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## Employee Beware: The Irreparable Damage of the Inevitable Disclosure Doctrine

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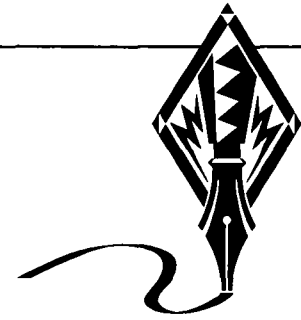
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# FEATURE ARTICLES



## Employee Beware: the Irreparable Damage of the Inevitable Disclosure Doctrine

*By John H. Matheson*

### **I. Introduction**

For most of us, employment is our most significant consumer activity. People shop for employment just as they shop for goods and services. Generally, the at-will employment doctrine gives workers the freedom to leave one company for another whenever they determine that the alternative employer is offering the worker (a “consumer” of employment opportunities) a more attractive employment package or opportunity. Workers compare wage rates, benefits, skills required, and restrictions in determining which job package to “purchase” with their labor. As a society we also recognize employment as a consumer activity. Consumer protection laws regulate workplace safety and health conditions, prescribe a minimum wage for some workers, and specify remedies for workplace related injuries.

Today’s businesses, on the other hand, operate in an increasingly competitive global economy where information is a key to success. Profitability turns less and less on building a better mousetrap and more and more on formulating and protecting better ideas, namely trade secrets. Trade secret law has evolved to protect these ideas from disclosure or misappropriation. Courts have expanded the protection of trade secret law beyond traditional notions, such as formulas, processes and product specifications, to nontechnological

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business information, such as customer lists, marketing plans, and other commercial intangibles.

A critical issue arises when a worker with access to confidential business information leaves one employer to work for a competitor. In one sense, the employee is simply acting rationally to increase his or her overall satisfaction as a consumer of employment. From the former employer's perspective, however, the result of the employee's choice may be sharing valuable trade secrets with the new employer.

In circumstances where an employee moves to a job similar to his or her previous job, employers sometimes seek to prevent the worker from accepting the new employment by arguing that the worker's new position will inevitably result in the disclosure of trade secrets to the new employer. The disclosure of trade secrets to the new employer is known as the "inevitable disclosure doctrine." Some courts have accepted this theory of "inevitable disclosure," and have enjoined the employee from working at the new job, in effect creating a judicially fashioned non-competition agreement. This result may leave the employee without recourse, except to find work in a job or industry unrelated to the former employer's business. Consequently, the worker's skills and marketability are devalued. In essence, the employer's information provides post-employment prophylactic protection at the cost of the worker's loss of personal freedom.

This article argues that the inevitable disclosure doctrine operates to harm the employee/consumer like a latent defect in a product harms consumers. The employee's initial employment package does not reflect the cost that the employee ultimately may bear in terms of restricted mobility. Because this cost is

hidden, workers cannot make rational decisions when comparing alternative employment opportunities, which is particularly unfortunate since employers have both the legal means and the comparative information advantage to protect themselves in advance by means of negotiated non-compete provisions.

An understanding of basic trade secret law, the remedies available to employers for trade secret misappropriation, and the ways in which employers can protect themselves in advance is crucial to exploring the inevitable disclosure doctrine. Part II of this article explores the development of trade secret law and the remedies for misappropriation of trade secrets. Part III addresses the nature of the employment relationship and the means by which employers can protect their confidential information and other trade secrets. Part IV analyzes the inevitable disclosure doctrine and proposes its rejection when used for purposes of creating an *ex post facto* restriction on worker mobility, arguing that the courts should not rush to rescue employers who have not taken precautions to protect themselves.

## ***II. Trade Secrets and Remedies for Misappropriation***

Trade secret law provides intellectual property protection that is different from that provided by patent<sup>1</sup> and copyright laws.<sup>2</sup> Trade secret law offers the possibility of substantial protection for confidential information with relative ease. For example, trade secret protection does not require application forms or filing fees normally associated with patents and copyrights. Generally, trade secret law provides a business or individual with a legal method to safeguard confidential information by protecting "commercial intangibles."<sup>3</sup>

Balanced against this goal of protection is the policy of free and open competition.<sup>4</sup> While an understandable desire exists to acknowledge ownership of an alleged trade secret when it appears that another has copied it, unpatented information is prevalent, and courts have recognized that competition may not always be fair. "Competition is ruthless, unprincipled, uncharitable, unforgiving--and a boon to society."<sup>5</sup>

### **A. *The Evolution of Trade Secret Protection***

The theory of trade secret protection evolved under common law. Early trade secret decisions varied from state to state, with only moderate uniformity in interpretation. However, the American Law Institute published the Restatement (First) of Torts ("First Restatement") in 1939. Section 757 of this Restatement represented the first attempt to set forth a national definition of trade secrets, requirements for protection, and remedies for misappropriation.<sup>6</sup> Although the Restatement (Second) of Torts (1978) purposefully omitted numerous sections of the First Restatement, including those relating to trade secrets, courts continued to apply the definitions provided by § 757 of the First Restatement. The recently approved Restatement (Third) of Unfair Competition (1995) presents a revised statement of trade secret law.

While § 757 in the First Restatement provided some guidance and uniformity to trade secret law, confusion remained. In 1979, the National Conference of Commissioners on Uniform State Laws approved a Uniform Trade Secrets Act ("UTSA"). The legislatures of thirty-nine states and the District of Columbia

have adopted the UTSA, with varying modifications.<sup>7</sup> Two different perspectives regarding the underlying basis of the UTSA exist. On one hand, some courts have found that the First Restatement was the basic source for the UTSA's definition of trade secrets.<sup>8</sup> These courts interpret the UTSA as applying the principles set forth in § 757 of the First Restatement.<sup>9</sup> However, other courts view the UTSA as merely displacing conflicting tort, restitutionary, and other laws regarding civil liability for misappropriation.<sup>10</sup>

### **B. *Defining Trade Secrets***

Analysis of trade secret protection must begin by identifying what is meant by "trade secret." According to comment (b) of § 757 of the First Restatement, a "trade secret" is:

[A]ny 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. 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.<sup>11</sup>

The UTSA defined "trade secret" in a somewhat more substantive manner than the First Restatement:

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 the disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.<sup>12</sup>

The UTSA's definition of trade secret thus expands upon the somewhat theoretical criteria of the First Restatement's definition and articulates a more objective means for determining whether a given item of information constitutes a "trade secret."

### ***C. Elements of a "Trade Secret"***

#### ***1. Trade Secrets Possess Economic Value***

For trade secrets to be protected under the UTSA, the trade secret must provide the owner with some commercial advantage or economic value. The term "economic value" refers to the "value of the information to either the owner or a competitor," including information "that would be useful to a competitor and would require cost, time, and effort to duplicate."<sup>13</sup> In other words, where a competitor would materially benefit from knowing the information and would have to spend time and money to create the same information independently (if not for disclosure of the information), the information has economic value.<sup>14</sup> A former employer can prove commercial or economic value circumstantially by proving a former employee's intent to use or actual use of the information,<sup>15</sup> or by establishing "the time and money . . .

reasonably expended in developing"<sup>16</sup> the information in question.

#### ***2. Information Not Generally Known or Readily Ascertainable***

To be accorded trade secret status under the UTSA, the information in question must not be readily ascertainable by proper means. Specifically, if competitors can discover the allegedly proprietary information by merely examining an existing product that is publicly available and incorporates the trade secret, the information is not a trade secret under the UTSA. Whether information is readily accessible or easily discoverable by proper means is a question of fact. Discovering the accessibility of information requires a factual determination of the time and money employed to develop the information. Also, courts must discover how much time and money a competitor would expend in independently developing the information.<sup>17</sup> Publication of the trade secret information destroys its status as a trade secret;<sup>18</sup> however, such disclosure must be sufficient "to translate the theoretical concepts described into practical application."<sup>19</sup>

#### ***3. Reasonable Efforts to Maintain Secrecy***

The owner of the information must utilize reasonable efforts to maintain its secrecy; the trade secret must be, in fact, secret.<sup>20</sup> Deciding whether information was intended to be secret entails a number of factual inquiries. As a starting point, the "reasonable efforts to maintain secrecy" element does not require the owner to maintain absolute secrecy over its information; only partial secrecy or qualified secrecy is required.<sup>21</sup> Furthermore, "a trade

secret does not lose its character when the owner confidentially discloses it to agents or employees.” Agents and employees need to know these “trade secrets” in order to convert the information into value for the company.<sup>22</sup> Courts have identified a number of factors in determining whether a person or company has employed reasonable steps to maintain secrecy: (1) keeping secret documents in locked files;<sup>23</sup> (2) providing guarded entrances to a plant;<sup>24</sup> (3) restricting visitors and requiring badges for all employees;<sup>25</sup> (4) using non-disclosure agreements with subcontractors;<sup>26</sup> and (5) incorporating a system of passwords to protect secrecy of computer data and software.<sup>27</sup>

The owner of an asserted trade secret must actually enforce its secrecy policy. Mere possession of subjective intent to treat something as secret does not suffice.<sup>28</sup> When reviewing these secrecy steps, courts require only reasonable precautions.<sup>29</sup> Companies need not “guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available” or create an “impenetrable fortress.”<sup>30</sup> As discussed in Section IV below, this element plays an important role in the proper application of the inevitable disclosure doctrine.

#### ***D. Misappropriation of Trade Secrets***

The First Restatement explicitly provided that improper disclosure or use of a trade secret was actionable:

One who discloses or uses another’s trade secret, without a privilege to do so, is liable to the other if . . .  
(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 fact that it was a secret and . . . that the third person’s disclosure of it was otherwise a breach of his duty to the other . . . .<sup>31</sup>

The recently enacted Restatement (Third) of Unfair Competition expands the concept of misappropriation articulated in the First Restatement. Section 40 of the Restatement (Third) divides misappropriation of trade secrets into two areas. First, one is subject to liability for misappropriation of another’s trade secret if that person acquires the information by improper means.<sup>32</sup> Second, a person is subject to liability for the misappropriation of another’s trade secret if he or she improperly uses or discloses the other’s trade secret without the other’s consent, when the trade secret was brought to his or her attention through a confidential relationship, was acquired by improper means, or was acquired from another who was in breach of a confidential relationship or was disclosed by accident or mistake.<sup>33</sup>

The UTSA’s definition of trade secret misappropriation is quite similar to that of the Restatement (Third). This is not surprising because the Third Restatement was drafted after the UTSA had been accepted and practiced. Therefore, the drafters of the Third Restatement quite plausibly had the UTSA in mind. The UTSA defines improper acquisition, disclosure or use as acts of misappropriation. Misappropriation includes:

(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.<sup>34</sup>

In this regard “improper means” includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.<sup>35</sup>

### ***1. Disclosure or Use Without Consent***

Under either the UTSA or § 757 of the First Restatement, disclosure or use of another’s trade secret constitutes misappropriation. Misappropriation by disclosure or use without consent often arises in situations where a contract or confidential relationship exists, such

as employer-employee or licensor-licensee, such that the party receiving trade secrets has a duty to maintain the confidentiality of that information. A receiving party who discloses the trade secret information without the owner’s consent commits misappropriation. For example, a former employee may misappropriate his former employer’s trade secret by disclosing technical trade secret data of his former employer.<sup>36</sup> Similarly, an insurance agent may misappropriate a former employer’s trade secret by disclosing policyholder information.<sup>37</sup> It is not necessary that the defendant physically take possession of a document containing the trade secret information. Misappropriation can occur where an employee memorizes a customer list and uses his or her memory of that list in competition with his or her ex-employer.<sup>38</sup>

“Use” of a trade secret is not limited to directly copying another’s trade secret in the manufacture of a product. For example, where a company alters a competitor’s trade secret, which it has wrongly obtained, that company still “used” another’s trade secret.<sup>39</sup> A slight alteration of a competitor’s protected secret implicates the same concerns as cases of outright misappropriation.<sup>40</sup> Furthermore, “use” occurs when a party uses a competitor’s trade secret information as a starting point for producing its own, competing product.<sup>41</sup> In these circumstances, courts have recognized the unfairness of permitting someone to misappropriate the results of years of research and development.<sup>42</sup>

### ***2. Injunctive Relief Is Available for Misappropriation***

The UTSA provides injunctive relief for trade secret misappropriation. The Act states

that courts can enjoin misappropriation by an injunction or by requiring the defendant to perform. The Act reads:

- (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. Exceptional circumstances include, but are not limited to, a defendant's material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.
- (c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.<sup>43</sup>

The comments to the UTSA provide:

Injunctions restraining future use and disclosure of misappropriated trade secrets are frequently sought. Although punitive perpetual injunctions have been granted, § 2(a) of this Act adopts the position of the trend of authority limiting the duration of injunctive relief to the

extent of the temporal advantage over good-faith competitors gained by misappropriation.

The general principle of § 2(a) and (b) is that an injunction should last for as long as is necessary, but no longer than is necessary. The injunction limitation was created to eliminate the commercial advantage or "lead time" with respect to good faith competitors that a person has obtained through misappropriation. Subject to any additional period of restraint necessary to negate lead time, an injunction accordingly should terminate when a former trade secret becomes either generally known to good-faith competitors or generally knowable to them because of the lawful availability of products that can be reverse engineered to reveal a trade secret.<sup>44</sup>

As with other areas of law, injunctive relief in the trade secret context can be in the form of a temporary restraining order, preliminary injunction, or permanent injunction. Basically, a motion for injunctive relief requires a court to carefully weigh "four factors: (1) whether the movant has shown a likelihood of a reasonable probability of success on the merits; (2) whether the movant will be irreparably injured by denial of such relief; (3) whether granting preliminary relief will result in even greater harm to the nonmoving party; and (4) whether granting preliminary relief will be in the public interest."<sup>45</sup> Notably, while some courts have assumed irreparable harm in trade secret cases, others have held that the UTSA provision allowing injunctions on such equitable terms as a court deems reasonable does not create an exception from the general statutory



requirement that injunctions can be granted only upon a showing of irreparable harm.<sup>46</sup>

Injunctive relief should not go beyond the need to protect the legitimate interests of a trade secret owner and should not unduly burden the defendant.<sup>47</sup> In the normal case, a successful trade secret plaintiff will receive ongoing injunctive relief that prevents the defendant from disclosing or using trade secrets for a certain amount of time. "The duration and scope of an injunction are decided upon the facts of each case."<sup>48</sup> Any information that the defendant is prevented from using or disclosing pursuant to the injunction cannot be publicly available, such as through a patent or other public disclosure of the trade secret owner.<sup>49</sup> Further, the injunction cannot prevent the use of trade secret information once the trade secret is publicly disclosed.<sup>50</sup>

Generally, an injunction should last for a "period of time that would be reasonably required for independent development" of the trade secret information.<sup>51</sup> The plaintiff will normally describe the length of time it took to develop the information, whereas the defendant will attempt to show that it could develop the information more quickly. The duration of an injunction can range from a few months, to a few years,<sup>52</sup> to perpetual.<sup>53</sup> With a perpetual or "permanent" injunction, the court normally "maintains jurisdiction to modify or revoke" the injunction as circumstances dictate.<sup>54</sup> Thus, injunctive relief arms trade secret owners with a powerful tool for protecting their proprietary information.

### ***III. The Employment Relationship and Employee Mobility***

#### ***A. The Doctrine of Employment-at-Will***

Courts generally recognize the concept of employment-at-will.<sup>55</sup> In the absence of a collective bargaining agreement or other contractual limitations, an employment relationship is terminable at will. Pursuant to the employment-at-will doctrine, an employer can discharge a worker for any legal reason or for no reason, with or without notice. Similarly, a worker can resign from at-will employment at any time for any reason or for no reason, with or without notice. Many employment situations involve at-will employment.<sup>56</sup>

The employment-at-will doctrine is premised on the principles of freedom of choice and equality of rights. Both parties to the employment relationship have the freedom to continue the relationship or to terminate it. This freedom generally enhances business flexibility by allowing employers unilaterally to alter their work force, by downsizing, relocating operations, responding to market conditions, or otherwise, without liability to those employees affected. Conversely, this freedom allows employees, without fear of liability, to quit their job, change jobs or accept new offers of employment if a change is desirable or necessary. The employment-at-will doctrine satisfies the principle of equality of rights by making the freedom of choice to continue or discontinue the employment relationship mutual as between employer and employee.

In addition, the employment-at-will doctrine is market-oriented and serves to foster competition and the movement of resources, particularly workers, to their highest valued use. Since the employer can terminate the employment relationship at any time, workers are encouraged to be productive and efficient or else risk replacement. For their part, employees have the freedom and right to

consider and accept competing offers of employment, thereby encouraging employers to be competitive with other potential employers in the terms, conditions, and benefits offered to employees.

A variety of factors, including the emergence of large corporate employers with specialized job functions, employee expectations of job tenure, and the decline in union representation of the workforce, have contributed to a decline in the popularity of the doctrine of employment-at-will.<sup>57</sup> Accordingly, the doctrine of employment-at-will is subject to several limitations and exceptions, including:

1) The National Labor Relations Act, which prohibits discrimination on the basis of union activity.<sup>58</sup>

2) Federal and state anti-discrimination statutes, which prohibit employee discharges that discriminate on the basis of specified protected classes, such as race, gender, religion, and national origin. The list of protected classifications has grown over the years and some state statutes now protect against discrimination based on age, disability, sexual orientation, and others.<sup>59</sup> Many state and federal statutes also limit the employment-at-will doctrine by prohibiting termination in reprisal for an employee exercising his or her certain statutory rights.

3) Judicially crafted exceptions, which occur in at least three categories: (i) contracts and quasi-contracts, (ii) torts, and (iii) public policy.<sup>60</sup>

Through case-specific determinations, courts have imposed several limitations on and exceptions to the employment-at-will rule. Most notable is the contract-based exception, in which contractual obligations relating to job security or disciplinary procedure are held to limit the employer's authority to discharge an employee. Contractual obligations may be

found in oral statements, pre-employment letters, employee handbooks, or a combination of circumstances, such as past personnel practices and longevity of service. Under this exception, courts generally focus on the legitimacy of an employee's expectations.

Additional limitations on the employment-at-will rule are grounded in tort law. In these cases, courts provide tort remedies for discharges. For example, an employer may discharge an employee in a manner that defames the employee or that intentionally inflicts emotional distress.<sup>61</sup> A discharge may also be based on reasons that violate public policy.<sup>62</sup> Finally, some courts have found that an implied covenant of good faith and fair dealing arises from the employment relationship.<sup>63</sup> This covenant requires that parties to a contract refrain from acting in bad faith to frustrate one another's expectations of receiving the benefits of their bargains.

## ***B. Contractual Limitations on Employee Mobility***

Given the ability of a worker to freely leave or change employment under the at-will employment doctrine, employers often seek to impose limitations on a worker's ability to leave his or her current employment or to compete with the current employer after the employment ends. These restrictions become part of the employment contract and bind an employee who has voluntarily agreed to them for valid consideration.

### ***1. Employment for a Term of Years or Other Specified Period Binds Employees***

Adopting an explicit contractual term of

years for the length of employment is the clearest manner by which to limit an employee's ability to exercise his or her freedom to terminate the employment and accept a job elsewhere. Thus, employers sometimes give valued workers a contract that, by its terms, is effective for a period of years. Such a provision can prove beneficial for both the employer and the employee in that it provides security for both parties with respect to their relationship for the period specified. For example, an employee might be given a two or three-year employment contract with an option on the part of the employer to renew the employment for a similar term. With this type of contract, the presumption of at-will employment is modified, the employer is not free to discharge the employee, and the employee is not free to leave the employment without breaching the contract.

## **2. *Non-Compete Clauses Limit Employee Mobility***

A second type of contractual provision often used to restrict employee freedom is a non-compete agreement (also known as a covenant not to compete).<sup>64</sup> A "non-compete clause" is a provision in an employment contract or agreement by which the employee agrees not to compete with the employer or work for a competitor after termination of the employment relationship.<sup>65</sup> A non-compete agreement operates after the employment relationship ends and generally prohibits a former employee from engaging in business activity competitive with the former employer for a period of time in a specified geographical area. The breach of a non-compete clause often leads to inevitable disclosure litigation. Section IV of this article gives examples of this relationship between

non-compete clauses and inevitable disclosure issues.

The non-compete clause, unlike that specifying a term of years, appears favorable to the employer but not the employee because it imposes restrictions only on the employee. Additionally, these restrictions operate after the employment has terminated to limit the freedom of the employee to market his or her services or practice his or her trade or profession. The non-compete clause restricts the employee's ability to sell labor, and deprives the public of the competition and free trade that would exist in the absence of such a contractual provision. Nevertheless, many employers require such agreements of key personnel because of the importance of those personnel to the employer's operations and the benefits that such personnel could provide to a competitor. Additionally, workers asked to consent to this type of restriction may be able to negotiate for increased salary or benefits in return for entry into the non-competition provision.

Legal analysis of non-competition agreements in the employment setting is closely linked to the analysis of non-competition agreements in general.<sup>66</sup> Traditionally, non-compete agreements were "looked upon with disfavor, cautiously considered, and carefully scrutinized."<sup>67</sup> The courts articulate two policy reasons for their disfavor of non-compete clauses: (1) the employee's right to sell his or her own labor;<sup>68</sup> and (2) the public's interest in unimpeded trade.<sup>69</sup> The former policy reason recognizes that the employer usually has an economic advantage over the employee. The employee, in entering into a non-compete agreement, may succumb to pressure and sign away the right to work in the employment for which the employee is most qualified.<sup>70</sup> The

second policy rationale recognizes the potentially negative impact of non-compete clauses on competition in the marketplace.<sup>71</sup>

Because of the impediment to free competition that a non-compete agreement involves, courts have generally been reluctant to limit an employee's freedom based on such provisions. Thus, courts will not enforce non-compete agreements unless the agreements are voluntarily executed by the employee and supported by independent consideration.<sup>72</sup> Moreover, the particular provision involved must be necessary to protect the business of the former employer.<sup>73</sup> Even then, courts will only enforce the restriction imposed to the extent it is reasonable as to subject matter, time period, and geographic application.<sup>74</sup>

#### ***a. Protection of Confidential Information***

The primary consideration in determining whether to enforce a non-compete agreement is whether the agreement strikes a reasonable balance between the legitimate business interests of the employer and the employee's right to work. Despite the policy factors weighing against the enforcement of non-compete clauses, courts have long recognized that some non-compete clauses are necessary to protect the legitimate business interests of the employer.<sup>75</sup> Courts have described two interests, in particular, as legitimate and worthy of protection: (1) the employer's good will<sup>76</sup> and (2) confidential information such as trade secrets.<sup>77</sup>

In the context of the current discussion, courts have found that employers have a legitimate business interest to protect when an

employee had access during employment to confidential information or trade secrets.<sup>78</sup> The role of non-compete clauses in protecting trade secrets and their relationship to the inevitable disclosure doctrine will be discussed in Part IV.

#### ***b. Enforceable Agreements Need to be Reasonable***

Even if a non-compete agreement furthers an employer's legitimate business interest, the courts generally will not enforce an agreement which unreasonably restricts a former employee's ability to earn a living.<sup>79</sup> The typical test applied by the courts involves a three-part determination of reasonableness, analyzing: (1) the nature and character of the employment relationship; (2) the time restriction; and (3) the geographic restriction.<sup>80</sup>

##### ***i. Nature and Character of Employment Under the Reasonableness Test***

The first prong of the reasonableness test focuses on the nature and character of the employer-employee relationship. Relevant considerations include: the employee's bargaining power in the employment market;<sup>81</sup> the likelihood of grievous harm to the employee if the clause is enforced;<sup>82</sup> the amount of access the employee had to the employer's business secrets and future plans;<sup>83</sup> and the amount of access the employee had to the employer's customers.<sup>84</sup>

Applying this test, one court enforced a non-compete agreement by holding that a thirteen-year employee of an employment agency who had access to the clients and secrets of the employer could not open a competing employment agency business.<sup>85</sup> On the other

hand, that same court invalidated a seemingly similar non-compete clause.<sup>86</sup> In Eutectic Welding Alloys Corp., the employer argued that the competing ex-employee had been a “technical representative” with access to confidential information by virtue of his former position.<sup>87</sup> The court “carefully scrutinized” the nature and character of the employee’s job and found that it was basically that of a salesperson and that the restraint imposed by the agreement was “broader in scope than necessary to protect a legitimate interest of the employer.”<sup>88</sup>

In some cases, courts will not enforce a non-compete clause if the clause is not tailored to protect that business interest. This will occur even though the nature and character of the employment relationship reveals a legitimate business interest. In one such case,<sup>89</sup> the employer, a real estate sales organization, sought to enjoin a former employee from working as a real estate broker. The court found the non-compete clause unreasonable because it did not also restrain the former employee from working as a real estate salesperson in which capacity he could just as easily use knowledge gained from the former employer. Because the clause would not operate to protect the employer’s legitimate interest in maintaining the confidentiality of information concerning its customers, the court concluded that its true purpose must be to hinder the former employee.<sup>90</sup>

## ***ii. Time and Geographic Restrictions Under the Reasonableness Test***

The time and geographic restrictions imposed by the agreement represent two other important factors in determining whether a non-compete clause is enforceable. Courts will

analyze the specific restrictions imposed and determine whether they are drawn in a manner that restricts the employee only to the extent necessary to protect the legitimate interests of the employer.

There is general agreement on the analytical framework for testing time and geographic restrictions.<sup>91</sup> The geographic restriction typically should extend only to the area where the employee had actually worked while employed or the area encompassed by the employer’s business. The duration restriction is sometimes tested under either of the following alternative standards: “the length of time necessary to obliterate the identification between employer and employee in the minds of the employer’s customers [or] the length of time necessary for an employee’s replacement to obtain licenses and learn the fundamentals of the business.”<sup>92</sup>

Courts will uphold competitive restrictions that comport with these time and area guidelines for reasonableness. In one case,<sup>93</sup> for example, the non-compete agreement signed by the employee stipulated that he would not compete after termination in any region in which he had sold aluminum siding while employed by the former employer. Because the employee had pre-employment sales experience in some of the areas encompassed by the clause, the employer urged the court to adopt a narrow reading of the non-compete clause. The court enforced the clause to the extent requested by the employer, stating that both the time and geographic limitations were reasonable.<sup>94</sup>

Courts are less likely to enforce a non-compete agreement if either the time or geographic restriction is greater than that necessary to protect the employer’s legitimate business interests.<sup>95</sup> For example, a court found a work prohibition agreement overbroad where

the agreement prohibited the employee, a disc jockey, from working for any radio or television station whose station, offices, or antenna were located within a thirty-five mile radius of any of the six U.S. cities where the employer broadcasting company owned or operated broadcasting stations for eighteen months.<sup>96</sup> The geographic restriction severely limited the employee's ability to pursue future employment in his chosen profession because it eliminated several regions of the country as possible locations for employment.<sup>97</sup> In addition, it was more restrictive than necessary to serve the employer's legitimate business interest because the disc jockey would be recognized only by listeners in the one city in which he had worked, not in the other five cities in which the employer simply had stations. Thus, the clause was overly restrictive and went beyond the goal of protecting the good will of the company.

Although overly broad non-compete clauses are disfavored, the lack of a geographical limitation does not render a covenant per se unenforceable.<sup>98</sup> The lack of a territorial restriction may be reasonably necessary in certain instances, such as employment with multi-national corporations.<sup>99</sup> Accordingly, courts will use a reasonableness analysis to determine the enforceability of non-compete clauses lacking geographical restrictions.

### ***c. Remedies for Violations of Non-Compete Clauses***

#### ***i. Injunctive Relief***

The most frequently invoked remedy for breach of a non-compete clause is an injunction that restrains the former employee from violating the agreement. An injunction is

typically the preferred remedy because it is the most effective method for eliminating the harm to the employer.

An injunction may be either permanent or temporary in nature. A court will issue a permanent injunction if it finds after trial that a non-compete clause is enforceable and that irreparable harm will result in the absence of injunctive relief.<sup>100</sup> A court may extend the injunction beyond the period specified in the non-compete agreement if further harm to the employer is likely to occur.<sup>101</sup>

An employer may also seek temporary relief while the case is still pending in the form of either a temporary restraining order or a preliminary injunction. This type of relief is typically sought in inevitable disclosure cases, where employers believe ex-employees will inevitably disclose the employer's trade secrets. A court typically will grant a preliminary injunction based upon a consideration of the following factors:

- (1) the nature of the relationship between the parties before the dispute giving rise to the request for relief;
- (2) administrative burdens in enforcing a temporary decree;
- (3) whether the harm to be suffered by the moving party if the preliminary injunction is denied outweighs that inflicted on the non-moving party if the injunction issues;
- (4) the likelihood of success on the merits;
- (5) the public interest.<sup>102</sup>

If an employer seeking preliminary relief can show that the employee already has engaged in competitive conduct prohibited by a non-compete agreement, the court may infer irreparable harm from such conduct and grant the injunction.<sup>103</sup> This preference for early injunctive relief recognizes that it often "is the only effective way an employer can prevent disclosure or use of confidential information or

use of goodwill by a terminated employee.”<sup>104</sup>

## *ii. Damages as a Remedy*

A court also may award monetary damages for breach of a non-compete agreement. Courts find damage awards particularly appropriate in situations where a former employee has already injured the employer’s business, rendering prospective injunctive relief inadequate to remedy the injury.<sup>105</sup> In seeking damages, an employer bears the burden of showing that its monetary loss resulted from conduct prohibited by the non-compete clause as opposed to some other reason.<sup>106</sup>

While punitive damages are not available in a suit to enforce a non-compete clause, a court may assess punitive damages against a third party that tortiously assists the breach of a non-compete covenant. For example, one court ruled that a business engaged in tortious interference with a contract was liable for punitive damages where it knowingly hired two individuals who had signed non-compete clauses with their former employer and then encouraged the employees to use confidential trade secret information in violation of that non-compete clause.<sup>107</sup>

## *3. Importance of Negotiated Restrictions on Employment*

Contractual restrictions on an employee’s mobility serve several significant functions. Fundamentally, negotiated restrictions clarify the parties’ obligations. The employer deals with an employee with the knowledge and comfort that the employee is bound to the employer, either in terms of a period of employment, or restriction on post-employment activity. With this security, the employer can

plan its use of the employee’s services and can involve the employee in significant and confidential business decisions and operations. The employer is encouraged to “invest” in the employee through training or responsibility. The security for this investment lies in the negotiated contractual provisions tying the employee to the employer.

For the employee, the clarity of contractual limitations also serves to assist the employee’s planning process. The employee knows that the employer is treating the employee as an important participant in the business. With a term of years employment contract, the employee, secure in his or her position, can “invest” in the employment by expending extra effort or participating in education or training programs.

An additional benefit of negotiated restrictions is the ability of the worker to refuse an initial offer of employment or seek adjusted compensation to reflect the restriction. With a non-compete covenant, as opposed to a term of years contract, the employee will lack the security of the current position. The employee can, however, negotiate for benefits in exchange for accepting the non-compete requirement. For example, the employee may be able to secure a term of years contract. Alternatively, the employee may seek additional compensation for the non-compete restriction or have compensation continue during the non-compete period. Ultimately, a worker who is not satisfied with the benefit offered in exchange for the non-compete provision can seek employment elsewhere.

All the benefits of the planning process apply to negotiated contractual restrictions. The contracting parties are able to determine the existence, nature, and extent of their own obligations. Adjustments to the contractual relationship can be made at the outset to reflect

the various parts of the resulting agreement and relationship. There is no surprise and no disappointment of expectations. However, courts can jeopardize all of these benefits by applying the inevitable disclosure doctrine in certain circumstances as described below.

#### ***IV. The Inevitable Disclosure Doctrine***

##### ***A. The Theory and Several Case Examples***

The basic theory of the inevitable disclosure doctrine is as simple as it is devastating. The inevitable disclosure doctrine posits that the former employee will “inevitably disclose” those trade secrets in his or her new position with a competitor employer.<sup>108</sup> The rationale of inevitable disclosure is that even absent actual misappropriation of trade secrets, and even absent a negotiated non-compete agreement, disclosure will occur because of the close functional relation of the new employment to the former position.

If a court accepts the premise of this potential inevitable disclosure, then the former employer can seek to enjoin the employee from accepting the new employment. In terms of the UTSA, injunctive relief is sought not because trade secrets have actually been misappropriated, but rather because of alleged “threatened misappropriation” resulting from the new employment. The misappropriation is “threatened” not because the employee intends to steal the former employer’s trade secrets, but rather because the employee cannot avoid such misappropriation in performing his or her job responsibilities.

Using its equitable injunctive powers, a court may grant an injunction, that is, enforce a

judicially fashioned non-competition agreement. The result is that the employee no longer has the original employment and is judicially prevented from accepting the new employment. The original employer obtains the benefit of a non-compete restriction without bargaining for it or paying for it.

Probably the most prominent, though certainly not the first,<sup>109</sup> inevitable disclosure case is *PepsiCo, Inc. v. Redmond*,<sup>110</sup> involving a PepsiCo managerial employee, Redmond, who left to work for The Quaker Oats Company. Quaker and PepsiCo were competitors in the sports drinks and “new age” drinks (non-carbonated and tea-based fruit drinks) categories, with Quaker producing Gatorade and Snapple drinks and PepsiCo producing All Sport and several others. While employed by PepsiCo, Redmond had access to PepsiCo’s strategic financial, production, and marketing plans for these products. Redmond was an at-will employee and not bound by any non-compete agreement.

PepsiCo sought a preliminary injunction preventing Redmond from going to work in the position he had accepted with Quaker, and the trial court granted it.<sup>111</sup> On appeal, PepsiCo argued that Redmond would inevitably disclose its trade secrets if he was allowed to accept employment with Quaker. In response, Redmond and Quaker listed several facts, which they claimed established that Redmond would not inevitably disclose PepsiCo secrets. For example, Redmond would be implementing a pre-existing Gatorade and Snapple integration plan. In addition, Redmond had signed a confidentiality agreement with Quaker precluding him from disclosing others’ trade secrets. Furthermore, Redmond had agreed to seek the advice of Quaker’s in-house counsel if confronted with a situation that might involve use or disclosure of PepsiCo confidential



information.<sup>112</sup>

The Seventh Circuit noted that the primary issue related to the likelihood of PepsiCo's ultimate success on the merits of trade secret misappropriation.<sup>113</sup> The Court also noted that the UTSA allows a court to issue an injunction on the basis of "threatened misappropriation."<sup>114</sup> Despite the fact that the UTSA does not refer to "inevitable" disclosure as a basis for relief, the court equated "threatened" misappropriation with the potential use of trade secrets by an employee in the new employment; "a plaintiff may prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."<sup>115</sup> On this basis, the Seventh Circuit affirmed the preliminary injunction, precluding Redmond from accepting his negotiated employment with Quaker based on a non-negotiated restriction imposed at the behest of PepsiCo.

Subsequent to *PepsiCo*, other courts have relied upon the theory of inevitable disclosure. For example, in *Uncle B's Bakery v. O'Rourke*,<sup>116</sup> an employee, O'Rourke, left one company to work for a competitor. Despite the lack of a non-compete restriction or actual misappropriation, the court granted a preliminary injunction to the employer because "there is sufficient threat of irreparable harm in this case to weigh in favor of enjoining both disclosure of trade secrets and O'Rourke's employment with Brooklyn Bagel Boys."<sup>117</sup> Other courts have accepted the inevitable disclosure theory, but found it inapplicable on the particular facts of a given case.<sup>118</sup>

## ***B. Negative Effects of the Inevitable Disclosure Analysis***

### ***1. In General***

Acceptance of the inevitable disclosure analysis has deleterious effects, including several that flow from the fact that most of these cases are decided at the preliminary injunction stage. A court grants a preliminary injunction not on a finding of wrongdoing, but rather on a likelihood of success. However, the entry of the injunction may be tantamount to a determination of ultimate relief. For example, if a court enjoins an employee from accepting new employment pending trial, and if the trial does not occur for a number of months (or even a year or longer), the employer, in essence, wins.

The application of the inevitable disclosure doctrine also results in the judicial rewriting of two employment agreements. First, the original employer/employee contract is rewritten by the addition of the non-compete terms of the injunction. The employee is bound to a court-fashioned contractual provision with no corresponding opportunity to negotiate (or even reject) the terms proffered. The employer obtains the benefit of a contractual provision it did not pay for. The significant value of that benefit can be gauged by the employer's willingness to engage in litigation to secure it. Arguably, if the issue instead had been addressed *ex ante*, the employer likely would have been willing to increase the prospective employee's compensation to avoid the cost involved and uncertainty inherent in litigation.

In addition to the rewriting of the employer/employee contract, the enforcement of the inevitable disclosure doctrine also rewrites or negates the worker's prospective contract with the new employer. The worker and prospective employer negotiate in terms of what the worker is able to bring to the new organization. Without a contractual term of years or non-

compete restricting the worker from leaving the new employment, the negotiations proceed, even if the new employer is a competitor of the current or former employer. When the courts subsequently impose a judicially-fashioned non-compete decree preventing or restricting the new employment, they negate these negotiations. The new employer either does not get the new employee or gets a worker with limitations that were not negotiated. It is no answer to say that the new employer can employ the worker in a different position or different capacity.<sup>119</sup> That is not what the new employer sought and probably is not what it wants.

Most fundamentally, however, application of the inevitable disclosure doctrine creates significant uncertainty in the labor market. The determination of whether trade secrets exist and whether their protection is warranted through preliminary injunctive relief is inherently a fact-intensive and fact-specific determination. Moreover, the stakes escalate as the position of the employee involves more responsibility and access to an employer's operations. The former employer that has not protected itself in advance has an incentive to seek injunctive relief because the nature of the fact-finding process gives it a reasonable basis for requesting relief. Even if it loses, the former employer has hampered the former employee and the new employer through the cloud of the litigation process.

Prospective employers, on the other hand, must not only look to the agreements their prospective employees had with past employers, but also to what claims those former employers can make even in the absence of contractual restrictions. Prospective employers must attempt to weigh the likelihood and expense of being involved in expensive

litigation as part of the cost they incur in hiring a new employee, particularly one with technical or management expertise. These costs do not result in productive benefit and make the worker appear less attractive to employ.

Ultimately, workers are the big losers. They may have the theoretical freedom to leave their current employment, but, in reality, they are restricted through subsequent inevitable disclosure exposure. This potential represents an extra cost of switching jobs. Moreover, the worker may actually be prevented from accepting the new employment, or be forced to accept work outside the area of his or her highest valued use, namely, competing with the former employer on behalf of the new employer. In extreme case, the worker may simply be out of a job, period.

Application of the inevitable disclosure doctrine chills competition for workers by exposing workers, former employers, and prospective employers to costly and uncertain litigation. Workers lose through lost opportunities, and the economy loses by decreased competition, which can lead ultimately to higher consumer prices in the market.

These negative effects alone may or may not be sufficient to justify rejection or restriction of the inevitable disclosure doctrine. These effects, however, need to be at least considered in deciding whether the doctrine is justified in its use, especially given that the doctrine is applied not to remedy a wrong or compensate for an injury that has taken place. Rather, when it is applied, the inevitable disclosure doctrine serves to prevent a perceived potential harm from occurring. In this light the negative effects of the doctrine's application, if not dispositive, deserve significant weight in the calculus.

## 2. *The California Situation*

Potential application of the inevitable disclosure doctrine in California presents particularly interesting questions. California is regarded as a place where significant technological research and development occur, thereby giving rise to numerous potential trade secret lawsuits. California, however, prohibits non-compete provisions by statute, except in limited circumstances.<sup>120</sup>

California's rejection of contractual non-compete agreements as they relate to workers should be commended on many levels. First, it brings clarity to an otherwise murky area of jurisprudence. Second, by rejecting these provisions, California fosters maximum freedom for workers, thereby enhancing their bargaining position with potential employers and creating competition among employers for workers. This encourages employers to provide positive incentives for worker stability, such as higher wages, contracts for a period of years, or even giving employees an ownership interest in the company.<sup>121</sup> Finally, California's rejection of non-compete clauses also recognizes that workers may not be in an advantageous position to negotiate these terms of a contract or may not focus on their significance when commencing employment.

California courts, however, have not always invalidated contractual restrictions on former employees. Even with the statutory prohibition in place, courts have upheld contractual provisions that serve to protect trade secrets. For example, a court has upheld an agreement not to use a customer list for a period of time after employment, determining that it was necessary to protect the former employer's trade secrets.<sup>122</sup> An employee cannot disclose his former employer's confidential customer

lists or other trade secrets, and cannot solicit those customers.<sup>123</sup>

As discussed above, the inevitable disclosure doctrine transforms employee access to trade secrets into a *de facto* non-competition agreement. If accepted by the California courts, contractual non-competition agreements could be upheld under the guise of protecting trade secrets despite the statutory mandate that such agreements are generally void. Also, the inevitable disclosure doctrine could be used to prevent workers from accepting new employment with a competitive company even where no contractual restriction exists, that is, by court-ordered preliminary injunctive relief. In any event, the possibility of such a conclusion once again serves to chill the market for workers and limits their mobility, a result directly at odds with the purposes of the California statute.

### C. *Defects in the Inevitable Disclosure Doctrine*

If, as urged herein, application of the inevitable disclosure doctrine represents an unfortunate and dangerous development in intellectual property law, what are the weaknesses in the analysis used by the courts in applying it? There are at least two major problems with the way in which courts have applied the inevitable disclosure analysis. The first problem relates to their interpretation of the justification for granting relief under the UTSA. The second relates to the manner in which trade secrets, as predictable interests, are defined, and the failure of employers to take reasonable precautions to protect these interests.

#### 1. *Relief for "Threatened"*

## Misappropriation

At common law, trade secrets were protected in two ways: (1) as a legitimate business interest protected by non-compete clauses, and (2) through the common law tort of misappropriation.<sup>124</sup> The Uniform Trade Secrets Act, while sharing many characteristics with the traditional misappropriation cause of action, preempts the common law tort. More importantly, the UTSA allows courts to grant relief not only for actual misappropriation of trade secrets, but also provides that “threatened misappropriation may be enjoined.”<sup>125</sup> One important key to identifying the weakness of the inevitable disclosure doctrine is to focus on the meaning of the term “threatened” as used in the UTSA. After all, courts have relied upon this term in granting injunctive relief for perceived inevitable disclosure.

The primary definition of “threaten” is “to make threats against; express one’s intention of hurting, punishing, etc.” or “to express intention to inflict” harm.<sup>126</sup> In legal terms, the primary definition of “threat” is a “declaration of intention or determination to inflict punishment, loss, or pain on another, or to injure another by the commission of some unlawful act.”<sup>127</sup> The sense of these terms is that there is some action or expression by the subject party to indicate an intention to violate another’s rights.

Instead of relying on the primary understanding and definition of the word threaten, courts granting relief in inevitable disclosure cases rely on a secondary meaning of the term. According to that definition, threaten means “to be a menacing indication of” or “to be a source of such danger, harm, etc.”<sup>128</sup> And a legal definition of threat in this manner is a “menace; especially, any menace of such a

nature and extent as to unsettle the mind of the person on whom it operates.”<sup>129</sup> This secondary definition identifies a status, not an act or intent. As stated by the court in *PepsiCo v. Redmond*, “Redmond cannot help but rely on . . . [PepsiCo’s] trade secrets” in his new job.<sup>130</sup> No doubt many former employers perceive a lost employee as a threat in this secondary manner and this perception forms the basis of inevitable disclosure suits.

The primary definition of “threaten” should guide the courts in granting relief under the UTSA. First, this interpretation of the term “threatened” in the UTSA is consistent with the action that must be threatened, namely, “misappropriation.” Misappropriation is an action, not a status. Someone who displays an intent to violate another’s rights threatens misappropriation.

More fundamentally, defining the threat of misappropriation in terms of the employee’s status is fundamentally unfair to the employee. It allows an employer, by giving trade secrets to a worker, to thereby plant the seeds by which the worker will subsequently be prevented from gainful employment with a competitor. Furthermore, the employee has no notice that access to confidential information or other trade secrets will have such an effect, as would be required to execute a non-competition agreement.

Employment under these circumstances is misleading. The employee accepts the original employment with no indication that he or she will be restricted in leaving that employment. The employer’s trade secrets, as protected by the inevitable disclosure doctrine, serve as a latent defect in the employment relationship. When the employee later tries to switch jobs, this defect serves to harm the worker by restricting that opportunity. Thus, an employee who has not actually misappropriated trade

secrets and who has not threatened misappropriation in the traditional, active, sense of that term, may have his or her employment mobility severely restricted simply by the status of having been employed by another company and having been in a position where trade secrets were disclosed to him or her as part of that former employment. "Threatened misappropriation," as that term is used in the UTSA, should require more.

One suggestion is that for "threatened misappropriation" to exist, the employee must evidence some bad faith in switching jobs, such as taking confidential documents with him or her. Even the *PepsiCo* case could be distinguished on this basis, since the trial court found, as the Seventh Circuit noted, that Redmond had lied to PepsiCo concerning the circumstances surrounding his departure, thus evidencing bad faith.<sup>131</sup>

## **2. Reasonable Efforts to Secure Secrecy of Trade Secrets**

As discussed earlier, the UTSA definition of trade secret requires that the purported trade secret must be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy."<sup>132</sup> If an employer does not implement reasonable efforts to protect its alleged trade secrets, by definition no trade secrets exist. If no trade secrets exist, the employer is not entitled to protection by way of injunctive relief under the inevitable disclosure doctrine.

The employer knows what its trade secrets are and the harm that might result from their use or disclosure outside the company. The prospective employee does not. Given the presumptive at-will nature of employment, what efforts are reasonable to protect trade

secrets from potential use by employees in alternative employment situations?

A confidentiality agreement is only a partial solution. Confidentiality agreements highlight for the employees that they are being given confidential information or trade secrets. These agreements also add a contractual obligation to the employee's fiduciary responsibilities during the term of employment. A confidentiality agreement does not, however, restrict the employee from leaving at-will employment.

As Part III. B. explains, employers have several means available to contractually restrict employee mobility. Either a term of years or a negotiated non-compete provision will suffice. Employers are well aware of these options and use them in many circumstances. They could use them just as well to protect their trade secrets from being disclosed by an employee leaving to work for a competitor. In fact, protection of trade secrets is one of the primary purposes of a non-compete provision. But employers who require such agreements may have to compensate employees for the restriction, thereby increasing the employer's cost of employment but benefitting the employee in the process.

Given that the employer alone knows the extent and value of a trade secret and given that contractual means are available to restrict disclosure by limiting employee mobility, it is suggested that the failure of an employer to obtain these contractual protections is tantamount to a failure to employ "efforts that are reasonable under the circumstances to maintain its secrecy."<sup>133</sup> Put another way, if the disclosure of an employer's trade secrets by an employee who leaves to work for a competitor is "inevitable," then the employer can foresee that circumstance. If the employer fails to protect against such "inevitable" disclosure by

contractually limiting the ability of the employee to switch jobs, it has not used reasonable efforts to protect its trade secrets and should not be entitled to protection under the inevitable disclosure doctrine or otherwise.

In *IBM v. Seagate Technology*,<sup>134</sup> a former IBM employee, Bonyhard, left IBM to work for Seagate, a competitor. Although Bonyhard was not subject to a contractual non-compete provision, IBM sought a preliminary injunction to prevent Bonyhard from working for Seagate. The court refused: "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."<sup>135</sup>

Even more directly on point is *Merck & Co. v. Lyon*.<sup>136</sup> In that case, Merck sought to prevent a former employee, Lyon, from working for a competitor. Merck sought a preliminary injunction, arguing inevitable disclosure. In reviewing the efforts undertaken by Merck to protect its trade secrets, the court stated that Merck "could have . . . pursued a contract including a covenant not to compete"<sup>137</sup> but did not. Instead, all that existed was a confidentiality agreement.

Despite finding that the employee's memory of alleged trade secrets was sufficient to show that he or she had knowledge of the trade secret and despite concluding that misappropriation was likely because it would be inevitable in the new position, the court denied a preliminary injunction preventing the new employment. "[I]t must be pointed out that plaintiffs did not seek a non-competition agreement from Lyon. [P]laintiffs must rely on their confidentiality agreement with Lyon. The Court cannot add to that agreement a covenant not to compete."<sup>138</sup>

#### **D. The Proper Role for the Inevitable Disclosure Doctrine**

Up to this point, this article has urged courts to not apply the inevitable disclosure doctrine to prevent employees from accepting alternative employment where the original employer has not contractually limited the employee's mobility. There is, however, a place where application of the inevitable disclosure concept does make sense, namely in determining whether to enforce an otherwise valid non-compete agreement.

For example, in *Medtronic, Inc. v. Sun*,<sup>139</sup> a former Medtronic employee, Sun, wanted to work for Medtronic's primary competitor. Sun, who had agreed to a two-year non-compete provision, argued that the provision could not be enforced merely to prevent potential or inadvertent disclosure of trade secrets or confidential information. The court rejected this argument and enforced the agreement because no actual use of the trade secrets was required. The likely inevitable disclosure of this confidential information was enough to justify the agreement.<sup>140</sup>

In another case, *Lumex, Inc. v. Highsmith*,<sup>141</sup> Lumex sought a preliminary injunction to enforce a six-month non-compete agreement. In upholding the non-compete covenant as a reasonable restriction, the court determined that no actual harm to Lumex was required. Rather, because disclosure of Lumex's trade secrets in the former employee's new position would be inevitable, the court granted enforcement. The court specifically rejected the claim that the non-compete covenant could not be enforced unless the employee had evidenced an intent to divulge trade secrets or otherwise acted in bad faith. Rather, enforcement was

justified because the “court finds that Highsmith will inevitably divulge [Lumex] trade secrets and confidential information.”<sup>142</sup>

The Eighth Circuit Court of Appeals has explained that where an employer takes the precaution of having an employee sign a non-compete clause, it need not prove the existence of a trade secret in order to enforce the non-compete clause.<sup>143</sup> Thus, in cases where the parties have entered into a non-compete agreement, the employer has a lower burden of proof than if suing in a tort action for misappropriation of a trade secret, and need only show that the employee had access to confidential information.<sup>144</sup>

It is most logical that the inevitable disclosure doctrine be applied in these circumstances. The employer has protected itself and its trade secrets through a non-compete provision. The employee knows of, and arguably has been compensated for, the resultant restricted mobility. The package purchased by accepting the original employment is fully disclosed. There is no latent or hidden defect in the process or the resulting agreement. The non-compete provision should be enforced based on a finding of inevitable disclosure of trade secrets in the new employment.

## Endnotes

<sup>1</sup> See Patentability of Inventions, 35 U.S.C.A. §§ 101-103 (West 1984).

<sup>2</sup> See Subject Matter and Scope of Copyright, 17 U.S.C.A. § 102(b) (1995). Copyright law protects expressions of an idea, not the idea itself.

<sup>3</sup> See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974); *Salsbury Labs., Inc. v. Merieux Labs., Inc.*, 908 F.2d 706, 710 (11th Cir. 1990).

<sup>4</sup> See *PepsiCo., Inc. v. Redmond*, 54 F.3d 1262, 1268 (7th Cir. 1995).

<sup>5</sup> *Composite Marine Propellers, Inc. v. Van Der Woude*, 962 F.2d 1263, 1268 (7th Cir. 1992) (quoting renowned economist Adam Smith).

<sup>6</sup> See RESTATEMENT (FIRST) OF TORTS § 757 (1939).

<sup>7</sup> See ALA. CODE §§ 8-27-1 to 8-27-6 (1993); ALASKA STAT. §§ 45.50.910 to 45.50.945 (Michie 1996); ARIZ. REV. STAT. ANN. §§ 44-401 to 44-407 (West 1994); ARK. CODE ANN. §§ 4-75-601 to 4-75-607 (Michie 1996); CAL. CIV. CODE §§ 3426-3426.11 (West 1993); COLO. REV. STAT. §§ 7-74-101 to 7-74-110 (1990); CONN. GEN. STAT. §§ 35-50 to 35-58 (1997); DEL. CODE ANN. tit. 6, §§ 2001-2009 (1993); D.C. CODE ANN. §§ 48-501 to 48-510 (1981); FLA. STAT. ch. 688.001-688.009 (1990); GA. CODE ANN. §§ 10-1-760 to 10-1-767 (1994); HAW. REV. STAT. §§ 482B-1 to 482B-9 (1995); IDAHO CODE §§ 48-801 to 48-807 (1993); 765 ILL. COMP. STAT. ANN. 1065/1-9 (West 1993); IND. CODE §§ 24-2-3-1 to 24-2-3-8 (1993); IOWA CODE §§ 550.1-550.8 (1997); KAN. STAT. ANN. §§ 60-3320 to 60-3330 (1994); KY. REV. STAT. ANN. §§ 365.880-365.900 (Michie 1996); LA. REV. STAT. ANN. §§ 51: 1431-51:1439 (West 1987); ME. REV. STAT. ANN. tit. 10, §§ 1541-1548 (West 1997); MD. CODE ANN., COM. LAW II §§ 11-1201 to 11-1209 (1990); MINN. STAT. ANN. §§ 325C.01 - 325C.08 (West 1995); MISS. CODE ANN. §§ 75-26-1 to 75-29-19 (1981); MONT. CODE ANN. §§ 30-14-401 to 30-14-409 (1997); NEB. REV. STAT. §§ 87-501 to 87-507 (1994); NEV. REV. STAT. §§ 600A.010-600A.100 (1994); N.H. REV. STAT. ANN. §§ 350-B:1 to 350-B:9 (1995); N.M. STAT. ANN. §§ 57-3A-1 to 57-3A-7 (Michie 1978); N.D. CENT. CODE §§ 47-25.1-01 to 47-25.1-08 (1978); OHIO REV. CODE ANN. §§ 1333.61-1333.69 (Barks-Baldwin 1994); OKLA. STAT. tit. 78, §§ 85-94 (1995); OR. REV. STAT. §§ 646.461-646.475 (1988); R.I. GEN. LAWS §§ 6-41-1 to 6-41-11 (1992); S.C. Code Ann. §§ 39-8-1 to 39-8-11 (Law Co-op 1985); S.D. CODIFIED LAWS §§ 37-29-1 to 37-29-11 (Michie 1994); UTAH CODE ANN. §§ 13-24-1 to 13-24-9 (1996); VA. CODE ANN. §§ 59.1-336 to 59.1-343 (Michie 1992); WASH. REV. CODE §§ 19.108.010 to 19.108.940 (1989); W.VA. CODE §§ 47-22-1 to 47-22-10 ((1996); and WIS. STAT. § 134.90 (1989).

<sup>8</sup> See *Minuteman, Inc. v. Alexander*, 434 N.W.2d 773, 777 (Wis. 1989).

<sup>9</sup> See *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 898 (Minn. 1983).

<sup>10</sup> See *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 673 (Wash. 1987) (interpreting Washington's version of the UTSA).

<sup>11</sup> RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939). The new RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995) provides a different definition of a trade secret: "[A]ny 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." Courts may consider numerous factors in determining whether information constitutes a trade secret, including: (1) the extent to which the information is known outside of the owner's business, (2) the extent to which the information is known by employees and others involved in the owner's business, (3) the extent of measures taken by the owner to guard the secrecy of the information, (4) the value of the information to the owner and to his competitors, (5) the amount of effort or money expended by the owner in developing the information, and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

<sup>12</sup> UNIF. TRADE SECRETS ACT § 1(4) (1996).

<sup>13</sup> *US West Communications, Inc. v. Office of Consumer Advocate*, 498 N.W.2d 711, 714 (Iowa 1993).

<sup>14</sup> See *Surgidev Corp. v. Eye Tech., Inc.*, 648 F. Supp. 661, 688, 692 (D. Minn. 1986), *aff'd*, 828 F.2d 452 (8th Cir. 1987).

<sup>15</sup> See *Surgidev*, 648 F. Supp. at 692.

<sup>16</sup> *Electro-Craft*, 332 N.W.2d at 901 n.12.

<sup>17</sup> See *id.* at 899.

<sup>18</sup> See *Picker Int'l, Inc. v. Parten*, 935 F.2d 257, 264 (11th Cir. 1991).

<sup>19</sup> *Jostens, Inc. v. National Computer Sys., Inc.*, 318 N.W.2d 691, 700 (Minn. 1982).

<sup>20</sup> See *Kewanee Oil*, 416 U.S. at 475.

<sup>21</sup> See *Electro-Craft*, 332 N.W.2d at 901.

<sup>22</sup> See *Surgidev*, 648 F. Supp. at 693 n.15.

<sup>23</sup> See *id.* at 693.

<sup>24</sup> See *Electro-Craft*, 332 N.W.2d at 902.

<sup>25</sup> See *Sigma Chemical Co. v. Harris*, 794 F.2d 371, 374 (8th Cir. 1986).

<sup>26</sup> See *Pioneer Hi-Bred Int'l v. Holden Found. Seeds, Inc.*, 35 F.3d 1226, 1236 (8th Cir. 1994).

<sup>27</sup> See *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 664 (4th Cir. 1993).

<sup>28</sup> See *Arco Indus. Corp. v. Chemcast Corp.*, 633 F.2d 435, 443 (6th Cir. 1980) (applying Michigan law).

<sup>29</sup> See *Pioneer*, 35 F.3d at 1235-36.

<sup>30</sup> *E.I. DuPont deNemours & Co. v. Christopher*, 431 F.2d 1012, 1016-17 (5th Cir. 1970), *cert. denied*, 400 U.S. 1024 (1971), *reh'g denied*, 401 U.S. 967 (1971).

<sup>31</sup> RESTATEMENT (FIRST) OF TORTS § 757 (1939).

<sup>32</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40(a) (1995).

<sup>33</sup> See *id.* at § 40(b).

<sup>34</sup> UNIF. TRADE SECRETS ACT § 1(2)(i) (1996).

<sup>35</sup> *Id.* at § 1(1).

<sup>36</sup> See *Syntex Ophthalmics, Inc. v. Novicky*, 591 F. Supp. 28 (N.D. Ill. 1983), *aff'd*, 745 F.2d 1423 (Fed. Cir. 1984), *cert. granted and vacated on other grounds*, 470 U.S. 1047 (1985).

<sup>37</sup> See *Prudential Ins. Co. of Am. v. Pochiro*, 736 P.2d 1180, 1183 (Ariz. Ct. App. 1987).

<sup>38</sup> See *Stampede Tool Warehouse, Inc. v. May*, 651 N.E.2d 209, 217 (1st Dist. Ill. 1995).



<sup>39</sup> See *Superior Flux & Mfg. Co. v. H & S Indus., Inc.*, 210 U.S.P.Q. 669 (N. D. Ohio 1980).

<sup>40</sup> See *Pioneer*, 35 F.3d at 1239.

<sup>41</sup> See *Salsbury*, 908 F.2d at 713.

<sup>42</sup> See *Alk Assoc., Inc. v. Multimodal Applied Sys., Inc.*, 647 A.2d 1359, 1363 (N.J. Super. Ct. App. Div. 1994).

<sup>43</sup> UNIF. TRADE SECRETS ACT § 2 (1996).

<sup>44</sup> *Id.* at cmt.

<sup>45</sup> *SI Handling Sys. v. Heisley*, 753 F.2d 1244, 1254 (3rd Cir. 1985).

<sup>46</sup> See *Bishop & Co. v. Cuomo*, 799 P.2d 444, 446 (Colo. App. 1990).

<sup>47</sup> See *Stampede*, 651 N.E.2d at 217.

<sup>48</sup> *Boeing*, 738 P.2d at 681.

<sup>49</sup> See *Scharmer v. Carrollton Mfg. Co.*, 525 F.2d 95, 98-99 (6th Cir. 1975).

<sup>50</sup> See *SI Handling*, 753 F.2d at 1266 (citing *Kewanee*, 416 U.S. at 473-74).

<sup>51</sup> *Surgidev*, 648 F. Supp. at 696.

<sup>52</sup> See *Baxter Int'l, Inc. v. Morris*, 976 F.2d 1189, 1195 (8th Cir. 1992).

<sup>53</sup> See *Integrated Cash Management v. Digital Transactions*, 920 F.2d 171, 175 (2d Cir. 1990).

<sup>54</sup> See *Wolfe v. Tuthill Corp.*, 532 N.E.2d 1, 3 (Ind. 1988).

<sup>55</sup> See, e.g., *White v. Winona State Univ.*, 474 N.W.2d 410 (Minn. Ct. App. 1991); *Pine River State Bank v. Mettill*, 333 N.W.2d 622 (Minn. 1983).

<sup>56</sup> See generally *Farber & Matheson, Beyond Promissory Estoppel: Contract Law and the Invisible Handshake*, 52 U. CHI. L. REV. 903 (1985).

<sup>57</sup> See Stephen F. Befort, *Employee Handbooks*

*and the Legal Effect of Disclaimers*, 13 INDUS. REL. L.J. 326 (1991-1992) (generally discussing the employment-at-will doctrine).

<sup>58</sup> See 29 U.S.C.A. §§ 158(a)(1), (3), and (4) (West 1997) (Labor-Management Relations).

<sup>59</sup> See Stephen F. Befort & Karen G. Schanfield, *Minnesota Practice: EMPLOYMENT LAW AND PRACTICE* (West 1996) §§ 9 and 10 (discussing the laws prohibiting discrimination in employment.)

<sup>60</sup> See, e.g., *Flesner v. Technical Communications Corp.*, 575 N.E.2d 1107, 1110, 1112 (Mass. 1991). In addition, some jurisdictions recognize an implied covenant of good faith and fair dealing in all employment contracts.

<sup>61</sup> See, e.g., *Willis v. County of Sherburne*, 555 N.W.2d 277, 282 (Minn. 1996); *Hubbard v. United Press Int'l*, 330 N.W.2d 428 (Minn. 1983).

<sup>62</sup> See, e.g., *Bradley v. Hubbard Broad., Inc.*, 471 N.W.2d 670 (Minn. App. 1991), *rev. denied*; *Phipps v. Clark Oil & Ref. Corp.*, 408 N.W.2d 569, 570 (Minn. 1987); *Freidrichs v. Western Nat'l Mut. Ins. Co.*, 410 N.W.2d 62, 63 (Minn. App. 1987).

<sup>63</sup> See *Wilder v. Cody County Chamber of Commerce*, 868 P.2d 211, 220 (Wyo. 1994) (and cases cited therein).

<sup>64</sup> See generally *Hutter, Drafting Enforceable Employee Noncompetition Agreements to Protect Confidential Business Information*, 45 ALB. L. REV. 311 (1981); *Blake, Employee Agreements Not to Compete*, 73 HARV. L. REV. 625 (1960).

<sup>65</sup> See Note, *Employment Contracts: Covenants Not to Compete in Minnesota*, 9 WM. MITCHELL L. REV. 388, n.1 (1983) (citing list of sources that provide general background for covenants not to compete).

<sup>66</sup> See *National Benefit Co. v. Union Hosp. Co.*, 47 N.W. 806, 807 (Minn. 1891).

<sup>67</sup> *Bennett v. Storz Broad. Co.*, 134 N.W.2d 892, 898 (Minn. 1965).

<sup>68</sup> See *Menter Co. v. Brock*, 180 N.W. 553, 555 (Minn. 1920).

<sup>69</sup> See *Jim W. Miller Constr., Inc. v. Schaefer*, 298 N.W.2d 455, 458 (Minn. 1980).

<sup>70</sup> In *Menter Co. v. Brock*, the Supreme Court of Minnesota summarized this concern as follows:

To many persons the right to labor is the most important and valuable right they possess; it is their fortune, constituting the only means they have to obtain food, raiment, and shelter and to acquire property. To such persons a deprivation of this right is ruin, and to abridge it is to do them an injury which will very likely result in their ruin. When, therefore, a court is asked either to deprive a person of this right, or to abridge it, it is its duty, before it acts, to consider with the utmost care whether, if it does what it is asked to do, it will not, on a careful comparison of consequences, do more injustice than justice.

180 N.W. at 555 (quoting *Sternberg v. O'Brien*, 2 A. 348 (N.J. Ch. 1891)). See also *Eutectic Welding Alloys Corp. v. West*, 160 N.W.2d 566, 571 (Minn. 1968).

<sup>71</sup> See *Miller Constr.* 298 N.W.2d at 458; *Bennett*, 134 N.W.2d at 898.

<sup>72</sup> See *Sanborn Mfg. Co. v. Currie*, 500 N.W.2d 161 (Minn. Ct. App. 1993) (where employee accepted employer's written offer of employment which did not contain a non-compete clause, but was then required to sign such a clause upon subsequently arriving at the job, court found clause lacking in consideration and unenforceable); *National Recruiters, Inc. v. Cashman*, 323 N.W.2d 736, 740 (Minn. 1982) (where employee was told during interview of conditions of employment but was not informed of non-compete clause until compelled to sign clause upon reporting for work, court found clause lacking in consideration and unenforceable).

<sup>73</sup> See *Bennett*, 134 N.W.2d at 899.

<sup>74</sup> See *id.* (citing AM. JUR. *Master and Servant*, § 99; 36 AM. JUR. *Monopolies, Combinations, and Restraint of Trade* §§ 78 and 79).

<sup>75</sup> See *Bennett*, 134 N.W.2d at 898.

<sup>76</sup> See *id.* at 899.

<sup>77</sup> See *id.* at 898.

<sup>78</sup> See *Equipment Advertiser, Inc. v. Harris*, 136 N.W.2d 302 (Minn. 1965). See also *Thermorama, Inc. v. Buckwold*, 125 N.W.2d 844 (Minn. 1964) (granting the employer's motion for an injunction to stop a former employee from soliciting the employer's customers). Cf. *Davies & Davies Agency, Inc. v. Davies*, 298 N.W.2d 127, 131 (Minn. 1980).

<sup>79</sup> See generally *Hutter, Drafting Enforceable Employee Noncompetition Agreements to Protect Confidential Business Information*, 45 ALB. L. REV. 311 (1981).

<sup>80</sup> See *Bennett*, 134 N.W.2d at 899.

<sup>81</sup> See *Roth v. Gamble-Skogmo, Inc.*, 532 F. Supp. 1029, 1032 (D. Minn. 1982) (noting that chief executive officer was not "an average employee," and holding that provision of non-compete clause that allowed employer to cease payment of deferred compensation owed to officer, if he engaged in direct competition with employer, was enforceable); *B & Y Metal Painting, Inc. v. Ball*, 279 N.W.2d 813, 815 (Minn. 1979) (where defendant sold business including good will to plaintiff and signed an employment contract to work for plaintiff which was drafted by his own attorney and included a non-compete clause, the court was not concerned about unequal bargaining power or oppressive circumstances and enforced the clause after termination).

<sup>82</sup> See *Roth*, 532 F. Supp. at 1032 (finding no danger of "industrial peonage" to chief executive officer if non-compete clause is enforced).

<sup>83</sup> See *Alside, Inc. v. Larson*, 220 N.W.2d 274, 280 (Minn. 1974) (holding that non-compete clause was enforceable where aluminum siding salesperson had been trained in the business operations of the employer).

<sup>84</sup> See *id.* (noting employee's close relationships with employer's customers).

<sup>85</sup> See *Walker Employment Serv., Inc. v. Parkhurst*, 219 N.W.2d 437, 440 (Minn. 1974). See also *Hedberg v. State Farm Mut. Auto. Ins. Co.*, 350 F.2d 924 (8th Cir. 1965) (holding that non-compete clause

prohibiting defendant, a former insurance agent, from soliciting business from clients of plaintiff insurance company for one year was enforceable because its purpose was to prohibit defendant from utilizing the customer contacts he had made while working for plaintiff).

<sup>86</sup> *Eutectic Welding Alloys Corp. v. West*, 160 N.W.2d 566, 571 (Minn. 1968).

<sup>87</sup> *See id.* at 571.

<sup>88</sup> *Id.*

<sup>89</sup> *See Miller Constr.*, 298 N.W.2d at 455.

<sup>90</sup> *Id.* at 459. One court has suggested a relative “pecking order” among varying types of non-compete covenants in terms of potential enforceability. The court stated in a 1993 decision that covenants which prohibit an employee from revealing confidential information or from soliciting the former employer’s customers might be more deserving of enforcement than a covenant which prohibits an employee from working altogether. *See Dynamic Air, Inc. v. Bloch*, 502 N.W.2d 796 (Minn. Ct. App. 1993).

<sup>91</sup> *See, e.g., Davies & Davies*, 298 N.W.2d at 131.

<sup>92</sup> *Id.*

<sup>93</sup> *See Alside*, 220 N.W.2d at 274.

<sup>94</sup> *See id.* at 280. *See also Walker*, 219 N.W.2d 437 (upholding as reasonable a covenant, which stipulated that a former employee would not engage in the employment agency business within Hennepin County for a period of one year following termination of employment).

<sup>95</sup> *See Bennett*, 134 N.W.2d at 899.

<sup>96</sup> *See id.* at 900.

<sup>97</sup> *See id.* at 894. *See also Eutectic Welding*, 160 N.W.2d at 571 (noting that an agreement’s territorial restriction was “peculiarly unreasonable” where employee’s sales territory had not included Hennepin County but the non-compete clause would prohibit him from working there).

<sup>98</sup> *See, e.g., Weed Eater, Inc. v. Dowling*, 562 S.W.2d 898, 902 (Tex. App. 1978); *Dynamic Air*, 502 N.W.2d at 799.

<sup>99</sup> *See Dynamic Air*, 502 N.W.2d at 800.

<sup>100</sup> *See Menter*, 180 N.W. at 555.

<sup>101</sup> *See Cherne Indus., Inc. v. Grounds & Assoc., Inc.*, 278 N.W.2d 81, 93 (Minn. 1979).

<sup>102</sup> *See Edin v. Jostens, Inc.*, 343 N.W.2d 691, 693 (Minn. Ct. App. 1984).

<sup>103</sup> *See Thermorama*, 125 N.W.2d 844 (holding that where employer submitted affidavits alleging that former employee had solicited the employer’s customers through advertising, and former employee did not rebut this showing, the employer was entitled to a temporary injunction).

<sup>104</sup> Note, *Employment Contracts: Covenants Not to Compete in Minnesota*, 9 WM. MITCHELL L. REV. at 407, n.143 (1983).

<sup>105</sup> *See, e.g., Walker Employment*, 219 N.W.2d at 442 (remanding the case to determine amount of compensatory damages where the former employee’s competing business already had been in operation for more than nineteen months).

<sup>106</sup> *See B & Y Metal*, 279 N.W.2d at 816-17.

<sup>107</sup> *See Cherne Indus.*, 278 N.W.2d 81.

<sup>108</sup> *See generally, Suellen Lowry, Inevitable Disclosure Trade Secret Disputed*, 40 STAN L. REV. 519 (1988); Johanna L. Edelstein, *Intellectual Slavery?: The Doctrine of Inevitable Disclosure of Trade Secrets*, 26 GOLDEN GATE U. L. REV. 717 (1996).

<sup>109</sup> Cases have addressed the inevitable disclosure issue under both the common law and the UTSA long before *PepsiCo v. Redmond*. *See, e.g., Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989); *AMP, Inc. v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987); *Carborundum Co. v. Williams*, 468 F. Supp. 38 (E.D. Tenn. 1978), *aff’d mem.*, 590 F.2d 334 (6th Cir. 1978); *Sybron Corp. v. Wetzel*, 385 N.E.2d 1055 (N.Y. App. Ct. 1978); *Weed Eater, Inc.*, 562 S.W.2d 898.

<sup>110</sup> 54 F.3d 1262.

<sup>111</sup> See *PepsiCo, Inc. v. Redmond*, No. 94-C6838, 1995 U.S. Dist. LEXIS 19437 (N.D. Ill. Jan. 26, 1995)(the preliminary injunction was imposed for a period of five and one-half months) .

<sup>112</sup> See *PepsiCo*, 54 F.3d at 1266.

<sup>113</sup> See *id.* at 1267.

<sup>114</sup> *Id.*

<sup>115</sup> *Id.* at 1269.

<sup>116</sup> 920 F. Supp. 1405 (N. D. Iowa 1996).

<sup>117</sup> *Id.* at 1435.

<sup>118</sup> See, e.g., *Bridgestone/Firestone, Inc. v. Lockhart*, No. IP96-1838-C H/G, 1997 U.S. Dist. LEXIS 19695 (S.D. Ind. Nov. 17, 1997); *International Paper Co. v. Suwyn*, 966 F. Supp. 246 (S.D.N.Y. 1997).

<sup>119</sup> See, e.g., *IBM Corp. v. Seagate Tech.*, No. 3-91-630, 1991 U.S. Dist. LEXIS 20406 (D. Minn. Dec. 31, 1991), *rev'd on other grounds*, 962 F.2d 12 (8th Cir. 1992) (unpublished disposition) (granting preliminary injunction and finding that "defendants would not be harmed by limiting [worker] to a different area within [new employer's] organization").

<sup>120</sup> See CAL. BUS. & PROF. CODE §16600 (Deering, LEXIS through 1997 Sess.). Statutory exceptions are created for the sale of the good will of a business, the sale by a person of stock in a corporation, or the dissolution of or withdrawal by a person from a partnership or limited liability company of which they are a partner or member. See CAL. BUS. & PROF. CODE §§16601-16602.5 (Deering, LEXIS through 1997 Sess.). See *Swenson v. File*, 475 P.2d 852 (Cal. 1970).

<sup>121</sup> See, e.g., *Metro Traffic Control, Inc. v. Shadow Traffic Network*, 22 Cal. App. 4th 853 (1994) (discussing the policy bases for the statutory prohibition).

<sup>122</sup> See *Gordon v. Landau*, 321 P.2d 456 (Cal. 1958); *Matull & Assocs., Inc. v. Cloutier*, 194 Cal. App. 3d 1049 (1987).

<sup>123</sup> See *Loral Corp. v. Moyes*, 174 Cal. App. 3d 268, 276 (1985).

<sup>124</sup> See *Eutectic Welding Alloys Corp. v. West*, 160 N.W.2d 566, 570 (1968).

<sup>125</sup> UNIF. TRADE SECRETS ACT § 2(a) (1996).

<sup>126</sup> WEBSTER'S NEW WORLD DICTIONARY 1482 (2d College ed. 1970).

<sup>127</sup> BLACK'S LAW DICTIONARY 1651 (4th ed. 1968).

<sup>128</sup> WEBSTER'S NEW WORLD DICTIONARY 1482 (2d College ed. 1970).

<sup>129</sup> BLACK'S LAW DICTIONARY 1651 (4th ed. 1968).

<sup>130</sup> 54 F.3d at 1270.

<sup>131</sup> See *PepsiCo.*, 54 F.3d at 1270.

<sup>132</sup> UNIF. TRADE SECRETS ACT § 1(4) (1996).

<sup>133</sup> *Id.*

<sup>134</sup> 941 F. Supp. 98 (D. Minn. 1992).

<sup>135</sup> *Id.* at 101. *Accord Bliss v. Struther-Dunn, Inc.*, 408 F.2d 1108, 1112-13 (8th Cir. 1969).

<sup>136</sup> 941 F. Supp. 1443 (M.D.N.C. 1996).

<sup>137</sup> *Id.* at 1457.

<sup>138</sup> *Id.* at 1460, 1462.

<sup>139</sup> No. C7-97-1185, 1997 Minn. App. LEXIS 1286 (Nov. 25 1997).

<sup>140</sup> See *id. Accord Weed Eater, Inc. v. Dowling*, 562 S.W.2d 898 (Tex. App. 1978).

<sup>141</sup> 919 F. Supp. 624 (E.D.N.Y. 1996).

<sup>142</sup> *Id.* at 633-34.

<sup>143</sup> See *Modern Controls, Inc. v. Andreadakis*, 578 F.2d 1264, 1268-69 (8th Cir. 1978).

<sup>144</sup> See *id.* at 1268. See also *Minnesota Mining & Mfg. Co. v. Kirkevold*, 87 F.R.D. 324, 333 (D. Minn. 1980).