

NOTES

THE DOCTRINE OF INEVITABLE DISCLOSURE: A PROPOSAL TO BALANCE EMPLOYER AND EMPLOYEE INTERESTS

INTRODUCTION

The doctrine of inevitable disclosure is the theory by which a court crafts a covenant not to compete even though an employee never signed such an agreement.¹ Although a court first employed the concept of inevitable disclosure over thirty years ago,² subsequent courts have rarely addressed this doctrine.³ In *PepsiCo, Inc. v. Redmond*,⁴ however, the Seventh Circuit brought renewed attention to inevitable disclosure injunctions.⁵

This Note examines the emergence of the doctrine of inevitable disclosure. In so doing, Part I discusses the validity requirements courts impose on covenant not to compete. Part II defines the elements of inevitable disclosure, and Part III considers its historical development. Part IV discusses the Seventh Circuit's *PepsiCo* decision and that case's possible expansion of the doctrine of inevitable disclosure. Part V considers the conflicting public policies involved in inevitable disclosure injunctions. Finally, Part VI proposes a test for applying the doctrine that balances an employee's fundamental right to pursue his profession with an employer's vital interest in protecting his trade secrets.

1. See *Emery Indus., Inc. v. Cottier*, 202 U.S.P.Q. 829, 836 (S.D. Ohio, 1978) (observing that when enjoining a former employee from assuming new employment, a court is "in effect, writing a covenant not to compete").

2. See *Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g. Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966).

3. See *PepsiCo v. Redmond*, 54 F.3d 1262 (7th Cir. 1995); *AMP Inc. v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987); *FMC Corp. v. Varco Int'l*, 677 F.2d 500 (5th Cir. 1982); *Emery Indus., Inc. v. Cottler*, 202 U.S.P.Q. 829 (S.D. Ohio 1978); *Hoskins Mfg. Co. v. PMC Corp.*, 47 F. Supp. 2d 852 (E.D. Mich. 1999); *PepsiCo, Inc. v. Redmond*, No. 94-C6838, 1996 WL 3965 (N.D. Ill. Jan. 2, 1996); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624 (E.D.N.Y. 1996); *IBM Corp. v. Seagate Tech., Inc.*, Civ. 3-91-630, 1991 U.S. Dist. LEXIS 20406, (D. Minn. Dec. 31, 1991); *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989); *A.B. Chance Co. v. Schmidt*, 719 S.W.2d 854 (Mo. Ct. App. 1986); *Air Prods. & Chems. v. Johnson*, 442 A.2d 1114 (Pa. Super Ct. 1982).

4. 54 F.3d 1262 (7th Cir. 1995)

5. See Lawrence I. Weinstein, *Revisiting the Inevitability Doctrine: When Can a Former Employee Who Never Signed a Non-Compete Agreement Threatened to Use or Disclose Trade Secrets be Prohibited from Working for a Competitor?*, 21 AM. J. TRIAL ADVOC. 211, 224-28 (1997).

I. COVENANTS NOT TO COMPETE

Generally, courts disfavor restraints on employment and examine a covenant not to compete with a high degree of scrutiny.⁶ Courts naturally hesitate to enforce such an agreement due to the extreme hardships it places on an employee's ability to compete in the marketplace.⁷ Courts also are suspicious of these covenants due to the perceived inequality of bargaining power between an employer and an employee.⁸ Generally, courts uphold a covenant not to compete only when it protects an employer's legitimate interest, is reasonable, and does not violate public policy.⁹ The primary factor in determining whether a covenant not to compete is valid is the reasonableness of its terms.¹⁰ A covenant is unreasonable if the restraints imposed are greater than necessary to protect an employer's legitimate interest, or if the potential hardship to the employee outweighs the employer's need.¹¹

6. See *Bennett v. Storz Broad. Co.*, 134 N.W.2d 892, 898 (Minn. 1965) (observing that contractual restraints placed upon employment are "looked upon with disfavor, cautiously considered, and carefully scrutinized").

7. See *AMP*, 823 F.2d at 1202 ("[T]he right of an individual to follow and pursue the particular occupation for which he is best trained is a most fundamental right Restraints cannot be lightly placed upon his right to compete in the area of his greatest worth.") quoting *ILG Indus., Inc. v. Scott*, 273 N.E.2d 393, 396 (Ill. 1971).

8. See *RESTATEMENT (SECOND) OF CONTRACTS* § 188, cmt. g (1981). This comment observes that courts closely scrutinize restraints upon employment because an employee is likely to agree to such a restriction without considering "the hardship he may later suffer through loss of his livelihood." *Id.* Courts have mirrored the Restatement in their treatment of covenants not to compete. For example, the Supreme Court of Minnesota in *Bennett*, when considering a covenant not to compete, observed that courts are influenced by a "concern for the average individual employee who as a result of his unequal bargaining power may be found in oppressive circumstances." 134 N.W.2d at 899. While quoting *Menter Co. v. Brock*, 180 N.W. 553, 555, (Minn. 1920), the *Bennett* court noted that a person who is in urgent need of employment is unlikely to object to the terms of a contract if the wages are reasonable. See *Bennett*, 134 N.W.2d at 899.

9. See *Bennett*, 134 N.W.2d at 898.

10. See *RESTATEMENT (SECOND) OF CONTRACTS* § 186 (1981) ("A promise is unenforceable on grounds of public policy if it is unreasonably in restraint of trade.")

11. *RESTATEMENT (SECOND) OF CONTRACTS* § 188(1) (1981).

Even if the restraint is no greater than is needed to protect the promisee's interest, the promisee's need may be outweighed by the harm to the promisor and the likely injury to the public. In the case of a sale of a business, the harm caused to the seller may be excessive if the restraint necessitates his complete withdrawal from business; the likely injury to the public may be too great if it has the effect of removing a former competitor from competition.... In the case of a post-employment restraint, the harm caused to the employee may be excessive if the restraint inhibits his personal freedom by preventing him from earning his livelihood if he quits; the likely injury to the public may be too great if it is seriously harmed by the impairment of his economic mobility or by the unavailability of the skills developed in his employment....Not every restraint causes injury to the public, however, and even a post-employment restraint may increase efficiency by encouraging the employer to entrust confidential information to the employee.

Id. § 188 cmt. c.

When determining the reasonableness of a covenant not to compete, courts examine the restraints placed by the covenant on types of employment activity, geographical area, and time.¹² If a covenant restrains types of employment activity, geographic area, or time more extensively than necessary to protect an employer's legitimate interests, courts deem that covenant to be unreasonable.¹³ When examining a covenant's restraints on employment activity, courts consider the following: "the employee's bargaining power in the employment market; the likelihood of grievous harm to the employee if the clause is enforced; the amount of access the employee had to the employer's business secrets and future plans; and the amount of access the employee had to the employer's customers."¹⁴ Generally, a covenant unreasonably restricts geographic area if it affects an area larger than where the employee actually worked or the area covered by the employer's business.¹⁵ In addition, a covenant is unreasonable in duration if it operates longer than necessary to remove perceived customer connections between the employer and employee, or if it lasts longer than necessary for an employee's successor to replace licenses and learn the basic job duties.¹⁶

In addition, most courts require that adequate consideration support a covenant not to compete.¹⁷ A majority of courts hold that where an employee agreed to such a covenant at the inception of the employment relationship, the employer's initial promise of employment provides sufficient

12. Comment d to § 188 of the Restatement states:

The extent of the restraint is a critical factor in determining its reasonableness. The extent may be limited in three ways: by type of activity, by geographical area, and by time. If the promise proscribes types of activity more extensive than necessary to protect those engaged in by the promisee, it goes beyond what is necessary to protect his legitimate interests and is unreasonable. If it covers a geographical area more extensive than necessary to protect his interests, it is also unreasonable. And if the restraint is to last longer than is required in light of those interests, taking account of such factors as the permanent or transitory nature of technology and information, it is unreasonable. Since, in any of these cases, the restraint is too broad to be justified by the promisee's need, a court may hold it to be unreasonable without the necessity of weighing the countervailing interests of the promisor and the public. What limits as to activity, geographical area, and time are appropriate in a particular case depends on all the circumstances.

Id. § 188 cmt. d.

13. *See id.*

14. John H. Matheson, *Employee Beware: The Irreparable Damage of the Inevitable Disclosure Doctrine*, 10 LOY. CONSUMER L. REV. 145, 155 (1998) (footnotes omitted).

15. *See id.* at 156.

16. *See id.*

17. *See* Ferdinand S. Tinio, Annotation, *Sufficiency of Consideration for Employee's Covenant Not to Compete, Entered into After Inception of Employment*, 51 A.L.R.3d 825 (1973). *See, e.g.*, *Curtis 1000, Inc. v. Suess*, 24 F.3d 941, 945-47 (7th Cir. 1994); *Modern Controls, Inc. v. Andreadakis*, 578 F.2d 1264, 1267 (8th Cir. 1978); *National Risk Management, Inc. v. Bramwell*, 819 F. Supp. 417, 429 (E.D. Pa. 1993); *Gagliardi Bros., Inc. v. Caputo*, 538 F. Supp. 525, 527 (E.D. Pa. 1982); *Millard Maintenance Serv., Co. v. Bernero*, 566 N.E.2d 379, 384 (Ill. App. ct. 1990).

consideration to support the covenant not to compete.¹⁸ However, if the employee agreed to the covenant at any point after the inception of employment, many courts will enforce the covenant only if the employer gave the employee consideration beyond the mere continuance of the employment relationship.¹⁹ Courts reason that because a covenant not to compete constitutes a contract, consideration must support the contract at the time it is made. If an employee enters into a covenant after the inception of employment without receiving additional consideration, the restrictive contract is not supported by consideration, and thus the contract is invalid under basic contract law principles.²⁰ Courts have held that sufficient additional consideration could be in the form of a raise, a new position, or an increased employment term.²¹

II. INEVITABLE DISCLOSURE

Under the doctrine of inevitable disclosure, a court may enjoin an employee from assuming a new job even though the employee never signed a covenant not to compete with his former employer.²² This doctrine is so named because employers base an inevitable disclosure claim on the theory that a former employee will inevitably disclose the former employer's trade secrets in the performance of his new job.²³ Courts following this doctrine will enjoin an employee from assuming new employment if the employer demonstrates three elements: (1) that the employee had access to a legitimate trade secret; (2) that the employee will inevitably disclose that trade secret in the performance of his new job; and (3) that the disclosure of that trade secret will cause irreparable harm to the former employer.²⁴ If the former employer

18. See Mark B. Wessman, *Retaining the Gatekeeper: Further Reflections on the Doctrine of Consideration*, 29 LOY. L.A. L. REV. 713, 795 (1996). See, e.g., *National Risk Management*, 819 F. Supp. at 429 ("When the restrictive covenant is contained in the initial contract of employment, consideration is the job itself." (quoting *Maintenance Specialties, Inc. v. Gottus*, 314 A.2d 279, 282 (Pa. 1974))). But see 51 A.L.R.3d at 833-35 (observing that some courts require consideration in addition to the mere continuance of employment in order for a covenant not to compete to be enforceable).

19. See Wessman, *supra* note 18, at 795. See also *Modern Controls*, 578 F.2d at 1267 (holding that a covenant not to compete that is not ancillary to the initial employment contract "can be sustained only if it is supported by independent consideration"). But see *Curtis 1000*, 24 F.3d at 947 (finding that when a covenant not to compete is signed after an at-will employee began work, continued employment for a substantial period is sufficient consideration for the covenant).

20. See *National Risk Management*, 819 F. Supp. at 429.

21. *Modern Controls*, 578 F.2d at 1267.

22. See Weinstein, *supra* note 5, at 211-12.

23. See *id.* at 212.

24. See, e.g., *PepsiCo, Inc. v. Redmond*, No. 94-C6838, 1996 WL 3965 (N.D. Ill. Jan. 2, 1996) (granting injunction against former employee after finding the existence of trade secrets, the

proves these three elements, a court will prohibit a former employee from working for any of the employer's competitors. Using this doctrine, the court restrains an employee in the same manner as if the employee had signed a reasonable covenant not to compete. Consequently, the doctrine of inevitable disclosure essentially acts as a judicially crafted covenant not to compete.²⁵

For a court to grant an inevitable disclosure injunction, the former employer must prove that a genuine trade secret exists.²⁶ A court may turn to several sources to determine if a trade secret exists. For example, some courts have used section 757 of the First Restatement of Torts²⁷ and its definition of trade secrets.²⁸ The Uniform Trade Secrets Act also provides a definition of trade secrets.²⁹ In addition, some courts have looked to state

inevitability of disclosure of those secrets by the defendant, and irreparable harm if those trade secrets were to be disclosed). *See also* AMP Inc. v. Fleischhacker, 823 F.2d 1199, 1202-07 (7th Cir. 1987) (considering the existence of trade secrets, the alleged inevitability of disclosure, and the claimed irreparable harm from that disclosure when evaluating a former employer's inevitable disclosure claim); Emery Indus., Inc. v. Cottier, 202 U.S.P.Q. 829 (S.D. Ohio 1978) (granting an injunction after finding the existence of trade secrets in ozone technology, a present threat of disclosure of those trade secrets, and potential damages that could not be ascertainable in terms of money).

25. *See Emery Indus.*, 202 U.S.P.Q. at 836 (observing that when enjoining a former employee from assuming new employment, a court is "in effect, writing a covenant not to compete").

26. *See AMP*, 823 F.2d at 1202. In *AMP*, the court held that due to the absence of a noncompete, a plaintiff's first requirement in an inevitable disclosure case is "to establish the existence of genuine trade secrets." *Id.* The court noted that where there is a valid noncompete signed between the parties, the court will afford broad protection to the employer by protecting not only genuine trade secrets but also generalized confidential business information. *See id.* The court determined that, absent a restrictive covenant, courts will protect only genuine trade secrets. *See id.* at 1204. The court stated that "the right to impose contractual restraints does *not* render the same knowledge 'trade secrets' in the absence of such restraints." *Id.* quoting *Flem Sales Co. v. Bailey*, 611 F. Supp. 507, 511 (N.D. Ill. 1985). The court further held that absent a covenant not to compete, "a court will not raise to trade secret status 'the fruits of ordinary experience in . . . business, thus compelling former employees to reinvent the wheel as the price for entering the competitive market.'" *Id.* at 1206 (quoting *Fleming*, 611 F. Supp. at 515).

27. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939). Comment b states:

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. 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 A trade secret is a process or device for continuous use in the operation of the business.

Id. *See also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995) (stating that 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").

28. *See, e.g., Air Prods. and Chems., Inc. v. Johnson*, 442 A.2d 1114, 1121-22 (Pa. Super. Ct. 1982) (citing RESTATEMENT (FIRST) OF TORTS § 757, cmt. b (1939) in determining the definition of "trade secret").

29. *See UNIF. TRADE SECRETS ACT* § 1(4) defines "trade secret" as:

[I]nformation, 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

common law when defining a trade secret.³⁰ Under all of these sources, information that constitutes trade secrets must possess economic value and be unknown to the employer's competitors. In addition, the Uniform Trade Secrets Act adds the requirement that an employer has taken reasonable precautions to maintain the secrecy of the information.³¹

For a court to grant an injunction prohibiting a former employee from assuming a new job, the former employer must also prove that an employee will inevitably disclose the employer's trade secrets in the performance of his or her new job duties.³² When determining the inevitability of disclosure, courts will consider the degree of similarity between the employee's old and new job responsibilities.³³ Courts will also evaluate the extent of an employee's access to trade secrets, as well as the nature and useful life of those trade secrets.³⁴ In addition, courts will examine the level of competition between the former and new employer,³⁵ and the extent to which the trade secrets have given the former employer an advantage over the new employer.³⁶ Finally, a court may consider whether the new employer has taken steps to prevent the former employee from disclosing his former employer's trade secrets.³⁷

In addition to proving that the former employee will inevitably disclose trade secrets to his new employer, the former employer must also

economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

30. See, e.g., *AMP*, 823 F.2d at 1202 (defining "trade secrets as 'a plan or process, tool, mechanism, compound, or informational data utilized by a person in his business operations and known only to him and such limited other persons to whom it may be necessary to confide it'" (quoting *ILG Indus., Inc. v. Scott*, 273 N.E.2d 393, 395 (Ill. 1971))).

31. See UNIF. TRADE SECRETS ACT § 1(4); Matheson, *supra* note 14, at 148-49.

32. See Weinstein, *supra* note 5, at 216. *see also* *Emery Indus., Inc. v. Cottier*, 202 U.S.P.Q. 829, 835 (S.D. Ohio 1978) (granting an injunction after finding that, absent an injunction, it would be "virtually impossible for the defendant to perform his prospective duties" without disclosing his former employer's trade secrets); *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353, 356-57 (N.D. Ill. 1989) (holding that an injunction was improper because the plaintiff had not demonstrated that the defendant would inevitably disclose his former employer's trade secrets).

33. See *PepsiCo, Inc. v. Redmond*, No. 94-C6838, 1996 WL 3965, at *20 (N.D. Ill. Jan. 2, 1996). *See also* *Emery Indus.* 202 U.S.P.Q. at 834 (concluding that a present threat of disclosure exists when the former employer and new employer are direct competitors and when the employee's job responsibilities are comparable).

34. See Weinstein, *supra* note 5, at 216.

35. See *Emery Indus.*, 202 U.S.P.Q. at 834; *PepsiCo*, 1996 WL 3965, at *20.

36. See Weinstein, *supra* note 5, at 216.

37. See *PepsiCo*, 1996 WL 3965, at *20; *IBM Corp. v. Seagate, Civ. No. 3-91-630*, 1991 U.S. Dist. LEXIS 20406, at *7 (D. Minn. Dec. 31, 1991) (observing that courts, when evaluating a claim of threatened disclosure, will consider "the actions the new employer has taken to prevent the former employee from using or disclosing trade secrets of the former employer").

demonstrate that it will be irreparably harmed by such disclosure.³⁸ Irreparable harm occurs when the disclosure of trade secrets results in harm to the former employer that cannot be remedied by money damages.³⁹ This lack of a monetary remedy exists because “it is often difficult [if not impossible] to calculate the true extent of the loss” created by trade secret disclosure.⁴⁰ Some courts issuing inevitability injunctions reason that a former employer should not have to await the disclosure of trade secrets before becoming entitled to seek an inadequate remedy of money damages.⁴¹

While most courts require more than a mere showing of inevitable disclosure of trade secrets to warrant a finding of irreparable harm, the district court in *PepsiCo v. Redmond* found that the inevitable disclosure of a plaintiff’s trade secrets provided an independently sufficient ground to demonstrate irreparable harm.⁴² Specifically, the district court in *PepsiCo*, held that “where trade secrets and confidential information are at issue, . . . irreparable harm flows necessarily from the actual or threatened loss of the important protectible business interests at stake. Therefore, a preliminary injunction is the only remedy adequate to curtail the irreparable harm that would otherwise inevitably flow.”⁴³ Part IV of this Note discusses this break in precedent, which could potentially expand the availability of an inevitable disclosure injunction to former employers.⁴⁴

III. HISTORICAL DEVELOPMENT OF THE DOCTRINE OF INEVITABLE DISCLOSURE

B.F. Goodrich Co. v. Wohlgemuth,⁴⁵ *E.I. duPont de Nemours & Co. v. American Potash & Chemical Corp.*,⁴⁶ and *Allis-Chalmers Manufacturing*

38. See *AMP Inc. v. Fleischhacker*, 823 F.2d 1199, 1206 (7th Cir. 1987) *IBM*, 1991 U.S. Dist. LEXIS 20406, at *12 (holding that a former employer must establish a threat of irreparable harm in order to receive an injunction).

39. See *Vogel v. American Soc. of Appraisers*, 744 F.2d 598, 599 (7th Cir. 1984); *PepsiCo*, 1996 WL 3965, at *29 (holding that irreparable harm occurs when a “plaintiff is unlikely to be made whole by an award of damages or other relief at the end of the trial”).

40. *PepsiCo*, 1996 WL 3965, at *29. See also *Emery Indus., Inc. v. Cottier*, 202 U.S.P.Q. 829, 833 (S.D. Ohio 1978) (findings that the disclosure of a former employer’s trade secrets will cause irreparable harm, as that disclosure “will cause the plaintiff damages which will not be ascertainable in terms of money”).

41. See *A.B. Chance Co. v. Schmidt*, 719 S.W.2d 854, 859-60 (Mo. Ct. App. 1986) (citing *Smith v. Weistein Elec. Co.*, 643 S.W.2d 10, 13 (Mo. Ct. App. 1982)).

42. *PepsiCo*, 1996 WL 3965, at *29.

43. See *id.* at *30.

44. See *infra* notes 103-126 and accompanying text.

45. 192 N.E.2d 99 (Ohio Ct. App. 1963).

46. 200 A.2d 428 (Del. Ch. 1964).

*Co. v. Continental Aviation & Engineering Corp.*⁴⁷ are the three cases that first established the doctrine of inevitable disclosure.⁴⁸ In *B.F. Goodrich*, the plaintiff, B.F. Goodrich, spent nearly thirty years researching and developing high altitude, full-pressure space suits.⁴⁹ The defendant, Donald Wohlgemuth, worked for B.F. Goodrich as an engineer engaged in the design and development of space suits.⁵⁰ During a period of eight years, Wohlgemuth rose to the position of manager of the department in charge of space suit development.⁵¹ Over the course of his employment with B.F. Goodrich, Wohlgemuth learned many trade secrets concerning the production of space suits.⁵² Because Wohlgemuth supervised practically all space suit research at B.F. Goodrich, he possessed detailed knowledge of the majority of the scientific and engineering principles involved in the production of B.F. Goodrich's space suits.⁵³

In 1962, Wohlgemuth accepted a job offer from International Latex Corporation, which also produced space suits.⁵⁴ Shortly thereafter, B.F. Goodrich sought a permanent injunction prohibiting Wohlgemuth from performing any work for any other employer relating to the design or manufacture of space suits.⁵⁵ Although Wohlgemuth had never signed a covenant not to compete, B.F. Goodrich claimed the necessity of injunction because Wohlgemuth, if unrestrained, would disclose the company's trade secrets.⁵⁶ B.F. Goodrich relied on Wohlgemuth's statements, in which he declared that "loyalty and ethics had their price; insofar as he was concerned, International Latex was paying the price."⁵⁷

47. 255 F. Supp. 645 (E.D. Mich. 1966).

48. See Weinstein, *supra* note 5, at 215.

49. See *B.F. Goodrich*, 192 N.E.2d at 102.

50. See *id.* at 101-102.

51. See *id.*

52. See *id.* at 102. The court noted that Wohlgemuth was one of a few top executives in the company's space suit program. See *id.* In this capacity, Wohlgemuth oversaw almost all of the company's research in space suit development. See *id.* at 102-03. During his employment, he approved suit designs and modifications, approved changes in manufacturing specifications and operating procedures, and reviewed technical designs to comply with customer specifications. See *id.* at 103. Due to this in-depth involvement in the company's space suit development program, the court found that Wohlgemuth had full knowledge a large number of trade secrets, and in fact, was involved in the creation of many of these trade secrets. See *id.* at 103.

53. See *id.* at 102-03.

54. See *id.* at 102. Prior to making an offer to Wohlgemuth, International Latex had acquired a contract from NASA to develop a space suit for Project Apollo.

55. See *id.* at 103.

56. See *id.*

57. *Id.* at 104. Wohlgemuth made these remarks to coworkers at B.F. Goodrich in response to a question about his company loyalty and ethics. See *id.* On another occasion, Wohlgemuth stated that "[o]nce he was a member of the Latex Team, he would expect to use all of the knowledge that he had to their benefit." *Id.*

The Court of Appeals of Ohio held that a “substantial threat of disclosure” existed, and therefore granted B.F. Goodrich’s request for an injunction.⁵⁸ The court reasoned that the circumstances surrounding Wohlgenuth’s hiring by Latex International, as well as the remarks he made to co-workers, sufficiently established a substantial threat of disclosure.⁵⁹ The court also noted that irreparable harm would occur through the disclosure of the plaintiff’s trade secrets, as B.F. Goodrich would have no adequate remedy at law in the event of such disclosure.

Although the *B.F. Goodrich* court never adopted the term “inevitable disclosure,” this case is important in the history of the doctrine because it enjoined an employee from assuming his new job duties despite the absence of a covenant not to compete. This case is also significant because it held that the existence of a covenant not to compete is not necessary for a court to enjoin a former employee from assuming a new job.⁶⁰

In *E.I. duPont de Nemours & Co. v. American Potash & Chemical Co.*,⁶¹ the plaintiff, duPont, was engaged in the production of pigments using a specific chloride process.⁶² At the time of trial, duPont was the only pigment manufacturer to develop successfully this chloride process.⁶³ For nearly seven years, the defendant Donald E. Hirsch worked for duPont on the lengthy and expensive development of the chloride process.⁶⁴ In 1962, defendant American Potash & Chemical Corp. (“Potash”), began to recruit personnel for a new plant that manufactured pigments with a chloride process.⁶⁵ Potash recruited Hirsch who then resigned from duPont and accepted a position with Potash to work at the new plant.⁶⁶

Shortly thereafter, duPont sought and received a restraining order prohibiting Hirsch from engaging in any work for Potash in the operation or development of a chloride process for pigments.⁶⁷ Defendants Hirsch and

58. *See id.* at 105. The court held that “equitable intervention is sanctioned when it appears, as it does in the instant case, that there exists a present real threat of disclosure, even without actual disclosure.”

59. *See id.* at 104-05.

60. *See id.* at 105.

61. 200 A.2d 428 (Del. Ch. 1964).

62. *See id.* at 430.

63. *See id.*

64. *See id.* During the last year of Hirsch’s employment with duPont, he was an important member of a group advising on the design of a new commercial plant to be used solely for the production of pigments by the chloride process. *See id.* One responsibility of this group was to incorporate duPont’s latest chloride process technology into the new plant’s operations. *See id.* at 433.

65. *See id.* at 431.

66. *See id.*

67. *See id.* at 429. During Hirsch’s employment with duPont, he did not sign a covenant not to compete. *See id.* at 430. He had, however, sign a confidentiality agreement. *See id.*

Potash filed a motion for summary judgment.⁶⁸ In response to this motion, duPont offered evidence that Hirsch would inevitably disclose trade secrets concerning the chloride process.⁶⁹ Furthermore, duPont claimed that evidence of such inevitable disclosure would support, without more, injunctive relief because the threat of unlawful disclosure is implicit in the factual circumstances.⁷⁰ In opposition, the defendants asserted that courts should not consider the inevitability of a trade secret's disclosure when determining the existence of threatened trade secret disclosure.⁷¹

Although not expressly holding that an injunction could ensue from a mere showing of inevitable disclosure, the court held that "the degree of probability of disclosure, whether amounting to inevitability or not, is a relevant factor to be considered in determining whether a 'threat' of disclosure exists."⁷² The court, after finding that the defendants failed to meet their burden of foreclosing the possibility of the trial court's finding a substantial threat of unlawful disclosure, denied the defendants' motion for summary judgment, and thus upheld the restraining orders against the defendants.⁷³

*Allis-Chalmers Manufacturing Co. v. Continental Aviation & Engineering Corp.*⁷⁴ is the first case in which a court enjoined an employee from assuming his new job duties based solely on a finding that the employee would "inevitably disclose" a former employer's trade secrets.⁷⁵ The plaintiff, Allis-Chalmers Manufacturing Co. ("Allis-Chalmers"), manufactured diesel engines and made great strides in the development of a distributor-pump fuel injection system for such engines.⁷⁶ At the time of trial, only three companies marketed a distributor pump because that particular type of pump was very difficult to design and manufacture.⁷⁷ Moreover,

68. *See id.* at 431.

69. *See id.* at 432.

70. *See id.*

71. *See id.* at 436.

72. *Id.*

73. *See id.* The court cited *Goodrich* in holding that courts will grant appropriate relief upon a finding that a threat of disclosure exists. The court also noted that trade secrets concerning the chloride process did indeed exist, and that the disclosure of those trade secrets would cause damage that was not adequately compensable by a legal remedy. *Id.* at 432. The court further observed that the defendant had conceded that instances could arise where there could be a conflict between his new job duties and his duty not to disclose the plaintiff's trade secrets. In addition, the defendant had discussed the possibility of this conflict of interest with several of the plaintiff's employees. *Id.* at 434-35.

74. 255 F. Supp. 645 (E.D. Mich. 1966).

75. *See id.* at 654.

76. *See id.* at 649-50.

77. *See* at 648. The court noted that at least eight companies had attempted and failed to successfully produce a distributor type pump. *See id.*

Allis-Chalmers' distributor pump possessed significant advantages over the other pumps available on the market.⁷⁸

George D. Wolff, the defendant, worked as the head of Allis-Chalmers' fuel systems laboratory.⁷⁹ In that capacity, he was responsible for all research and testing on the pump and consequently was familiar with all aspects of the pump's design and manufacture.⁸⁰ In November 1965, defendant Continental Aviation & Engineering Corp. ("Continental") received a government contract to develop a fuel injection distributor pump for the production of a battle tank engine.⁸¹ The manufacture of this fuel injection system required the development of a distributor type pump. On December 15, 1965, Wolff terminated his employment with Allis-Chalmers and began employment at Continental starting January 3, 1966.⁸² Wolff's immediate responsibilities at Continental involved working on the fuel injection system for the proposed battle tank and developing a distributor pump.⁸³

Allis-Chalmers sought and received a temporary restraining order prohibiting Wolff from engaging in any work for Continental on the development of fuel injection pumps.⁸⁴ The district court found that Allis-Chalmers possessed trade secrets⁸⁵ and that "there is an inevitable and imminent danger of disclosure of Allis-Chalmers trade secrets to Continental."⁸⁶ While the court noted that the mere suspicion of injury alone does not warrant the "extraordinary remedy" of an injunction, the court nevertheless granted the injunction. The injunction prohibited Wolff from working on Continental's distributor pump development because it would be virtually impossible for Wolff to perform his duties at Continental without

78. *See id.* at 649. These advantages included:

projected cost of production; more efficient use of parts; better timing of injection in a less complex manner; more efficient use of gears and savings on parts; more efficient use of parts in the governor mechanism; larger reach than anything that could be obtained from commercially available pumps; better behavior on cavitation erosion tests; and more compact design because it is driven at engine speed.

Id.

79. *See id.* at 650.

80. *See id.* The court noted that not only did Wolff possess knowledge of many trade secrets concerning the pump, his name was also listed as the inventor on five patent applications relating to the design improvements and development of the pump. *See id.*

81. *See id.* at 647.

82. *See id.* at 651. Wolff began negotiation with Continental in June, 1965 and ultimately accepted its offer of employment in October, 1965. *See id.*

83. *See id.*

84. *See id.* at 646.

85. *See id.* at 654. The court stated that the plaintiff possessed "confidential, proprietary information relating to development, design and manufacture of distributor type fuel injection pumps, which constitute trade secrets and are protectible as such." *Id.*

86. *See id.*

disclosing Allis-Chalmers' trade secrets.⁸⁷

In the years following these three cases, few courts have addressed the inevitable disclosure doctrine.⁸⁸ From these decisions, two distinct versions of the doctrine developed: a weak version and a strong version.⁸⁹

Courts employ the weaker version of the doctrine when basing an injunction not only upon a finding of inevitable disclosure of a trade secret, but also "an overt act imperiling trade secrets or some other explanation for why misappropriation is not speculative."⁹⁰ Such showing can be manifest by the statements of the employee, such as in *B.F. Goodrich*, where the defendant stated that "loyalty and ethics had their price." and the new employer "was paying the price."⁹¹ This is the weak version of the doctrine because the injunction is based on a more than mere finding of inevitable disclosure of a trade secret.⁹²

In contrast, courts employ the strong version of the doctrine when basing an injunction solely upon a finding of inevitable disclosure.⁹³ Such was the case in *Allis-Chalmers*, where the court enjoined the defendant from assuming his new job solely on the theory that he would inevitably disclose the plaintiff's trade secrets.⁹⁴

87. See *id.* The court based its findings of inevitable disclosure on the following factors: "The course of negotiations, relating to distributor type fuel injection pumps, between Allis-Chalmers and Continental, the nature of the research and development work done by Mr. Wolff on distributor type fueling pumps at Allis-Chalmers, [and] the nature of the type of work Mr. Wolff is to perform at Continental."

88. See *AMP Inc. v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987); *FMC Corp. v. Varco Int'l, Inc.*, 677 F.2d 500 (5th Cir. 1982); *Hoskins Mfg. Co. v. PMC Corp.*, 47 F. Supp. 852 (E.D. Mich. 1999); *Lumex, Inc. v. Highsmith*, 919 F.Supp. 624 (E.D.N.Y. 1996); *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989); *Emery Indus. Inc. v. Cottier*, 202 U.S.P.Q. 829 (S.D. Ohio 1978); *A.B. Chance Co. v. Schmidt*, 719 S.W.2d 854 (Mo. Ct. App. 1986); *Air Prods. & Chems. v. Johnson*, 442 A.2d 1114 (Pa. Super. Ct. 1982).

89. See Bradford P. Lyerla, *Thirteen Rules for Inevitable Disclosure Trials*, *COMPUTER LAW*, June 1998, at 10, 10. This article is an invaluable tool for any attorney confronted with an inevitable disclosure issue. The author of this article is an attorney who has represented clients in a number of inevitable disclosure cases, including *PepsiCo v. Redmond*, 54 F.3d 1262 (7th Cir. 1995).

90. *Id.*

91. *B.F. Goodrich Co. v. Wohlgenuth*, 192 N.E.2d 99, 104 (Ohio Ct. App. 1963). Another court made a similar finding in *PepsiCo*, 54 F.3d 1262. In *PepsiCo*, the court affirmed the district court's finding that the defendant, Redmond, was untruthful to his former employer concerning the status of his employment negotiations with his prospective employer, and that this lack of candor demonstrated that Redmond could not be trusted to act "with the necessary sensitivity and good faith" in not using PepsiCo trade secrets. See *id.* at 1270-01.

92. See Lyerla, *supra* note 89, at 10.

93. See *id.*

94. See *Allis-Chalmers, Mfg. Co. v. Continental Aviation Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966). See also *Emery Indus. v. Cottier*, 202 U.S.P.Q. 829, 835-36 (S.D. Ohio 1978) (granting a temporary injunction based solely upon a finding that "an inevitable and imminent danger of disclosure of plaintiff's trade secrets" existed).

In almost all inevitable disclosure cases prior to *PepsiCo, Inc. v. Redmond*,⁹⁵ the trade secrets at issue involved some matter of science, technology, or engineering. For example, in *B.F. Goodrich, duPont*, and *Allis-Chalmers*, the defendants developed technological trade secrets to achieve leadership in their respective industries.⁹⁶ Furthermore, in all three cases, the defendant employees accepted employment with a new company to work on the same technology through which their former employers had acquired their industry leadership.⁹⁷ Therefore, nearly all of the inevitable disclosure cases prior to *PepsiCo* involved unusual circumstances involving the disclosure of a former employer's specific scientific, technological, or engineering trade secrets to a competitor of that employer.⁹⁸

IV. PEPSICO V. REDMOND

The Seventh Circuit's decision in *PepsiCo v. Redmond*⁹⁹ potentially expands the instances in which a former employer may seek the protection of the doctrine of inevitable disclosure. The case involved a trade secret controversy between plaintiff PepsiCo, maker of the drink All Sport; defendant Quaker Oats Company (Quaker Oats), maker of Gatorade and Snapple; and defendant William E. Redmond, former employee of PepsiCo.¹⁰⁰ From 1984 until 1994, Redmond worked for PepsiCo and eventually advanced to general manager of the business unit which covered all of California.¹⁰¹ On November 8, 1994, Redmond accepted a job offer from Quaker Oats to become the Vice President of On-Premise Sales for Gatorade.¹⁰²

On November 16, 1994, the district court granted a temporary restraining order enjoining Redmond from assuming his duties at Quaker Oats.¹⁰³ At the preliminary injunction hearing that followed, PepsiCo identified four trade secrets that it claimed Redmond possessed and would inevitably disclose.¹⁰⁴

95. 54 F.3d 1262.

96. See Weinstein, *supra* note 5, at 223.

97. See *id.* at 223.

98. *Id.* But see *Air Products & Chemicals, Inc. v. Johnson*, 442 A.2d 1114 (Pa. Supp. Ct. 1982) (examining a inevitable disclosure claim where the trade secrets involved consisted of pricing plans).

99. 54 F.3d 1262.

100. See *id.* at 1263.

101. See *id.* at 1264.

102. See *id.*

103. See *id.* at 1265. The restraining order also enjoined Redmond from disclosing trade secrets and confidential information to Quaker Oats. See *id.* However, two days after granting the order, the court dissolved the order *sua sponte* "after determining that PepsiCo had failed to meet its burden of establishing that it would suffer irreparable harm." *Id.*

104. See *id.* at 1265-66.

First, PepsiCo pointed to its “Strategic Plan for Pepsi-Cola North America (“PCNA”),” which contained “PCNA’s plans to compete, its financial goals, and its strategies for manufacturing, production, marketing, packaging, and distribution for the coming three years.”¹⁰⁵ Second, PepsiCo identified PCNA’s “Annual Operating Plan,” which consisted of “PCNA’s financial goals, marketing plans, promotional event calendars, growth expectations, and operational changes in that year.”¹⁰⁶ Third, PepsiCo offered evidence of PCNA’s “attack plans” for specific markets where PCNA planned to spend extra money to promote its brands.¹⁰⁷ Finally, PepsiCo identified “PCNA trade secrets regarding innovations in its selling and delivery systems.”¹⁰⁸ PepsiCo asserted that an injunction was necessary to protect these trade secrets because Redmond would inevitably rely on those secrets when making decisions about Gatorade’s price structure, distribution systems, packaging, and marketing.¹⁰⁹ Finding a clear threat of trade secret misappropriation, the district court enjoined Redmond from assuming his position at Quaker Oats through May 1995.¹¹⁰

On appeal, the defendants argued that a court could not grant an injunction based solely upon a theory of inevitable disclosure.¹¹¹ The Seventh Circuit, however, held that “a plaintiff may prove a claim of trade secret misappropriation by demonstrating that a defendant’s new employment will inevitably lead him to rely on plaintiff’s trade secrets.”¹¹² The court concluded that the district court did not abuse its discretion in finding that Redmond would inevitably disclose PepsiCo’s trade secrets.¹¹³ The court

105. *Id.* at 1265.

106. *Id.*

107. *See id.*

108. *Id.* at 1266.

109. *See id.* PepsiCo further claimed that disclosure of these secrets would give Gatorade “an unfair advantage in its upcoming skirmishes with PepsiCo.” *Id.*

110. *See id.* at 1267. The district court also permanently enjoined Redmond from using or disclosing any PepsiCo trade secrets or confidential information.

111. *See id.* at 1269.

112. *Id.* In so holding, the court cited both *AMP Inc. v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987) and *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989). *See PepsiCo*, 54 F.3d at 1268-69. In both *AMP* and *Teradyne*, the courts rejected the plaintiff’s claim that a former employee would inevitably disclose the plaintiff’s trade secrets. *See AMP*, 823 F.2d at 1207; *Teradyne*, 707 F. Supp. at 356. By considering whether disclosure was indeed likely, however, both decisions gave support to the theory that an employee could be enjoined upon a showing of inevitable disclosure. This fact is demonstrated by *PepsiCo*, in which the court affirmed an injunction after finding that the facts in this case rose above those of *Teradyne* and *PepsiCo*, such as to necessitate an injunction. *See* 54 F.3d at 1269-71.

113. *See id.* at 1271. In its reasoning, the court observed that “PepsiCo finds itself in the position of a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game.” *Id.* at 1270.

also noted that *PepsiCo* was not a traditional trade secret case, *i.e.*, one “in which a former employee has knowledge of a special manufacturing process or customer list and can give a competitor an unfair advantage by transferring the technology or customers to that competitor.”¹¹⁴ Nevertheless, the court found that although inevitable disclosure may arise less often than the case of stolen trade secrets, this situation still fell within the boundaries of trade secret protection.¹¹⁵ After upholding the district court’s finding of inevitable disclosure, the Seventh Circuit affirmed the injunction.¹¹⁶

PepsiCo appeared to broaden the doctrine of inevitable disclosure,¹¹⁷ as the trade secrets protected did not relate to science, technology, or engineering, but involved pricing, distribution, packaging, and marketing.¹¹⁸ The threat of disclosure for these types of trade secrets may be viewed as a weaker case than protection of scientific, technological, or engineering processes.¹¹⁹ By affirming an injunction to protect these arguably weaker types of trade secrets, the court potentially broadened the situations in which employers can use this doctrine.

The Seventh Circuit further expanded the doctrine of inevitable disclosure by its treatment of the element of irreparable harm. Although the court examined the existence of trade secrets and the inevitability of those trade secrets’ disclosure, the court failed to address whether *PepsiCo* would suffer irreparable harm from Redmond’s inevitable disclosure of those trade secrets.¹²⁰ The court’s failure to discuss irreparable harm represents a sharp break in precedent because previous courts considering inevitable disclosure injunctions required a demonstration of irreparable harm.¹²¹ By upholding

114. *Id.*

115. *See id.*

116. *See id.* at 1271-72. It is important to note that both the district court and the Seventh Circuit placed reliance on the fact that Redmond had demonstrated a lack of candor when discussing his job status with *PepsiCo* employees. *See id.* at 1270-71. Because of this dishonesty the district court concluded that it could not trust Redmond to act with complete good faith in refraining from disclosing trade secrets and the seventh circuit affirmed the finding. *See id.*

117. *See* Terrence P. McMahon et al., *Inevitable Disclosure: Not So Sure in the West*, NAT’L L.J., May 12, 1997, at C35.

118. *See PepsiCo*, 54 F.3d at 1266, 1270. The court observed that *PepsiCo* had not brought a “traditional trade secrets case, in which a former employee has knowledge of a special manufacturing process or customer list and can give a competitor an unfair advantage by transferring the technology or customers to that competitor.” *Id.* at 1270. In affirming the lower court’s injunction, however, the court reasoned that while *PepsiCo*’s was not a traditional claim, it nevertheless fell within the realm of trade secret protection. *Id.*

119. *See Lyerla*, *supra* note 89, at 11.

120. *See PepsiCo*, 54 F.3d at 1269. Without addressing the likelihood of irreparable harm, the court simply held that “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.” *Id.*

121. *See supra* notes 38-44 and accompanying text.

the lower court's injunction without discussing irreparable harm, the Seventh Circuit potentially minimized a former employer's burden of proof in inevitable disclosure proceedings.¹²²

V. PUBLIC POLICIES INVOLVED IN INEVITABLE DISCLOSURE

Courts addressing the doctrine of inevitable disclosure recognize that two conflicting principles of law are entailed in any examination of this doctrine: freedom of employment verses commercial morality.¹²³ On one side of the spectrum, an individual should have the right to change his employment whenever he so desires, as the court noted in *Allis-Chalmers*.¹²⁴ Although an employee cannot "take with him confidential, particularized plans, or processes developed by his employer," he should be "free to take with him general skills and knowledge acquired during his tenure with his former employer."¹²⁵ The court in *AMP* noted that an individual maintains a fundamental right to follow and pursue his particular occupation.¹²⁶ The

122. It is true that the district court, when enforcing the Seventh Circuit's decision, did discuss irreparable harm. See *PepsiCo, Inc. v. Redmond*, No. 94-C6838, 1996 WL 3965, at *29-30 (N.D. Ill. Jan 2, 1996). Like the Seventh Circuit, however, the district court potentially lessened the plaintiff's burden of proof. By observing that "[i]n cases such as this, involving threats to trade secrets and confidential information, courts readily presume irreparable injury from a showing that the protectible interest at stake is imperiled by a defendant's conduct." *Id.* at *29. It is interesting to note that when making this assertion, the district court cited *AMP, Inc. v. Fleischhacker*, 823 F.2d 1199, 1206 (7th Cir. 1987). See *PepsiCo*, 1996 WL 3965, at *29. In *AMP*, the Seventh Circuit observed that in cases involving a covenant not to compete, courts do not require a showing of irreparable harm. See 823 F.2d at 1206. The court in *AMP* clearly stated that "[t]his principle, however, has no application in cases where the employer has not sought contractual protection" (in the form of a covenant not to compete). *Id.* In *AMP*, the plaintiff claimed that irreparable harm was to be presumed upon the showing of a protectible business interest. See *id.* The court, however, explicitly rejected this claim and held that "[i]n cases where there is no contract restricting a former employee's competition with his employer, the Illinois courts have always required a showing of irreparable harm absent injunctive relief." *Id.* In light of *AMP*, it would appear that the district court in *PepsiCo* misplaced its reliance on *AMP* when asserting that courts readily presume irreparable harm upon a showing of a protectible business interest.

123. See, e.g., *Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Corp.*, 255 F. Supp. 645, 652-53 (E.D. Mich. 1966) (considering both freedom of employment and commercial morality when determining an inevitable disclosure claim).

124. See *id.* The court noted that "[i]ndeed it is inevitable that some of the knowledge acquired while in the former employment shall be made available to the new employer, and courts will not deprive the employee of the right to use the skill that he developed through the years." *Id.* at 653.

125. *AMP*, 823 F.2d at 1202.

126. See *id.* See *ILG Industries, Inc. v. Scott*, 49 N.E.2d 393, 395 (Ill. 1971) (holding that a person employed in a particular field cannot be forced to expunge from his mind all of the general skills, knowledge, and expertise acquired through his experience. The court also declared that restraints cannot be lightly placed upon an employee's right to compete in the area of his greatest worth). See also *Millard Maintenance Service Co. v. Bernero*, 566 N.E.2d 379, 383 (Ill. App. Ct. 1990) ("[A]n individual has a fundamental right to pursue a particular occupation for which he is trained."); *PepsiCo*, 54 F.3d at 1268 (observing that while trade secret law acts to protect commercial morality

doctrine of inevitable disclosure runs contrary to this fundamental right because it can greatly limit an employee's ability to change jobs and compete in the market area of his greatest worth. Because of the severe effects an inevitable disclosure injunction can potentially have on an employee, several commentators have argued that courts should refuse to recognize the doctrine as a viable legal theory.¹²⁷

On the other side of the spectrum, however, courts have also observed that principles of commercial morality require courts to protect owners of trade secrets.¹²⁸ Courts must afford protection to employers who invest substantial amounts of time, money, and resources to develop secrets that give that employer a competitive advantage.¹²⁹ Even in the absence of a covenant not to compete, employers have a legitimate business interest in ensuring that their trade secrets are not disclosed by former employees who work for their competitors. As the court noted in *duPont*, trade secrets deserve reasonable protection regardless of the legal label attached to that protection.¹³⁰ The doctrine of inevitable disclosure promotes industry innovation because it ensures that an employer's hard fought competitive trade secrets will not be widely disseminated by former employees.

VI. PROPOSAL

Because of the importance of these two competing principles, courts must strike a balance between an employee's freedom of employment and an employer's interest in trade secret protection. The strong public interest in promoting industry innovation necessitates that courts should indeed adopt

and to encourage invention and innovation, the same law should not prevent workers from pursuing their livelihoods when assuming new employment).

127. See Johanna L. Edelstein, *Intellectual Slavery?: The Doctrine of Inevitable Disclosure of Trade Secrets*, 26 GOLDEN GATE U. L. REV. 717, 736 (1996) (asserting that the court's decision in *PepsiCo* sets a dangerous precedent). See also Susan Street Whaley, Comment, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 812 (1999) (proposing that courts should consider findings of "unavoidable disclosure," a "likelihood of disclosure," or a "chance of disclosure" as an alternative to the inevitable disclosure doctrine); Suellen Lowry, Note, *Inevitable Disclosure Trade Secret Disputes: Dissolutions of Concurrent Property Interests*, 40 STAN. L. REV. 519, 535-44 (1988) (proposing that courts should view cases of threatened disclosure under a concurrent property doctrine); Matheson, *supra* note 14, at 165 (asserting that the doctrine of inevitable disclosure only should be applied "in determining whether to enforce an otherwise valid non-compete agreement.").

128. See *Allis-Chalmers*, 255 F. Supp. at 653 (observing that in addition to employee mobility, courts must also consider the law of unfair competition, in which courts seek to enforce "increasingly high standards of fairness or commercial morality" in order to "protect the owner of information obtained through the ingenuity and effort of its employees, and its expenditures of time and money").

129. See *ILG Indus.*, 273 N.E.2d at 396.

130. See *E.I. duPont de Nemours & Co. v. American Potash & Chem. Corp.*, 200 A.2d 428, 437 (Del. Ch. 1964).

the doctrine of inevitable disclosure as a viable legal theory. However, the equally strong public interest in protecting an employee's "fundamental right"¹³¹ to pursue his profession mandates that courts, when considering a claim of inevitable disclosure, limit such claims. This Note proposes a three-part test courts should adopt for evaluating the validity of inevitable disclosure. This three-part test balances an employee's freedom of employment against an employer's interest in trade secret protection. First, courts must examine such claims with the same exacting scrutiny courts employ when reviewing a covenant not to compete.¹³² Second, if a court finds that a former employee will indeed inevitably disclose trade secrets, the court should grant an injunction only if it can be limited to comport with the requirements of reasonableness that courts demand of covenants not to compete.¹³³ Third, if a court finds it can create a reasonable injunction, that injunction should be contingent upon consideration from the former employer to the former employee.

In the first step of the proposed test, courts' scrutiny of inevitable disclosure should parallel scrutiny of covenants not to compete. In other words, a court should use exacting scrutiny when considering (1) whether a trade secret exists; (2) whether the disclosure of that trade secret is inevitable, and (3) whether the damage caused by that disclosure is indeed irreparable. Finally, because an injunction would restrain an employee's fundamental right to pursue his vocation, courts should require a former employer to prove each of these three elements by clear and convincing evidence.¹³⁴ First, to prove the existence of a trade secret, courts should require a former employer to make an exact showing of what trade secrets are imperiled by the former employee's departure.¹³⁵ Courts should employ the definitions contained in either the Restatement (First) of Torts¹³⁶ or the Uniform Trade

131. See *supra* note 126 and accompanying text.

132. See *supra* note 6 and accompanying text.

133. See, e.g., *Bennett v. Storz Broad. Co.*, 134 N.W.2d 892, 898 (Minn. 1965) (noting that a covenant not to compete must be "reasonable as between the parties, and not injurious to the public"). See also *Emery Indus., Inc. v. Cottier*, 202 U.S.P.Q. 829, 836 (S.D. Ohio 1978) (noting that it is the duty of a trial court when in effect writing a covenant not to compete to construct it in a reasonable fashion).

134. See *B.F. Goodrich Co. v. Wohlgenuth*, 192 N.E.2d 99, 105 (Ohio Ct. App. 1963) (finding by clear and convincing evidence the existence of trade secrets, the threatened disclosure of trade secrets, and irreparable harm in the absence of an injunction).

135. In *AMP*, the court continued in its examination of a claim of inevitable disclosure despite the fact that the former employer had not identified any particularized trade secrets actually at risk. See *AMP Inc. v. Fleischhacker*, 823 F.2d 119, 1206 (7th Cir. 1987). Upon such a failure, a court should go no further in an examination of an inevitable disclosure claim.

136. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939). See *supra* note 27 and accompanying text for the Restatement's definition of "trade secret."

Secrets Act¹³⁷ when determining the existence of a trade secret. Second, to prove the inevitability of disclosure, courts should compel the former employer to make a specific showing of why an employee will inevitably disclose such a trade secret. Indeed, courts should impose the onerous burden of an injunction on an employee only upon a showing that it will be virtually impossible for the former employee to perform his new job duties without disclosing trade secrets.¹³⁸ Third, to prove the irreparable damage of disclosure, courts should demand that the former employer make a specific demonstration of how it will be irreparably harmed in the event of that trade secret's disclosure. This harm should be such that the potential economic loss to the plaintiff would not be ascertainable in terms of money damages.¹³⁹

If these three factors are met, a court should proceed to the second part of the proposed test: the court should grant an injunction only if such an injunction can be crafted to comport with the same three factors of reasonableness that courts require of covenants not to compete: reasonableness in restraint of activity, geography, and time.¹⁴⁰ Because an inevitable disclosure injunction is essentially a court-crafted covenant not to compete, it only makes sense for a court to draft an injunction that places reasonable restraints on these three factors. While some courts have addressed one of these factors in granting an injunction,¹⁴¹ all courts should be required to state explicitly the manner in which its injunction will only place reasonable restraints upon activity, geography, and time.

If a court does find that it can create a reasonable injunction, the court should proceed to the third part of the proposed test: the court should grant the injunction on the condition that the former employer give the former employee consideration for that injunction. Again, an inevitable disclosure

137. Uniform Trade Secret Act § 1(4) (1990). See *supra* note 29 and accompanying text for the Act's definition of "trade secret."

138. See *Allis-Chalmers Mfg. Co. v. Continental Aviation & Eng'g Co.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966) (granting an injunction after finding that it would be virtually impossible for the defendant to perform his job duties to the best of his ability without disclosing his former employer's trade secrets). See also *supra* note 87 and accompanying text.

139. *Emery Indus.*, 202 U.S.P.Q. at 833 (finding that the disclosure of the plaintiff's trade secrets by the defendant would "cause the plaintiff irreparable damage, in that it will cause the plaintiff damage which will not be ascertainable in terms of money"); see, e.g., *E.I. duPont de Nemours & Co. v. American Potash & Chem. Corp.*, 200 A.2d 428, 432 (Del. Ch. 1964) (finding that the threatened disclosure of the plaintiff's trade secrets would cause damage that were not adequately compensable in damages).

140. See *supra* notes 12-16 and accompanying text.

141. See *Allis-Chalmers*, 255 F. Supp. at 654-55 (granting an injunction that still allowed the defendant to work for his new employer, but just not in a capacity that would involve the designing of distributor pumps). See also *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1272 (7th Cir. 1995) (affirming an inevitable disclosure injunction that was to last for only five and a half months).

injunction is essentially a judicially-crafted covenant not to compete. Therefore, a court should require that an injunction, like a restrictive covenant, be supported by additional consideration. As mentioned above, most courts require that in order to be enforceable, a covenant not to compete entered into after the initial employment contract must be supported by additional consideration.¹⁴² Because an inevitable disclosure injunction can only be imposed after the termination of the employment relationship, adequate consideration must be in the form of compensation above the amount the former employee received as compensation under his or her previous contract. By requiring a former employer to give some form of additional consideration, that employer will receive the benefit of a judicially-crafted covenant not to compete only by giving the consideration that an employer must typically give to an employee for a covenant not to compete.¹⁴³

Using this proposed test, the court in *PepsiCo* should have placed a number of restrictions upon its inevitable disclosure injunction. While, the district court's injunction was limited in time to five and one-half months,¹⁴⁴ the court failed to limit its injunction in respect to activity and geography. Furthermore, the court also failed to limit its injunction with respect to the scope of activity. Instead, the court's injunction prohibited Redmond from working in any capacity with Quaker Oats.¹⁴⁵ The court easily could have restrained Redmond from working on business plans for Gatorade and Snapple, but allowed him to develop business plans for any of Quaker Oat's wide array of other products.

Finally, the court, out of fairness, should have required PepsiCo to give consideration for the court's imposition of an injunction. Because the court enjoined Redmond from earning his livelihood for almost six months, it would have been fair and reasonable to require PepsiCo to continue Redmond's salary through the length of the injunction. Instead, PepsiCo received the benefits of a covenant not to compete without ever compensating Redmond for those benefits, as it would have been required to do if attempting to enforce an actual covenant not to compete.

142. See *supra* notes 17-21 and accompanying text.

143. See *Emery Indus.*, 202 U.S.P.Q. at 836 (requiring the former employer to pay the former employee consideration after granting an injunction in the absence of a covenant not to compete).

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

145. See *id.* at 1272.

CONCLUSION

Due to employers' legitimate interest in protecting their hard-earned trade secrets, courts should indeed adopt inevitable disclosure as a viable legal doctrine. Due to an employee's fundamental right to pursue their livelihood, however, courts crafting inevitable disclosure injunctions should impose the same strict requirements that they impose upon covenants not to compete. Injunction should be reasonable in restraint of activity, time, and geography and should require former employers to provide former employees additional consideration.

Jonathan O. Harris