosure in *PepsiCo, Inc. v. Redmond*; (4) a state-by-state analysis of the doctrine; and finally (5) a proposed standard for the uniform application of the doctrine.

II. TRADE SECRET LAW AND THE INEVITABLE DISCLOSURE DOCTRINE

A. Introduction to Trade Secrets

A trade secret is generally any information that is useful and private.[1] Trade secret subject matter has been defined by three main sources of law.[2] The first definition frequently cited comes from the first Restatement of Torts, providing that "[a] trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."[3] This definition, although widely cited and still used by some states, has been dropped in favor of the Restatement (Third) of Unfair Competition,[4] which states, "[a] trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others."[5] However, as will be discussed later, the majority of the states adopted the definition presented in the Uniform Trade Secrets Act. Ultimately, a trade secret can be summed up as (1) information (2)

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1. JAMES POOLEY, TRADE SECRETS § 1.01 (2010).
2. *Id*.
3. RESTATEMENT (FIRST) OF TORTS § 757, comment B (1939).
4. POOLEY, *supra* note 1, at § 1.01.
5. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995).

that is valuable because of its secrecy and (3) whose owner reasonably tries to maintain that secrecy.[6]

Additionally, trade secrets are statutorily protected against misappropriation as long as they are not publicly disclosed or independently created.[7] The two general types of misappropriation are acquisition by (1) improper means or (2) disclosure.[8]

There is no clear definition of "improper means," so determining whether improper means were used to misappropriate a trade secret is highly factual and engulfs a wide range of scenarios.[9] Improper means ranges from an employee copying his employer's confidential information knowing he is leaving the employer,[10] to a person renting an airplane to photograph a competitor's under-construction factory.[11]

Misappropriation due to disclosure occurs when someone is given access to a trade secret and subsequently uses or discloses the trade secret without consent from the owner.[12] Furthermore, courts will recognize misappropriation due to disclosure in the presence, or absence, of an express contract, i.e. an employment agreement.[13]

In the event of misappropriation, the general remedy is an injunction.[14] However, courts can also award damages in the form of royalties, lost profits, attorney's fees, and/or punitive damages.[15] Courts will issue injunctions at their discretion by applying the following factors: (1) whether the plaintiff will suffer irreparable harm; (2) whether the plaintiff is likely to be successful on the merits; (3) the balance of equity and harm between the parties; and (4) the interest of the public.[16]

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6. UNIFORM TRADE SECRETS ACT § 1(4) (1985).

7. DAVID W. QUINTO & STUART H. SINGER, TRADE SECRETS 44 (Oxford University Press 2009).

8. LeJeune v. Coin Acceptors, Inc., 849 A.2d 451, 466 (Md. 2004); *see also* UNIFORM TRADE SECRETS ACT § 1(2) (1985).

9. *LeJeune*, 849 A.2d at 451.

10. *See* Bimbo Bakeries USA, Inc. v. Botticella, 613 F.3d 102 (3d Cir. 2010).

11. *See* E.I. duPont deNemours & Co., Inc. v. Christopher, 431 F.2d 1012 (5th Cir. 1970).

12. *See infra* Section V (discussing cases in which misappropriation is threatened due to disclosure by a former employee).

13. QUINTO & SINGER, *supra* note 7, at 54–58.

14. POOLEY, *supra* note 1, at § 7.02(2).

15. *Id*. at § 7.02(3).

16. *Id*. at § 7.02(2); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 (1995).

B. Introduction to Inevitable Disclosure

In general, the inevitable disclosure doctrine allows courts to enjoin an employee from working for his employer's competitors because of the threat of misappropriation. The employer must show that its employee had access to its trade secrets "and the former employee has such similar responsibilities with the new employer as to make it *inevitable* that he will use or disclose those trade secrets in the performance of his job duties for the new employer."[17] The idea is that an employee who wants to succeed at his new position will rely on skills and information learned from his former employer, including trade secrets.[18] If an employer shows that its former employee will inevitably disclose its trade secrets to a competitor, the court can grant a preliminary injunction or, in rare circumstances, a permanent injunction against that employee from working for the competitor or from participating in certain kinds of work for the competitor.[19]

There is a fundamental tension between competing interests when applying the doctrine: the need to protect an employer's confidential, valuable information and the need to support an employee's freedom of mobility.[20] Despite these competing interests, courts have long recognized inevitable disclosure; however, it was not until the Seventh Circuit's decision in *PepsiCo, Inc. v. Redmond* that the doctrine gained popularity.[21]

III. THE UNIFORM TRADE SECRETS ACT

Before analyzing the *PepsiCo* decision, it is important to discuss the predominant source of trade secret law, the Uniform Trade Secrets Act.

Trade secrets engulf a wide, abstract area of subject matter, extending to any useful information that is kept secret.[22] Consequently, the law of trade secrets, due to its broad subject matter and its common law development, as opposed to statutory development like copyrights and patents, has not been easily bundled into universally applicable principles.[23] As a result, in 1979, the National Conference of Commissioners on Uniform State Laws, acting on the recommendation

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17. QUINTO & SINGER, *supra* note 7, at 56–57 (emphasis added).
18. *Id*. at 91.
19. *Id*.; UNIFORM TRADE SECRETS ACT § 2(a) (1985).
20. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 44 (1995).
21. QUINTO & SINGER, *supra* note 7, at 91–92.
22. POOLEY, *supra* note 1, at § 1.01.
23. *Id*.

of the American Bar Association, issued the first of two versions of the Uniform Trade Secrets Act (UTSA).[24] The primary goal was uniformity: stemming from the unsatisfactory development of trade secret law among the states.[25] The lack of development was due in part to the far fewer number of reported judicial opinions regarding trade secret law in agricultural states compared to commercial states and the uncertain standards and remedies promulgated by the common law.[26] Ultimately, the commissioners wanted the UTSA to codify the common law of trade secrets.[27]

Subsequently, forty–eight U.S. jurisdictions have adopted either the UTSA as drafted in 1979 or as amended in 1985, and apply the following definitions and remedies.[28]

UTSA section 1(4) provides what is protected as trade secrets:

> 'Trade Secret' means 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.[29]

Furthermore, section 1(2) provides the relevant types of misappropriation: acquisition by (1) improper means, or (2) disclosure, without express or implied consent, by improper means or under "circumstances giving rise to a duty to maintain its secrecy."[30] If misappropriation is proven, section 2(a) provides injunctive relief for "actual or threatened misappropriation."[31] This section contains important aspects relating to the duration of an injunction, providing that an injunction based on inevitable disclosure will be granted for a

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24. *Id*. at § 2.03(1).
25. *Id*.
26. *Id*.
27. *Id*.
28. QUINTO & SINGER, *supra* note 7, at 1; *see The Uniform Trade Secrets Act (UTSA)* available at http://www.ndasforfree.com/UTSA.html last visited October 6, 2011 (listing the states that have adopted the UTSA, and their respective statutes).
29. UNIFORM TRADE SECRETS ACT § 1(4) (1985).
30. *Id*. at § 1(2).
31. *Id*. at § 2(a).

reasonable time in lieu of the specific information that is threatened.[32] Section 2(a) is important to the inevitable disclosure doctrine, though, because the term "threatened misappropriation" is considered the origin of the doctrine by many states applying their versions of the UTSA.

However, the most important section of the UTSA is section 8, which states that "[t]his [A]ct shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this Act among states enacting it."[33] The states, however, have failed to apply their respected versions of the Act in a uniform way, especially inevitable disclosure. To begin the analysis of the states' applications of the doctrine it is important to discuss the flagship case on the subject: *PepsiCo*.

IV. THE PEPSICO DECISION

The Seventh Circuit's decision in *PepsiCo, Inc. v. Redmond* is considered the prominent case discussing inevitable disclosure after the adoption of the UTSA. PepsiCo brought an action seeking a preliminary injunction against its employee, William Redmond, Jr. (Redmond), from accepting a position with PepsiCo's competitor, Quaker.[34] Redmond, who had been employed with PepsiCo for ten years, had access to PepsiCo's financial goals and its strategic planning for the upcoming year; consequently, although he signed a confidentiality agreement stating he would not disclose confidential information, PepsiCo was concerned about the secrecy of its trade secrets. This was mainly due to Redmond's lack of candor regarding accepting the position at Quaker.[35]

The district court granted an injunction against Redmond from assuming his position with Quaker for a period of five months, and granted a permanent injunction preventing him from using or disclosing PepsiCo's trade secrets.[36] The Seventh Circuit affirmed, determining that the Illinois Trade Secret Act provided injunctive relief for "actual or threatened misappropriation."[37] Ultimately, the court concluded "a plaintiff may prove a claim of trade secret misappropriation by

32. *See* PepsiCo, Inc. v. Redmond, 54 F.3d 1262 (7th Cir. 1995) (granting an injunction for five months to protect an employers business strategies for the upcoming year).

33. UNIFORM TRADE SECRETS ACT § 8 (1985).

34. *PepsiCo*, 54 F.3d at 1264.

35. *Id*.

36. *Id*. at 1267.

37. *Id*.; 765 ILCS 1065/3(a) (2009).

demonstrating that [the] defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."[38] Additionally, the Seventh Circuit found (1) that Redmond possessed intimate knowledge of PepsiCo's strategic goals, which were trade secrets; (2) that the respected positions were similar and therefore, the knowledge he obtained at PepsiCo would influence his position at Quaker[39]; and (3) that Redmond's actions "demonstrated a lack of candor . . . and proof of [his] willingness to misuse [PepsiCo's] trade secrets," i.e. bad faith.[40] However, the court did not expressly state that bad faith must be present before injunctive relief will be granted.

After *PepsiCo*, the inevitable disclosure doctrine gained popularity; however, despite a workable standard presented by the Seventh Circuit, the states' applications of the doctrine have remained inconsistent.

V. THE STATES' APPLICATIONS OF INEVITABLE DISCLOSURE

Arkansas

Arkansas has adopted a standard similar to *PepsiCo*. In *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transportation Service, Inc.*, the court recognized that many federal cases, including *PepsiCo*, "have held that a plaintiff may prove a claim of trade-secrets misappropriation by demonstrating that a defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."[41] However, in *Bendinger v. Marshalltown Trowel Co.*, the court failed to grant an injunction, holding that "the mere fact a person assumes a similar position at a competitor does not, without more, make it inevitable that he will use or disclose trade secrets."[42]

Arkansas courts will grant an injunction if a new position will lead to the inevitable disclosure of a former employer's trade secrets. However, courts have established that more than the threat that future acts will disclose the trade secret is needed; there must be a showing that future acts will "in all probability" be committed that will disclose the trade secrets.[43]

38. *PepsiCo*, 54 F.3d at 1269; *see* Teradyne, Inc. v. Clear Commc'ns Corp., 707 F. Supp. 353 (N.D. Ill. 1989).

39. *Id*. at 1266–67.

40. *Id*. at 1270.

41. Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc., 987 S.W.2d 642, 646 (Ark. 1999) (citing PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1269 (7th Cir. 1995)).

42. Bendinger v. Marshalltown Trowel Co., 994 S.W.2d 468, 474 (Ark. 1999) (quoting AMP, Inc. v. Fleischhacker, 823 F.2d 1199, 1202 (7th Cir. 1987)).

43. Southwestern Energy Co. v. Eickenhorst, 955 F. Supp. 1078, 1082 (W.D. Ark.

California

California has been hostile to the doctrine.[44] Courts have consistently held that the doctrine "creates a de facto covenant not to compete" and "runs[s] counter to the strong public policy in California favoring employee mobility."[45] Further "regardless whether a covenant not to compete is part of the employment agreement, the inevitable disclosure doctrine cannot be used as a substitute for proving actual or threatened misappropriation of trade secrets."[46]

However, courts are receptive to protecting trade secrets through an employment agreement that is narrowly drafted for the specific purpose of protecting trade secrets against misappropriation.[47]

Colorado

Colorado, like California, has strong policies favoring employee mobility. Additionally, courts will not enforce employment agreements that hinder mobility because they are seen as a restraint on a person's right to make a living; however, that right will be protected *so long as* that person does not use his former employer's trade secrets to do so.[48]

Colorado courts apply a two prong test to determine whether an employment agreement will be enforced to protect trade secrets: (1) the court will "examine the factual situation to determine whether a restrictive covenant is justified at all;" and (2) the court will look at the terms of the covenant to determine whether it is reasonable.[49]

Although Colorado courts have not explicitly stated they will use the doctrine to protect trade secrets, like California, they will enforce an employment agreement that is reasonable in time and geographic scope, and narrowly drafted for the purpose of protecting trade secrets.[50]

Connecticut

Connecticut will apply the doctrine to enforce a non-compete, even without bad faith.

> When . . . a high degree of similarity between an employee's former and current employment makes it likely that the former

1999).

44. QUINTO & SINGER, *supra* note 7, at 93.

45. Bayer Corp. v. Roche Molecular Sys., Inc., 72 F. Supp. 2d 1111, 1120 (N.D. Cal. 1999).

46. Whyte v. Schlage Lock Co., 125 Cal. Rptr. 2d 277, 294 (4th Dist. 2002).

47. *Id*.

48. Saturn Sys., Inc. v. Militare, 252 P.3d 516, 526–27 (Colo. App. 2011).

49. *Id*. at 526.

50. *Id*.

> employer's trade secrets . . . will be disclosed either intentionally or inadvertently, by the employee in the course of his new employment, enforcement of a covenant not to compete is necessary to protect against such use and disclosure.[51]

In *Aetna Retirement Services, Inc. v. Hug*, the court granted an injunction against an employee despite its recognition that the employee had "unimpeachable integrity" and "honesty [that was] widely respected and admired."[52] Regardless, the court granted the injunction because it believed he could not help but inform his new employer of the knowledge he had gained from his past employer.[53] Therefore, it is evident that Connecticut will apply the doctrine even in the absence of bad faith.

Delaware

The Delaware case *E.I. DuPont de Nemours & Co. v. American Potash & Chemical Corp*. was the first decision to use the phrase "inevitable disclosure,"[54] so it is not surprising that Delaware applies the doctrine regardless of the existence of a non-compete agreement.

In *E.I. duPont*, the court applied the doctrine stating Delaware law is "well settled" that when an employee, either expressly or by implication, has agreed not to disclose his employer's trade secrets, "the employer is entitled to an injunction against a threatened use or disclosure of [the trade secrets]."[55]

It is not clear whether bad faith is required. However, in *W.L. Gore v. Wu*, the court, recognizing that an employee could not be trusted because of egregious conduct, expanded an injunction granted by the lower courts. The court recognized that it "may limit a [former employee] from working in a particular field if his doing so poses a substantial risk of the inevitable disclosure of trade secrets."[56]

Florida

Florida has mixed case law. One court stated that Florida's trade secret act "does not prohibit a former employee with knowledge of

51. Aetna Retirement Servs., Inc. v. Hug, 1997 WL 396212, 10 (Conn. Super.) (quoting Gillette Co. v. Williams, 360 F. Supp. 1171, 1176–77 (D.C. Conn. 1973)).

52. *Id*. at 11.

53. *Id*.

54. Eleanore R. Godfrey, *Inevitable Disclosure of Trade Secrets: Employee Mobility v. Employer's Rights*, 3 J. High. Tech. L. 161, 168 (2004).

55. E.I. duPont deNemours & Co. v. American Potash & Chem. Corp., 200 A.2d 428, 431 (Del. Ch. 1964).

56. W.L. Gore & Assoc., Inc. v. Wu, 2006 WL 2692584, 17 (Del. Ch.).

trade secrets from going to work for a competitor."[57] The court reasoned that the act "prohibits only 'misappropriation' of trade secrets, which means the acquisition, disclosure, and/or use of the information to the disadvantage of the owner of the trade secret."[58]

However, in *Fountain v. Hudson Cush-N-Foam Corp*., the court upheld an injunction against an employee because "it would seem logical to assume that his employment by a competitor . . . would eventually result in a disclosure of [his former employer's trade secrets]."[59] Ultimately, the court determined that the employee's knowledge of his former employer's trade secrets was so entwined with his prospective position that an injunction against disclosure was not enough.[60]

Georgia

Although Georgia does not expressly use the doctrine, one court has enjoined a company from hiring its competitor's employee because it determined the company only wanted the employee to gain a competitive advantage.[61] The court determined that by hiring its competitor's employee, the company was attempting to obtain its competitor's trade secrets to gain a competitive edge in its industry.[62]

Illinois[63]

Indiana

Indiana courts inconsistently apply the doctrine. In *Bridgestone/Firestone, Inc. v. Lockhart*, the court, although recognizing the doctrine, refused to apply it because Indiana's trade secret act did "not prohibit a former employee who has knowledge of trade secrets from going to work for a competitor."[64] The court determined that the statute only prohibits misappropriation.[65] However, the court distinguished this case with another Indiana case, *Ackerman v. Kimball International, Inc*. In *Ackerman*, there was clear evidence that the

57. Del Monte Fresh Produce Co. v. Dole Food Co., Inc., 148 F. Supp. 2d 1326, 1335 (S.D. Fla. 2001).

58. *Id*.

59. Fountain v. Hudson Cush-N-Foam Corp., 122 So. 2d 232, 234 (Fla. Dist. Ct. App. 1960).

60. *Id*.

61. Essex Group, Inc. v. Southwire Co., 501 S.E.2d 501, 505 (Ga. 1998).

62. *Id*.

63. *See infra* Section IV.

64. Bridgestone/Firestone, Inc. v. Lockhart, 5 F. Supp. 2d 667, 681 (S.D. Ind. 1998).

65. *Id*.

departing employee had no intention of honoring the confidentiality of his employer's trade secrets; consequently, a limited injunction was granted prohibiting him from working for a competitor.[66] Ultimately, it seems that Indiana will enforce a limited injunction, but only when the threat of misappropriation is shown by bad faith.

Iowa

Iowa courts treat the doctrine as a strict variation of threatened misappropriation.[67] In *Barilla America, Inc. v. Wright*, the court, analyzing *PepsiCo,* determined that its state statute that illegalized threatened misappropriation included inevitable disclosure.[68] To prove inevitable disclosure an employer must show (1) that its employee had access to its trade secrets; (2) that its employee's new position is similar to the former position; and (3) "that [the employee] would be able to remember the trade secret in a usable form."[69] In *Barilla*, the court enjoined an employee from taking a position with a competitor because, although there was no evidence that he memorized any trade secrets, there was proof that he took physical evidence with him.[70]

Kansas

Kansas is yet to apply the doctrine, although it has come close. In *Bradbury Co. v. Teissier-DuCros*, the court acknowledged the doctrine but failed to apply it because the limitation period for the plaintiff's cause of action had expired.[71] However, when discussing the doctrine, the court, quoting *PepsiCo*, provided that an employer was entitled to relief when:

> (1) the employers in question are direct competitors providing the same or very similar products or services; (2) the employee's new position is nearly identical to his old one, such that he could not reasonably be expected to fulfill his new job responsibilities without utilizing the trade secrets of his former employer; and (3) the trade secrets at issue are highly valuable to both employers.[72]

66. Ackerman v. Kimball Int'l, Inc., 652 N.E.2d 507, 510–11 (Ind. 1995).

67. Barilla America, Inc. v. Wright, 2002 WL 31165069, 9 (S.D. Iowa).

68. *Id*. at 8–9.

69. *Id*. at 10.

70. *Id*.; *see also* APAC Teleservices, Inc. v. McRae, 985 F. Supp. 852 (N.D. Iowa 1997); Uncle B's Bakery, Inc. v. O'Rourke, 920 F. Supp. 1405 (N.D. Iowa 1996); Diversified Fastening Sys, Inc. v. Rogge, 786 F. Supp. 1486 (N.D. Iowa 1991).

71. Bradbury Co., Inc. v. Teissier-DuCros, 413 F. Supp. 2d 1203, 1209 (D. Kan. 2006).

72. *Id*. at 1208 (quoting EarthWeb, Inc. v. Schlack, 71 F. Supp. 2d 299, 310

Kentucky

Kentucky is also yet to address the doctrine. In *Invesco Institutional (N.A.), Inc. v. Johnson*, the plaintiff included a cause of action for inevitable disclosure; however, the district court was hesitant to apply it, stating "[a]bsent some authoritative signal from the legislature or the courts of [this state], we see no basis for even considering the pros and cons of innovative theories."[73]

Louisiana

Louisiana has rejected the use of inevitable disclosure, concluding that an injunction in the absence of actual or threatened misappropriation is a harsh remedy.[74] Furthermore, in *Tubular Threading, Inc. v. Scandaliato*, the court insisted the employer must show a clear and present need for an injunction because of an immediate threat of disclosure, mere speculation is not enough.[75]

Maryland

Like California, Maryland favors employee mobility.[76] After balancing the competing public policies of employee mobility against protection of trade secrets, and finding an injunction against the disclosure of trade secrets to be an injunction against employee mobility, Maryland courts have rejected inevitable disclosure.[77]

Massachusetts

Massachusetts applies the doctrine, but is yet to officially adopt it or the UTSA. In *Marcam Corp. v. Orchard*, the court granted an injunction against an employee to enforce a non-compete agreement despite bad faith.[78] The court determined the former employer would be disadvantaged in the absence of an injunction because "it [was] difficult to conceive how all of the information stored in [the employee's] memory [could] be set aside as he applie[d] himself to a competitor's business . . . ."[79]

Conversely, in *Achitext, Inc. v. Kikuchi*, the court determined that Massachusetts had not yet adopted the doctrine but "[e]ven if it were

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(S.D.N.Y. 1999)).

73. Invesco Inst. (N.A.), Inc. v. Johnson, 500 F. Supp. 2d 701, 710 (W.D. Ky. 2007).

74. Tubular Threading, Inc. v. Scandaliato, 443 So. 2d 712, 715 (La. Ct. App. 1983).

75. *Id.*

76. LeJeune v. Coin Acceptors, Inc., 849 A.2d 451, 471 (Md. 2004).

77. *Id.*

78. Marcam Corp. v. Orchard, 885 F. Supp. 294, 298–300 (D. Mass. 1995).

79. *Id.* at 297.

appropriate . . . to rely on the doctrine of 'inevitable disclosure,' this situation is not one that would warrant application of the doctrine."[80]

Ultimately, courts have provided mixed views of the doctrine: applying it in one case to enforce a non-compete in the absence of bad faith, and declaring that it is yet to be adopted in another.

Michigan

Michigan is another state lacking definitive case law regarding the doctrine. In *Allis-Chalmers Manufacturing Co. v. Continental Aviation & Engineering Corp*., the court granted a limited injunction against an employee from performing *certain duties* during his new employment with a competitor because there was a threat he would inevitably use his former employer's trade secrets.[81]

Other courts, however, have held otherwise. In *CMI International, Inc. v. Intermet International Corp*., and subsequently *Kelly Services, Inc. v. Greene*, it was determined that "for a party to make a claim of threatened misappropriation, whether under a theory of inevitable disclosure or otherwise, the party must establish more than the existence of generalized trade secrets and a competitor's employment of the party's former employee who has knowledge of trade secrets."[82]

Furthermore, some courts acknowledge that the doctrine, although never adopted in Michigan, "has only been suggested to be applicable to high executives and key designers of the company's strategic plans and operations."[83]

Minnesota

Some Minnesota courts have embraced the doctrine to enforce a non-compete, while others have been harsh to the doctrine in the absence of actual or threatened misappropriation.

In *La Calhene, Inc. v. Spolyar*, the court, applying a state statute that enjoined "actual or threatened misappropriation," enforced a non-compete and enjoined an employee form working for a competitor because he had such intimate knowledge that it was "all but inevitable that he [would] utilize that knowledge during his work with [the competitor]."[84] The court determined that this "intimate knowledge"

80. Achitext, Inc. v. Kikuchi, 2005 WL 2864244, 3 (Mass.).

81. Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp., 255 F. Supp. 645, 654 (E.D. Mich. 1966).

82. CMI Int'l, Inc. v. Intermet Int'l Corp., 649 N.W.2d 808, 813 (Mich. Ct. App. 2002); Kelly Servs., Inc. v. Greene, 535 F. Supp. 2d 180, 187 (D. Me. 2008).

83. Degussa Admixtures, Inc. v. Burnett, 471 F. Supp. 2d 848, 856 (W.D. Mich. 2007).

84. La Calhene, Inc. v. Spolyar, 938 F. Supp. 523, 531 (W.D. Wis. 1996) (applying

made the threat of misappropriation real.[85]

However, some courts have suggested the mere fact that an employee possesses trade secrets and is taking a comparable position at a competitor is inadequate to warrant an injunction.[86] In *International Business Machine Corp. v. Seagate Technology, Inc.*, the court denied injunctive relief in the absence of an actual threat of misappropriation, stating that protection is a shield, not a sword, and "in 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."[87]

Missouri

Ultimately, Missouri courts have been reluctant to apply the doctrine, although many courts have thoroughly discussed the doctrine as presented in *PepsiCo.* Courts acknowledge the doctrine may be used in rare circumstances, suggesting "that inevitability alone is insufficient to justify injunctive relief; rather, demonstrated inevitability *in combination with* a finding that there is unwillingness to preserve confidentiality is required."[88]

Additionally, in *H & R Block Eastern Tax Services, Inc. v. Enchura*, the court suggested other factors that might be analyzed in determining whether to apply the doctrine: whether the employee will have a decision making role at the new employment; whether the responsibilities at the respective jobs are similar; whether the employee will be developing new products; whether the employee was involved in the creation of the trade secrets at issue; and whether the trade secrets are easily subject to memorization.[89]

New Jersey

New Jersey has not adopted the UTSA. Regardless, courts are mixed on when to grant an injunction to prevent inevitable disclosure. In *National Starch & Chemical Corp. v. Parker Chemical Corp*, the court upheld an injunction against an employer from working for a competitor because there were adequate facts to support a "sufficient likelihood of

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Minnesota law).

85. *Id.*

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

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

88. H & R Block Eastern Tax Servs., Inc. v. Enchura, 122 F. Supp. 2d 1067, 1075 (W.D. Mo. 2000).

89. *Id.* at 1075–76.

inevitable disclosure" of trade secrets that would result in immediate harm.[90] The court's decision was based on its finding that only five to ten percent (5–10%) of the duties at the employee's new job were similar enough to threaten inevitable disclosure.[91]

Conversely, in *Continental Group, Inc. v. Amoco Chemicals Corp.*, the court determined that an injunction may not be granted to eliminate the possibility of a remote injury.[92] The court went on to state that the applicable standard for granting injunctive relief is "a 'clear showing of immediate irreparable injury' or a 'presently existing actual threat.'"[93]

New York

New York also has not adopted the UTSA. Regardless, there are many opinions addressing the issue of inevitable disclosure. Numerous opinions embrace the doctrine in multiple forms,[94] while more recent opinions tend to disfavor its use all together.[95]

North Carolina

North Carolina recognizes inevitable disclosure and will enjoin threatened misappropriation when the injunction is narrowly drafted to protect specific, clearly identified, and significantly valuable trade secrets.[96] Further, bad faith is not necessarily required: a showing of disclosure due to the similarity between the two positions and the value of the information will suffice.[97]

The predominant test applied by North Carolina courts comes from the case *Travenol Laboratories, Inc. v. Turner*. The *Travenol* court reluctantly established that an injunction against an employee

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90. Nat'l Starch & Chem. Corp. v. Parker Chem. Corp., 530 A.2d 31, 33 (N.J. Super. Ct. 1987).

91. *Id.*

92. Cont'l Group, Inc. v. Amoco Chem. Corp., 614 F.2d 351, 359 (3d Cir. 1980).

93. *Id.* (quoting Ammond v. McGahn, 532 F.2d 325, 329 (3d Cir. 1976), and Holiday Inns of America, Inc. v. B & B Corp., 409 F.2d 614, 618 (3d Cir. 1969)).

94. *See* The Estee Lauder Co. Inc. v. Batra, 430 F. Supp. 2d 158 (S.D.N.Y. 2006); Int'l Paper Co. v. Suwyn, 966 F. Supp. 246 (S.D.N.Y. 1997); Lumex, Inc. v. Highsmith, 919 F. Supp. 624 (E.D.N.Y. 1996); Integr. Cash Mgmt. Servs., Inc. v. Digital Trans., Inc., 732 F. Supp. 370 (S.D.N.Y. 1989); Business Intell. Servs., Inc. v. Hudson, 580 F. Supp. 1068 (S.D.N.Y. 1984); Cont'l Group, Inc. v. Kinsley, 422 F. Supp. 838 (D. Conn. 1976); Eastman Kodak Co. v. Powers Film Prod., 189 A.D. 556 (N.Y.A.D. 1919); Spinal Dimensions, Inc. v. Chepenuk, 2007 WL 2296503 (N.Y. Sup. Ct. 2007); DoubleClick Inc. v. Henderson, 1997 WL 731413 (N.Y. Sup. Ct.).

95. *See* Payment Alliance Int'l, Inc. v. Ferreira, 530 F. Supp. 2d 477 (S.D.N.Y. 2007); Marietta Corp. v. Fairhurst, 301 A.D.2d 734 (N.Y.S.D. 2003); Earthweb, Inc. v. Schlack, 71 F. Supp. 2d 299 (S.D.N.Y. 1999).

96. Merck & Co. Inc. v. Lyon, 941 F. Supp. 1443, 1460 (M.D.N.C. 1996).

97. *Id.*

protecting a former employer's trade secrets was proper because the possibility of disclosure was high.[98] Factors to consider are (1) the circumstances surrounding the employee's termination; (2) the importance of the former employee's position; (3) the responsibilities of the former employee at his new position; and (4) the information sought to be protected and the value or need of the information to the competitor.[99]

Ohio

Although Ohio courts do not explicitly refer to the doctrine in granting injunctive relief, they will enforce a non-compete when an actual threat of harm exists that includes an employee's possession of an employer's trade secrets and the subsequent employment in a position in direct competition with the employer.[100]

Pennsylvania

In 2010, in the absence of the UTSA, the Third Circuit, applying Pennsylvania law, applied what appears to be a more lenient version of the doctrine. The court upheld a district court's injunction against an employee in the presence of a non-compete and bad faith, because "there was 'a *substantial likelihood*, if not an inevitability, that [the employee] will disclose or use [the employer's] trade secrets in the course of his employment with [the competitor].'"[101]

Ultimately, this standard appears more relaxed than the *PepsiCo* standard, calling for only a "substantial likelihood" of disclosure. Also, it is unclear whether bad faith is required before granting an injunction.

Texas

Texas, in the absence of the UTSA, has inconsistently applied the doctrine.[102] No case law expressly uses the term inevitable disclosure to grant injunctive relief; however, in *Rugen v. Interactive Business Systems, Inc.*, the court upheld an injunction against an employee finding that, even in the absence of an enforceable employment agreement, "a former employee is precluded from using for his own advantage, and to the detriment of his former employer, confidential information or trade secrets acquired by or imparted to him in the

98. Travenol Labs., Inc. v. Turner, 228 S.E.2d 478, 483 (N.C. Ct. App. 1976).

99. *Id*.

100. Kemper Mortg., Inc. v. Russell, 2006 WL 4968120, 4–5 (S.D. Ohio); *see also* Proctor & Gamble Co. v. Stoneham, 747 N.E.2d 268 (Ohio Ct. App. 2000).

101. Bimbo Bakeries USA, Inc. v. Botticella, 613 F.3d 102, 110 (3d Cir. 2010) (emphasis added).

102. QUINTO AND SINGER, *supra* note 7, at 100.

course of his employment."[103] Ultimately, the court found evidence that the employee possessed confidential information and was operating a business in direct competition with her former employer; consequently, the court held it was "probable" that the employee would use the confidential information "for her benefit and to the detriment of [her former employer]."[104]

However, in the 2003 case *Cardinal Health Staffing Network, Inc. v. Bowen*, although the court determined that the doctrine was inapplicable because of the specific circumstances of the case, it did state that it knew of "no Texas case expressly adopting the inevitable disclosure doctrine, and it is unclear to what extent Texas courts might adopt it or might view it as relieving an injunction applicant of showing irreparable injury."[105]

Utah

Utah, in adopting the UTSA, provides that "actual or threatened misappropriation may be enjoined," and ultimately interprets "threatened misappropriation" to include inevitable disclosure.[106]

The doctrine was first introduced in *Novell Inc. v. Timpanogos Research Group Inc*. In *Novell*, the court reasoned that inevitable disclosure was a cause of action for "threatened misappropriation" since it was consistent with Rule 65A of the Utah Rules of Civil Procedure, which allows for a preliminary injunction for a "threatened injury."[107] Ultimately, "the doctrine of inevitability is used to show that the probability of a threatened injury or misappropriation is so high that it becomes 'inevitable.'"[108]

Virginia

Virginia does not recognize inevitable disclosure.[109] Only actual or threatened misappropriation may be enjoined: the "mere knowledge of

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103. Rugen v. Interactive Bus. Sys., Inc., 864 S.W.2d 548, 551 (Tex. App. 1993) (quoting Johnson v. American Speedreading Academy, Inc., 526 S.W.2d 163, 166 (Tex. Civ. App.–Dallas 1975)).

104. *Id*. at 552; *see also* T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc., 965 S.W.2d 18 (Tex. App. 1998); Conley v. DSC Commc'ns Corp., 1999 WL 89955 (Tex. App.).

105. Cardinal Health Staffing Network, Inc. v. Bowen, 106 S.W.3d 230, 242 (Tex. App. 2003).

106. Novell Inc. v. Timpanogos Research Group Inc., 46 U.S.P.Q.2d (BNA) 1197, 1215 (Utah D.C. 1998).

107. *Id*.

108. *Id*.

109. Gov. Tech. Servs., Inc. v. IntelliSys Tech. Corp., WL 1499548, 1 (Va. Cir. Ct.).

trade secrets is insufficient to support an injunction under . . .[Virginia law]."[110]

Washington

Applying the doctrine consistent with *PepsiCo*, Washington courts grant an injunction against an employee "where there is a high degree of probability of inevitable and immediate . . . use of . . . trade secrets."[111]

VI. A PROPOSED WORKABLE STANDARD

It is apparent that, even after the adoption of the UTSA and after *PepsiCo* presented a seemingly workable standard, the states will continue to apply the inevitable disclosure doctrine differently, contrary to section 8 of the UTSA. The ultimate solution is enacting federal legislation addressing trade secret protection, much like the other areas of IP law. However, this argument will focus specifically on a solution, in the form of a workable standard, to the problem of the lack of uniformity regarding the states' applications of inevitable disclosure.

Ultimately, the doctrine should be viewed as originating in section 2(a) of the UTSA, which grants relief for "actual or *threatened misappropriation*," because that is exactly what inevitable disclosure is: the *threat* that an employer's trade secrets will be *misappropriated* during the course of the employee's subsequent employment. It should simply be characterized as threatened misappropriation subject to a stricter standard.

Ultimately, the key to inevitable disclosure is that it should only be applied in rare circumstances because of its hindering effect on employee mobility. Moreover, in applying the doctrine, the initial question the court should address is whether a valid employment agreement exists.

A. The Doctrine in the Presence of an Employment Agreement.

Courts applying the inevitable disclosure doctrine should give deference to an employment agreement that is narrowly drafted for the purpose of protecting a company's trade secrets. If the court initially determines that a valid, narrowly drafted, employment agreement exists, then the burden should be on the employer to show the following: (1) that the employee was given access to the employer's

110. Motion Control Sys., Inc. v. East, 546 S.E.2d 424, 426 (Va. 2001).

111. Solutec Corp, Inc. v. Agnew, 1997 WL 794496, 8 (Wash. Ct. App.) (quoting Pepsico, Inc. v. Redmond, 54 F.3d 1264, 1268 (7th Cir. 1995)); *see also* Temco Metal Prods. v. GT Dev. Corp., 2000 WL 556607 (D. Or.).

trade secrets during his employment; (2) that the employee has taken a position with a company that is in *direct* competition with the employer; and (3) that the employee's responsibilities at the competitor are similar to his responsibilities with the former employer, such that the employee will be unable to complete those responsibilities without relying on the employer's trade secrets.

Ultimately, if a former employee has signed an employment agreement that is narrowly drafted to protect the drafting company's trade secrets *and* the employer has shown all three factors there should be a presumption in favor of enforcing the agreement and enjoining the employee from taking a position with a competitor. Additionally, the injunction should be reasonable in scope and duration to protect against disclosure, *even in the absence of bad faith on behalf of the former employee*.

B. The Doctrine in the Absence of an Employment Agreement

If the court initially determines that there was not a valid employment agreement then there should be a presumption *against* enjoining the employee from taking a position with a competitor. Since an employer is in a superior bargaining position when hiring employees, and has the ability to condition employment upon the signing of an employment agreement, if it fails to execute an agreement it should not be permitted to obtain relief when an employee chooses to leave for a competitor.

In this situation, the employer should again show the three elements provided above. However, in addition, the employer should also show a fourth element: that there was bad faith on the part of the employee.[112] If the employer is able to show the presence of all four elements, there should be a strong presumption in favor of injunctive relief.

This standard *excludes* relief for situations in which an employment agreement does not exist *and* there was no bad faith or intent to disclose on the part of the employee. This is so because, given their inferior bargaining power compared to employers, employees should not be enjoined from accepting future employment opportunities in the absence of any bad faith on their behalf; if an employer fails to have its employees sign an employment agreement that protects its trade secrets, it should not be able to impose an after-the-fact restriction on future employee mobility. Furthermore, the company still has other remedies available should actual misappropriation occur after a former employee

112. *PepsiCo* and *Bimbo* provide examples of employee bad faith.

begins work for a competitor.

C. The Standard as a Whole

Ultimately, the inevitable disclosure doctrine should be used in rare circumstances. When it is applied, and an injunction granted, the injunction should be reasonable in scope and duration, taking into effect the information to be protected. The court should initially determine whether there is a valid employment agreement that is narrowly drafted for the specific purpose of protecting the employer's trade secrets. If so, the employer bears the burden of showing the following three factors:

> (1) that the employee was given access to the employer's trade secrets during his or her employment;
> (2) that the employee has taken a position with a company that is in *direct* competition with the employer; and
> (3) that the employee's responsibilities at the competitor are similar to his or her responsibilities with the former employer, such that the employee will be unable to complete those responsibilities without relying on the employer's trade secrets

Furthermore, if no employment agreement is present the employer should have to show an additional factor:

> (4) that there was bad faith or an intent to disclose the trade secret on the part of the employee

However, in the absence of a valid, narrowly tailored, employment agreement *and* bad faith, a court should not enjoin an employer from working for his former employer's competitor.

VII. CONCLUSION

The inevitable disclosure doctrine protects against threatened misappropriation of trade secrets due to a company's former employee taking a similar position with one of its competitors. However, even after the majority of the states adopted the Uniform Trade Secrets Act, there was, and is, a lack of uniformity in applying a workable standard. This lack of uniformity is directly contrary to section 8 of the UTSA, which specifically calls for the uniform application of trade secret laws by the states adopting the Act. Consequently, there is a need for uniformity among the states' applications of trade secret law, and more specifically, the inevitable disclosure doctrine. Uniformity could be accomplished by federal legislation regulating trade secret law, much like the other areas of intellectual property; however, for purposes of this comment, only a specific standard for applying the inevitable disclosure doctrine was presented.

In presenting a proposed standard it is important to note that the doctrine should be applied rarely, and deference should be given to employers that utilize valid employment agreements in an attempt to protect their trade secrets. An injunction should then be imposed if the employee had access to a trade secret and the employee's new position is at a competitor and is similar to his or her former position. However, if a valid employment agreement is not present, the doctrine should not be utilized unless there is a showing of employee bad faith.

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* J.D. Candidate, 2012, Marquette University Law School. The author would like to thank the board and staff of the *Marquette Intellectual Property Law Review* for all their work, and his wife for her on-going support.