PROTECTION OF INVENTIVE IDEAS THROUGH POSTEMPLOYMENT ASSIGNMENT COVENANTS

The continued success of a manufacturing institution depends upon the timely and expensive process of product improvement and invention which usually requires employment of specialized personnel. However, some companies have sought to "short cut"[1] this process of development by hiring the employees of competitors in order to acquire their knowledge of developments and research gained during former employment.[2] The law of trade secrets, unfair competition and patents has attempted to protect businesses from such practices, but interests in intangible ideas are difficult to describe and protect.[3] As a result many businesses have resorted to contracts to protect these interests.

The inventor's ability to invent constitutes his primary means of employment. If he is obligated to assign future inventions in a specific field, his technical mobility, source of income, and usefulness to society will be significantly decreased. However, when an employee has received a portion of his knowledge and ability from his employer for the benefit of the business, the business organization has a legitimate interest in restricting the use of this knowledge and ability. The extent of protection for these interests should be determined by balancing the employer's and employee's interests along with the public's interest in producing maximum inventive development and ethical conduct. This note will analyze the need for and capabilities of postemployment assignment covenants to protect business interests in inventive ideas.

---

1. Bowen, *Who Owns What's in Your Head?*, Fortune, July 1964, p. 174; Smith, *Business Espionage*, Fortune, May 1956, p. 118.

2. Smith, *supra* note 1, at 192.

3. E. I. Du Pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917); 2 CALLMANN, UNFAIR COMPETITION AND TRADE-MARKS § 51.1, at 782-83 (2d ed. 1950) [hereinafter cited as CALLMANN]; Stedman, *Trade Secrets*, 23 OHIO ST. L.J. 4, 21 (1962); see ELLIS, TRADE SECRETS § 6 (1953) [hereinafter cited as ELLIS]; 1 NIMS, UNFAIR COMPETITION AND TRADE-MARKS § 141, at 402-03 (1947) [hereinafter cited as NIMS].

Difficulty in defining intangible ideas as protectible is perhaps best illustrated in the law of trade secrets. Trade secrets are

> a strange form of "property" that disappears when the information it embraces becomes public or others independently make the same discovery, and the protectability of which depends upon the circumstances of disclosure and use—as, for instance, where an innocent person is permitted to use it without consent, but one who violates a confidence is not. Stedman, *supra.*

I. TRADE SECRETS

Some of the protection that is sought by the use of postemployment covenants is achieved through the existing law of trade secrets. The qualities that characterize trade secrets are confidential treatment of the information by the business[4] and employee knowledge of its confidential nature.[5] The commonly used definition of a trade secret is "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."[6] To qualify, the information must not be com-

4. Hahn & Clay v. A. O. Smith Corp., 212 F. Supp. 22, 31 (S.D. Tex. 1962), *aff'd*, 320 F.2d 166 (5th Cir.), *cert. denied*, 375 U.S. 944 (1963); Tom Lockerbie, Inc. v. Fruhling, 207 F. Supp. 648, 656 (E.D. Wis. 1962); Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 272 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961); Newell v. O. A. Newton & Son Co., 104 F. Supp. 162, 166 (D. Del. 1952); Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 23 Cal. Rptr. 198 (1962) (action destroyed because product gave away secret); Schulenburg v. Signatrol Inc., 50 Ill. App. 2d 402, 200 N.E.2d 615 (1964); Space Aero Prods. Co. v. R. E. Darling Co., 238 Md. 93, 208 A.2d 74 (1965); Adolph Gottscho, Inc. v. Bell-Mark Corp., 79 N.J. Super. 156, 191 A.2d 67 (Ch. 1963) (action destroyed because product gave away secret); National Starch Prods., Inc. v. Ploymer Indus., Inc., 273 App. Div. 732, 79 N.Y.S.2d 357, *leave to appeal denied*, 274 App. Div. 822, 81 N.Y.S.2d 278 (1948); Gulf Oil Corp. v. Rapp, 33 Misc. 2d 1011, 226 N.Y.S.2d 562 (Sup. Ct. 1962); B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963); 2 CALLMANN §§ 51.1, 53.1; ELLIS §§ 26, 53; 2 NIMS §§ 141-42; *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 949 (1964). The term confidential as used in trade secret law is not equivalent to a confidential relationship as required in other legal actions. 2 CALLMANN § 51.1, at 786. However, several recent decisions have required a confidential relationship or a contract to transfer ownership of a trade secret in an inventive idea to the employer. Futurecraft Corp. v. Clary Corp., *supra*; Spring Steels, Inc. v. Molloy, 400 Pa. 354, 162 A.2d 370 (1960); Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960).

"Intent to keep an idea or particular fact secret is the first requirement for protection." 2 CALLMANN § 53.1, at 803. This intent is not destroyed if the information was disclosed only because of necessity, as to a supplier's salesman, and a substantial element of secrecy is retained. Space Aero Prods. Co. v. R. E. Darling Co., 238 Md. 93, 208 A.2d 74 (1965).

5. Newell v. O. A. Newton & Son Co., *supra* note 4, at 167; Schulenburg v. Signatrol Inc., *supra* note 4; Peerless Pattern Co. v. Pictorial Review Co., 147 App. Div. 715, 717, 132 N.Y. Supp. 37, 39 (1911); 1 NIMS § 143(a) at 409; RESTATEMENT (SECOND), AGENCY § 396, comment *c* at 226 (1958); RESTATEMENT, TORTS § 757, comment *b* (1939); see *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 949 (1964). However, a recent case has held the inventor's knowledge of the value of his findings does not fulfill the requirement of confidentiality. Wexler v. Greenberg, *supra* note 4, at 582, 160 A.2d at 436-37.

6. RESTATEMENT, TORTS § 757, comment *b* (1939); *accord*, Space Aero Prods. Co. v. R. E. Darling Co., 238 Md. 93, 208 A.2d 74 (1965). Also, the product or device must be "for *continuous* use in the operation of the business." RESTATEMENT, TORTS § 757, comment *b* (1939). (Emphasis added.)

monly known,[7] and it must be a substantial advance over prior knowledge in the field.[8] The idea need not be patentable,[9] and if patented, it is no longer a secret,[10] although other related information such as processes leading to manufacture may still remain trade secrets.[11]

However, the law of trade secrets has several analytical difficulties that prevent it from effectively resolving cases involving inventive ideas. Recovery for misappropriation requires the defendant to have had conscious knowledge of the information's confidentiality.[12] But while an employee

7. American Potato Dryers, Inc. v. Peters, 184 F.2d 165 (4th Cir. 1950), *cert. denied*, 34 U.S. 930 (1951); Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961) (process generally known); Head Ski Co. v. Kam Ski Co., 158 F. Supp. 919 (D. Md. 1958); see Spring Steels, Inc. v. Molloy, 400 Pa. 354, 162 A.2d 370 (1960) (methods developed by others and were available to any processor); RESTATEMENT, TORTS § 757, comment *b* (1939); *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 949 (1964). *But see* Wexler v. Greenberg, 399 Pa. 569, 582, 160 A.2d 430, 436 (1960) (modifying formulas of others' products was not sufficient for recovery).

8. Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 272 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961); Newell v. O. A. Newton & Son Co., 104 F. Supp. 162 (D. Del. 1952); ELLIS § 17; RESTATEMENT, TORTS § 757, comment *b* (1939); *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 949 (1964). The *Newell* case illustrated the degree of novelty that is required. "[A] trade secret to be protected, must contain some element of value or usefulness, *yet a trade secret need not contain such novelty as would make it patentable.*" Newell v. O. A. Newton & Son Co., *supra* at 165. (Emphasis added.)

9. Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 290, 23 Cal. Rptr. 198, 212 (1962); RESTATEMENT, TORTS § 757, comment *b* (1939); *accord*, Newell v. O. A. Newton & Son Co., *supra* note 8, at 165; Wireless Specialty Apparatus Co. v. Mica Condenser Co., 239 Mass. 158, 131 N.E. 307 (1921); 2 CALLMANN § 52.1, at 797; ELLIS § 17, at 35.

10. 2 CALLMANN §§ 51.1, at 784, 53.3(b), at 810; Stedman, *supra* note 3, at 15; see Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961); Goldin v. R. J. Reynolds Tobacco Co., 22 F. Supp. 61, 65 (S.D.N.Y. 1938).

11. "[A] secret may coexist with the patent, notwithstanding the fact that the latter had been fully published and disclosed." 2 CALLMANN § 52.1, at 802; see Westcott Chuck Co. v. Oneida Nat'l Chuck Co., 199 N.Y. 247, 92 N.E. 639 (1910), *reversing* 133 App. Div. 937, 118 N.Y. Supp. 1149 (1909); Tabor v. Hoffman, 118 N.Y. 30, 23 N.E. 12 (1889).

12. RESTATEMENT, TORTS § 757 (1939) states:

> One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if
> (a) he discovered the secret by improper means, or
> (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or
> (c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or
> (d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.

may know that information is confidential and would understand that outright disclosure of a secret would be unlawful or improper, he might not be aware that the mere use of confidential techniques or information in a new employment, entered into in good faith with no intent to injure his previous employer, might also be found improper and unlawful by a court.[13] Also, in some situations, inventors feel that they would have discovered the same ideas independent of their employment and that, therefore, they should ethically be able to use these ideas. However, this probability does not exonerate an employee from a violation of trade secret law.[14] On the other hand, by the use of postemployment covenants the precise obligations and rights of an employee can be clarified and explicitly pointed out to him.

Ordinarily, trade secrets are transferred from the employer to the employee, but with inventions the opposite is often true.[15] If the ownership of inventive ideas is not assumed by the court to belong to the business, diffi-

13. See E. I. duPont de Nemours & Co. v. American Potash & Chem. Corp., 200 A.2d 428 (Del. Ch. 1964). The law is not clear as to what the obligation of the employee is when he switches employers. It has often been said that "equity has no power to compel a man who changes employers to wipe clean the slate of his memory." Peerless Pattern Co. v. Pictorial Review Co., 147 App. Div. 715, 717, 132 N.Y. Supp. 37, 39 (1911); *accord*, Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 266 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961); Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 288, 23 Cal. Rptr. 198, 210 (1962); Avocado Sales Co. v. Wyse, 122 Cal. App. 627, 634, 10 P.2d 485, 488 (1932). Also, in the bulk of these cases the principles of agency are of little help because "the employee's conduct can rarely be characterized as 'unfair' or 'disloyal.'" *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 951 (1964). However, in some situations the employee ethically understands his wrongdoing, even though information has not yet been disclosed. In B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963), the employee felt that "loyalty and ethics had their price; insofar as he was concerned, . . . [his new employer] was paying the price." *Id.* at 498, 192 N.E.2d at 104; *accord*, Ferranti Elec., Inc. v. Harwood, 43 Misc. 2d 533, 251 N.Y.S.2d 612 (Sup. Ct. 1964).

14. Head Ski Co. v. Kam Ski Co., 158 F. Supp. 919, 923 (D. Md. 1958); Schulenburg v. Signatrol Inc., 50 Ill. App. 2d 402, 200 N.E.2d 615 (1964). *But see* Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961) (employees not liable for using generally known process of plaintiff); Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960) (employee could use modifications of competitors' formulas made during employment). Of course, if the secret becomes known to another individual through his own efforts, such as through independent investigation, no action lies against him. 1 NIMS § 148, at 418; RESTATEMENT, TORTS § 757, comment *b* (1939).

15. In Wexler v. Greenberg, *supra* note 14, at 577-78, 160 A.2d at 434, it was stated that

> the usual situation involving misappropriation of trade secrets in violation of a confidential relationship is one in which an employer *discloses to his employee* a pre-existing trade secret (one already developed or formulated) so that the employee may duly perform his work. In such a case, the trust and confidence upon which legal relief is predicated stems from the instance of the employer's *turning*

culty may arise in conceptualizing this transfer of ownership from the employee to the employer. In *Wexler v. Greenburg*,[16] the employer was not able to prove ownership of an existing trade secret because the court required either a confidential relationship or a contract to transfer the ownership of the trade secret from the employee to the employer. The court held a confidential relationship did not exist because

> it is conceptually impossible . . . to elicit an implied pledge of secrecy from the sole act of an employee turning over to his employer a trade secret which he, the employee, has developed, as occurred in the present case, [and] the appellees must show a different manner in which the present circumstances support the permanent cloak of confidence . . . . The only avenue open to the appellees is to show that the nature of the employment relationship itself gave rise to a duty of nondisclosure.[17]

Business ownership of patents also is determined by the employment relationship. An express contract to invent or one implied from the function or position of the employee is required to vest ownership of an invention in the employer.[18] However, these contracts have been narrowly construed so that if a contract specifies that the employee is to design or construct, his

---

over to the employee the pre-existing trade secret. It is then that a pledge of secrecy is impliedly extracted from the employee, a pledge which he carries with him even beyond the ties of his employment relationship. (Footnotes omitted.)

Accord, Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 23 Cal. Rptr. 198 (1962).

16. *Supra* note 14.

17. *Id.* at 578, 160 A.2d at 434.

18. United States v. Dubilier Condenser Corp., 289 U.S. 178, 187 (1933); Solomons v. United States, 137 U.S. 342, 346 (1890); Fish v. Air-O-Fan Prods. Corp., 285 F.2d 208 (9th Cir. 1960); Blum v. Commissioner, 183 F.2d 281, 289 (3d Cir. 1950); Marshall v. Colgate-Palmolive-Peet Co., 175 F.2d 213 (3d Cir. 1949); Houghton v. United States, 23 F.2d 386, 390 (4th Cir.), *cert. denied*, 277 U.S. 592 (1928); Magnetic Mfg. Co. v. Dings Magnetic Separator Co., 16 F.2d 739 (7th Cir. 1926), *cert. denied*, 274 U.S. 740 (1927); Wireless Specialty Apparatus Co. v. Mica Condenser Corp., 239 Mass. 167, 131 N.E. 307 (1921); Davis v. Alwac Int'l, Inc., 369 S.W.2d 797 (Tex. Civ. App. 1963); 2 CALLMANN § 55.2(b)(2), at 829; 1 NIMS § 151, at 427-28; Snelling, *The Rights of the Inventor-Employee*, 22 J. PAT. OFF. SOC'Y 410, 416-21 (1940); Note, 22 NOTRE DAME LAW. 429 (1947); Note, 7 PATENT, TRADEMARK, & COPYRIGHT J. OF RESEARCH & EDUCATION 380, 382 (1963); Note, 11 RUTGERS L. REV. 468 (1956); see American Stay Co. v. Delaney, 211 Mass. 229, 97 N.E. 911 (1912).

If one is employed to invent, the product of his work belongs to his employer, but if one is a general employee, inventions are beyond the scope of employment and an employee will not be required to assign inventions to his employer. 2 CALLMANN § 55.2(b)(2), at 829-31. The contract can be express or implied, but in either case the employee must be hired to invent. For example, in the *Fish* case, the court held the contract was implied because the employee (vice-president) and others believed his regular duties included the design and development of machines, and also he had assigned other "inventive contributions" to his employer. Fish v. Air-O-Fan Corp., *supra* at 210.

inventions will not be the property of the employer.[19] Furthermore, when an employee is not hired to invent but does so with his master's facilities during the hours of employment, the master acquires only a "shop right" or license for the non-exclusive use of the invention.[20] In the *Wexler* case the court applied these principles to determine the ownership of a trade secret; since the employee was merely hired to develop further the formulas of competitive products and not to invent, the ownership of his modifications did not exclusively belong to the employer and protection of them was denied.[21]

Another difficulty in protecting a trade secret is proving the time the invention was created. Trade secret law does not recognize an interest in inventions created after employment has terminated if the basic idea was not

---

19. "Employment to design or to construct or to devise methods of manufacture is not the same as employment to invent" . . . . And, by the same token, a direction to an employee to develop an idea which he had already conceived on his own is not a direction to invent and does not entitle the employer to the invention or the patent on it.
Cahill v. Regan, 5 N.Y.2d 292, 297, 157 N.E.2d 505, 508, 184 N.Y.S.2d 348, 352 (1959), *affirming* 4 App. Div. 2d 328, 165 N.Y.S.2d 125 (1957); *accord*, United States v. Dubilier Condenser Corp., 289 U.S. 178, 187-88 (1933); B.F. Gladding & Co. v. Scientific Anglers, Inc., 248 F.2d 483, 484 (6th Cir. 1957); see Dalzell v. Dueber Watch Case Mfg. Co., 149 U.S. 315 (1893); 1 NIMS § 151, at 428-30.

20. United States v. Dubilier Condenser Corp., *supra* note 19; Solomons v. United States, 137 U.S. 342, 346 (1890); Standard Brands Inc. v. United States Partition & Packaging Corp., 199 F. Supp. 161, 176 (E.D. Wis. 1961); Massie v. Fruit Growers' Express Co., 31 F.2d 463 (D. Del. 1929), *rev'd on other grounds*, 41 F.2d 43 (3d Cir. 1930); Aero Bolt & Screw Co. v. Iaia, 180 Cal. App. 2d 728, 5 Cal. Rptr. 53 (1960); Kinkade v. New York Shipbuilding Corp., 21 N.J. 362, 122 A.2d 360 (1956); Cahill v. Regan, *supra* note 19; Cornell v. T.V. Dev. Corp., 41 Misc. 2d 628, 245 N.Y.S.2d 918 (Sup. Ct. 1954); Bishop, *Employers, Employees, and Inventions*, 31 So. CAL. L. REV. 38 (1957); Morris, *Patent Rights in an Employee's Invention: The American Shop Right Rule and the English View*, 75 L.Q. REV. 483 (1959); Snelling, *supra* note 18, at 424-27; Note, 7 PATENT, TRADEMARK, & COPYRIGHT J. OF RESEARCH & EDUCATION 380, 385-95 (1963); see American Stay Co. v. Delaney, 211 Mass. 229, 97 N.E. 911 (1912) (held president-inventor had right to use his inventions).

21. Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960). The court relied on the fact that the defendant was not employed to create or invent and never had done so while in the employ of the plaintiff. His routine job was to modify and change the formulas of competitors' products. *Id.* at 582, 160 A.2d at 436; *accord*, Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 283-88, 23 Cal. Rptr. 198, 208-10 (1962). Therefore, a result was reached which is analogous to the solution in patent law cases when company ownership of an invention is in issue. Patent law principles were also used in determining the ownership of trade secrets in B.F. Gladding & Co. v. Scientific Anglers, Inc., 248 F.2d 483 (6th Cir. 1957). The court stated that

> the mere creation of an employer-employee relationship does not *per se* cause any and all inventions, patents or trade secrets to belong to the employer. It must be shown that under the particular employment contract that that which is being claimed by the employer is the precise subject of the contract of employment such as "for solving a defined problem" or to "evolve a process or mechanism for meeting a specific need." *Id.* at 485.

a trade secret of the business during employment. This is because the law of trade secrets attempts only to protect information that has been given confidential treatment by the business. Therefore, if an invention developed during employment was not disclosed to the employer, he must prove that the idea was born during employment.

In successful trade secret cases, equity provides relief usually by enjoining further utilization of another's trade secret, and awarding money damages if there was previous injury.[22] However, in the absence of a contract providing for specific assignment, courts are reluctant to force assignment of inventions except in cases where this relief is clearly required, such as when the invention has been conceived during employment.[23]

Trade secret law is burdened with difficult proof problems such as proving the existence of the required elements of a trade secret,[24] ownership of the inventive idea[25] and use of the information.[26] An employer may use covenants to overcome these problems. Also, there are several barriers to litigating possible violations of trade secret law such as the expense of legally assessing every possible misappropriation, the contingency that required evidence would publicly expose the secret[27] and the potential

22. ELLIS § 350, at 450.

23. Colgate-Palmolive Co. v. Carter Prods., 230 F.2d 855, 865 (4th Cir.), *cert. denied*, 352 U.S. 843 (1956) (court required assignment of patents on inventions discovered during former employment); De Long Corp. v. Lucas, 176 F. Supp. 104, 134 (S.D.N.Y. 1959), *aff'd*, 278 F.2d 804 (2d Cir.), *cert. denied*, 364 U.S. 833 (1960) (constructive trust of patent applications resulting from confidential knowledge); Wireless Specialty Apparatus Co. v. Mica Condenser Co., 239 Mass. 158, 166, 131 N.E. 307, 310 (1921) (must assign inventions resulting from use of former employer's secrets). One reason assignment as a remedy in trade secret cases is rare may be that usually the action is quickly brought, before any additional invention can be developed.

24. See Tom Lockerbie, Inc. v. Fruhling, 207 F. Supp. 648 (E.D. Wis. 1962); Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961); Newell v. O. A. Newton & Son Co., 104 F. Supp. 162 (D. Del. 1952) (secret disclosed by public exhibition); Futurecraft Corp. v. Clary Corp., 205 Cal. App. 2d 279, 23 Cal. Rptr. 198 (1962) (if product publishes secret, the action is destroyed); Adolph Gottscho, Inc. v. Bell-Mark Corp., 79 N.J. Super. 156, 191 A.2d 67 (Ch. 1963) (secret made public by the product); Welex Jet Servs., Inc. v. Owen, 325 S.W.2d 856 (Tex. Civ. App. 1959).

25. See notes 15-21 *supra* and accompanying text.

26. See Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961) (no use of secrets peculiarly belonging to plaintiff was proved); Welex Jet Servs., Inc. v. Owen, 325 S.W.2d 856 (Tex. Civ. App. 1959) (evidence was persuasive, but court found no trade secrets used).

27 Where the burden is upon the plaintiff and confidential evidence is within its control, it cannot avoid producing it merely because to do so would reveal its secret.

The evidence revealing the secret information may, however, be given *in camera* and the record may be sealed or otherwise protected from publication. Such a disclosure is not a publication to the world. 1 NIMS § 147, at 415. (Footnotes omitted.)

damage to business relations that would result from preventing an employee from obtaining other work and from publicly admitting that a competitor has acquired valuable knowledge. However, by the use of a covenant the employer may be able to mitigate some of these difficulties.

These problems have not been solved, and the standards for relief have not been liberalized because the law of trade secrets must resolve not only situations involving inventive ideas but also a variety of other types of trade secret misappropriations. Stringent requirements are presently placed on the confidential treatment of the information to insure that the employee consciously understands its nature. If the standards of confidentiality were lowered, employers might be able to choose the interests to be protected after the employee has obtained new employment. Novelty must also be shown to assure that the information does have a value to the business. Finally, the information must not be generally known in order to eliminate any possibility that the employee acquired the information from another source. These requirements afford built-in protection for the employee and the public as well as for the employer.

II. COVENANTS

Businesses seeking to restrict the use of inventive ideas have not relied solely on trade secret relief but have supplemented their protection by the use of contracts and patents. Many employers favor patenting because the right to exclusive use for a period of years is retained and a special judicial procedure has been established for the enforcement of patent rights, but patenting may be disadvantageous to the business because no protection is given the idea except that the use of the product is exclusively given to the business for a period of years. The obvious advantage of using contracts rather than relying on trade secret relief is that proof of a breach of contract is substituted for proof of each requirement of trade secret law. The question is no longer whether a trade secret has been misappropriated but whether the defense of restraint of trade will prevent enforcement of the contract that has been breached. Therefore, although it is not required,[28] the subject matter of many covenants involving inventors is limited to trade secrets.[29]

There are several possible intentions that a business may have in pro-

28. See 2 CALLMANN § 55.2(b), at 827; *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 948 (1964).

29. Blake, *Employee Agreements Not To Compete*, 73 HARV. L. REV. 625, 669 n.146 (1960); see Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960).

posing an agreement to an employee. The employer may be attempting to establish the existence of the necessary requirements for obtaining trade secret relief.[30] Thus, a contract can partially fulfill trade secret requirements by providing evidence that the employee has been warned that he will acquire trade secret information and by describing, if possible,[31] the nature of this information. Also, the employer may intend to clarify the ethical obligations of the employee under trade secret law in order to eliminate future misunderstandings if he changes employers. Furthermore, contracts may establish employer ownership of trade secrets conceived by inventors during employment, thus avoiding the problem of transference of the secret. Contracts may also be used to expand the subject matter protected or the relief given beyond existing trade secret law.[32] Public policy prevents enforcement of unreasonable contracts, but the extent covenants can be used to encompass more than trade secret law and still not be unreasonable is unclear.

III. Enforcement of Covenants Assigning Improvements

The scales of reasonableness seem to balance differently depending on whether an invention or merely an improvement on a basic invention is contested.[33] Although "improvement" is a nebulous concept, it usually must relate to a specific prior innovation so that the basic invention retains its identity[34] and must be valuable only when used in conjunction with that prior invention.[35] Courts have enforced agreements to assign postemployment improvements on inventions developed during prior employment even

30. There are two types of contractual provision: Those which interpret or clarify rights and duties arising out of actual situations, and those which are designed to create new rights and duties . . . . Where trade secrets are normally protected in a particular jurisdiction, . . . the duties such provisions establish are implied. The contract only "strengthens" the right to relief. 2 CALLMANN § 51.4, at 791. (Footnotes omitted.)

31. Blake, *supra* note 29, at 669.

32. "Those agreements whereby one who is ordinarily free to compete limits his right to do so, . . . are designed to and do create new rights and duties." 2 CALLMANN § 51.4, at 792.

33. In many covenants, the language provides for the assignment of postemployment "inventions and improvements." Although many definitions may be given to the term "invention," it will be restricted in this discussion to a "basic" invention, which has value in itself.

34. American Cone & Wafer Co. v. Consolidated Wafer Co., 247 Fed. 335, 336 (2d Cir. 1917).

35. Tempco Elec. Motor Co. v. Apco Mfg. Co., 275 U.S. 319 (1928); West Disinfecting Co. v. United States Paper Mills, Inc., 44 F.2d 803 (3d Cir. 1930), *cert. denied*, 283 U.S. 836 (1931) (improvements had to be attached to folding machine).

if the covenants are unlimited in duration.[36] By limiting the subject matter of the agreement to an addition or change on a prior invention,[37] the employer's interest overshadows any unfavorable effect that the covenant might have on the employee or the public.

In *Hulse v. Bonsack Mach. Co.*,[38] the company patented machines for the manufacture of cigarettes and employed Hulse to make improvements on these machines. The employer used a postemployment assignment covenant to preserve his investment by restraining Hulse from inventing an improvement for a third party after the termination of his employment. The court, in upholding the covenant, found the covenant reasonable even though its duration was unlimited. Since the covenant was limited to only future improvements on inventions already owned, the court reasoned that it did not restrict the employee's future career except for improving the original invention. The *Hulse* case represents a logical extension of trade secret protection through the use of covenants. A covenant was utilized to obtain assignment of an improvement for a patented invention.[39]

IV. Enforcement of Covenants for Assignment of Basic Inventions

When a postemployment assignment covenant is to be enforced, courts apply a two step analysis. They determine (1) whether the invention falls within the terms of the covenant and, (2) if it does, whether the covenant is reasonable. Often, cases have not expressly dealt with the second question but have considered only whether the invention falls within the terms of the covenant. However, underlying these decisions are considerations of the covenant's impact on the interests of the employer, the employee and the public, which concern the reasonableness of the covenant, but not the coverage of its terms.

36. West Disinfecting Co. v. United States Paper Mills, Inc., *supra* note 35 (although contract's duration was unlimited, improvement developed while in employment); Chadeloid Chem. Co. v. H. B. Chalmers Co., 243 Fed. 606 (2d Cir. 1917) (invention in issue had been held to infringe former employer's patent); Reece Folding Mach. Co. v. Fenwick, 140 Fed. 287 (1st Cir. 1905); Hulse v. Bonsack Mach. Co., 65 Fed. 864 (4th Cir. 1895); Westinghouse Air-Brake Co. v. Chicago Brake & Mfg. Co., 85 Fed. 786 (C.C.N.D. Ill. 1898); McFarland v. Stanton Mfg. Co., 53 N.J. Eq. 649, 33 Atl. 962 (Ct. Err. & App. 1896); Allison Bros. Co. v. Allison, 70 Hun 27, 23 N.Y. Supp. 1065 (Sup. Ct. 1893), *rev'd on other grounds*, 144 N.Y. 21, 38 N.E. 956 (1894).

37. Westinghouse Air-Brake Co. v. Chicago Brake & Mfg. Co., *supra* note 36; Allison Bros. Co. v. Allison, *supra* note 36; see West Disinfecting Co. v. United States Paper Mills, Inc., *supra* note 35; McFarland v. Stanton Mfg. Co., *supra* note 36.

38. 65 Fed. 864 (4th Cir. 1895).

39. See 2 Callmann § 53.3(b), at 810-11; 1 Nims § 146, at 412; Stedman, *supra* note 3, at 15; *Developments—Competitive Torts*, 77 Harv. L. Rev. 888, 947 (1964). Trade secret law will not protect a patented invention.

A. *Interpretation*

In interpreting covenants, some courts have apparently applied the reasonableness test at the construction stage and determined the outcome of cases by interpreting provisions so that their effect would be reasonable or by severing entire provisions which are so unreasonable that interpretation is impossible. Thus, the inclusion or exclusion of the contested invention depends upon the coverage of the contract as interpreted.[40]

---

40. In construing postemployment covenants to make them reasonable, the court may decide "that his [the employee's] activity would fall within the scope of a reasonable prohibition, . . . [and] make use of the tool of severance, paring an unreasonable restraint down to appropriate size and enforcing it." Blake, *supra* note 29, at 675. (Footnote omitted.) For a discussion of the severance doctrine as applied to non-competitive covenants see Blake, *supra* note 29, at 681-84; Note, 41 N.C.L. REV. 253 (1963).

When courts feel that to assign the contested invention would be unreasonable, their opinions usually express the feeling that the result would be harsh on the employee, and then they sever the provisions that would result in assignment. This avoidance of the question of enforceability by excluding the invention in issue from assignment covenants often results in strained construction of the language of the clause. In Standard Plunger Elevator Co. v. Stokes, 212 Fed. 893 (2d Cir. 1914), the employee signed a contract in September 1902 and entered into actual employment subsequent to that date. The contract provided that "the employee . . . hereby grants to the said corporation the exclusive license to use *all other future* patents and inventions devised or acquired by him with relation to elevators and their appliances." *Id.* at 896. (Emphasis added.) The court rejected the plaintiff's interpretation that the provision required assignment of all other future inventions, including those

> the first conception of which came to Larson [the employee] only after his employment had ceased . . . [because] as thus construed, the clause would be an extremely harsh one; it might even be found unconscionable, for it mortgages his inventive faculties to complainant for an indefinite period subsequent to employment, in relation not only to elevators of the "plunger" type, but to steam and electric elevators as well. So harsh a construction should not be given to the contract, unless its language precludes any more reasonable construction. *Ibid.*

The court held that the provision applied only to the time period between the execution of the contract and the time when employment began. According to the court, the contract had in other clauses provided for assignment of inventions created before execution and during employment, and the intervening time gap was thought to be the only period which the parties could have intended to cover.

Similarly, in Thibodeau v. Hildreth, 124 Fed. 892 (1st Cir. 1903), the employee agreed to give to his employer "the full benefit and enjoyment of *any and all* inventions or improvements which I have made *or may hereafter make* relating to machines or devices pertaining to said Hildreth's [the employer's] business." *Id.* at 893. (Emphasis added.) In order that the effect upon the employee not be unconscionable, the court held that the terms included only inventions made while actually employed.

Gas Tool Patents Corp. v. Mould, 133 F.2d 815 (7th Cir. 1943) concerned the outright sale of patents, but the court expressly applied the considerations which it said would control in an employment covenant situation. *Id.* at 818. The defendant and other parties created the plaintiff corporation of which the defendant was made the president and agreed to assign to it "any invention or improvement that they or any of them may make in the future relating . . . " to the Saunders gas hammer. *Id.* at 816. The defendant later terminated employment, and he subsequently invented a new gas hammer—a pressure riveter. The court indicated that the adverse effect of requiring

An example of severance is found in *Guth v. Minnesota Mining & Mfg. Co.*[41] A contract was entered into by the company and the inventor providing for the assignment of any invention which the inventor might make at any time which related to "abrasives, adhesives or related materials, *or to any business in which said company . . . may be concerned.*"[42] First, the court decided that several of the clauses were unreasonable, especially those providing for unlimited subject matter and duration, and then found that the inventions which were the subject matter of the litigation "fell within the valid provisions of the agreement."[43]

A possible explanation for courts severing or interpreting in this manner is that they presume the parties did not intend to make an unreasonably broad covenant, and therefore, a narrow construction effectuates the intentions of the parties in lieu of upsetting contractual expectations which would result from holding the covenant unreasonable.[44] However, correction of unreasonable covenants may allow employers to exact broad, comprehensive assignment contracts, thus coercing employees who generally obey contractual obligations to submit to restrictions which no court would

---

assignment of postemployment inventions would be too great upon ex-employees, and without invalidating the covenant, the court narrowly construed it holding that although the new invention was a gas hammer, it was different from and did not relate to the Saunders patent.

In National Cash Register Co. v. Remington Arms Co., 122 Misc. 234, 202 N.Y. Supp. 691 (Sup. Ct. 1924), the inventor-employee signed a one year contract in 1909 which included a covenant to assign inventions created within "one year following such termination of employment." *Id.* at 235, 202 N.Y. Supp. at 693. In 1910, the employee was given no new contract but continued to work until 1917. Within the year following actual termination of employment, he perfected the invention of a new cash register for the defendant, his new employer, who had knowledge of the prior contract. The trial court required assignment of the invention, after holding that the contract did not have an unconscionable effect on the employee or the defendant. The appellate division reversed, and after considering the "drastic" and possibly "harsh and inequitable" effect upon the defendant, held that the terms of the covenant applied only to termination of the original contract. National Cash Register Co. v. Remington Arms Co., 212 App. Div. 343, 209 N.Y. Supp. 40 (1925), *aff'd*, 242 N.Y. 99, 151 N.E. 144 (1926).

However, severance has also been used to limit the effect of broadly drafted covenants while still allowing the contested invention to remain within the protected provisions of the contract. In Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied*, 294 U.S. 711 (1935), the doctrine of severance was applied although the court was not convinced that the employee was the inventor.

41. *Supra* note 40.

42. *Id.* at 387.

43. *Id.* at 389.

44. See, *e.g.*, National Cash Register Co. v. Remington Arms Co., 212 App. Div. 343, 209 N.Y. Supp. 40 (1925), *aff'd*, 242 N.Y. 99, 151 N.E. 144 (1926), *reversing* 122 Misc. 234, 202 N.Y. Supp. 691 (Sup. Ct. 1924).

enforce.[45] Also, uncertainty in the enforceability of broadly drafted covenants results in uncertainty of ownership of inventions and consequently may hinder their marketability.

B. *Application of Reasonableness Tests*

Because of the dearth of cases involving postemployment assignment covenants that have reached the issue of reasonableness, it is necessary to draw upon the limitations that the restraint of trade tests have imposed upon postemployment restrictive covenants.[46] Although assignment covenants attempt to protect the value of inventive ideas while restrictive covenants may protect broader interests such as damaging competition, they both affect the employee by foreclosing him from certain types of employment. Therefore, it seems logical that the same limitations would be imposed upon both types of covenants.

After a covenant has been interpreted, it will be enforced only if the interests protected are reasonably necessary to the business, the restrictions on the employee's mobility are reasonable, and the overall effect of the covenant is not unreasonably injurious to the public interest.[47] Reasonableness of the restraint to each class of interest is tested by three factors—the scope of the subject matter, the duration and the geographic area.[48] After a court

45. For every covenant that finds its way to court, there are thousands which exercise an *in terrorem* effect on employees who respect their contractual obligations and on competitors who fear legal complications if they employ a covenantor, or who are anxious to maintain gentlemanly relations with their competitors. Blake, *supra* note 29, at 682; see Hudson Foam Latex Prods., Inc. v. Aiken, 82 N.J. Super. 508, 516-17, 198 A.2d 136, 141 (App. Div. 1964); Note, 5 DUKE L.J. 115, 119-22 (1956); Note, 45 HARV. L. REV. 751 (1932).

46. Postemployment restrictive covenants are agreements not to compete with a former employer after employment has terminated. These covenants typically provide "that the employee shall not work for a competitor or set up a competitive business for himself for a specified period of time in a designated geographical area." Blake, *supra* note 29, at 626. Blake further divides these covenants into two classifications of interests that are protectible by the employer—"Customer Relationships" and "Confidential Business Information." Blake, *supra* note 29. We are primarily concerned with the latter, since covenants requiring assignment are primarily to protect inventive ideas.

47. RESTATEMENT, CONTRACTS § 515 (1932); Blake, *supra* note 29, at 646-51; Carpenter, *Validity of Contracts Not To Compete*, 76 U. PA. L. REV. 244 (1928); Kales, *Contracts To Refrain From Doing Business or From Entering or Carrying on an Occupation*, 31 HARV. L. REV. 193 (1917); Comment, 7 ARK. L. REV. 35 (1953); Note, 16 W. RES. L. REV. 161 (1964). See generally Annot., 43 A.L.R.2d 94 (1955); Annot., 41 A.L.R.2d 15 (1955).

Many states have enacted legislation controlling the use of covenants in restraint of trade. However, most of these statutes have been construed to permit the type of covenant discussed in this note, if reasonable. Blake, *supra* note 29, at 648-49 n.78.

48. *E.g.*, Chemical Fireproofing Corp. v. Krouse, 155 F.2d 422 (D.C. Cir. 1946); Arthur Murray Dance Studios, Inc. v. Witter, 62 Ohio L. Abs. 17, 32-41, 105 N.E.2d 685, 695-701 (C.P. 1952); Blake, *supra* note 29, at 674-81. In the *Arthur Murray* case,

finds that the effect of the restriction is not patently unreasonable to each class of interest, the entire covenant is considered, and the effect on these interests is balanced to see "if, taken as a whole, its dimensions are proportioned in relation to each other so as to keep the burden on the employee down to the minimum consistent with reasonable protection to the employer's legitimate interests."[49]

1. *Subject Matter*

a. interest of the employer. The subject matter of the covenant must not exceed the employer's reasonable needs for adequate protection of his competitive position.[50] With regard to the inventor, only the protection of confidential business information is recognized as necessary by the courts,[51] and for this reason, any restriction must be limited to the specific subject matter within the employee's access, especially if the business is highly diversified.[52]

Although the limits of reasonableness are uncertain, there are several situations in which it is clear that courts will not enforce covenants. In the absence of any other interest which is protectible, a covenant will not be enforced if its purpose is solely to retain the services of the employee,[53] to

---

the court listed possible considerations in determination of reasonableness to the three interests.

49. Blake, *supra* note 29, at 675.

50. ELLIS § 99; RESTATEMENT, CONTRACTS § 516, comment *h* (1932); Blake, *supra* note 29, at 648-49, 675.

51. Several cases and authorities have implied that covenants seeking to protect ideas must protect only trade secrets of the business or have used the terms "trade secret" and "confidential business information" interchangeably. Hydraulic Press Mfg. Co. v. Lake Erie Eng'r Corp., 132 F.2d 403 (2d Cir. 1942) (implies that only trade secrets could be protected); Club Aluminum Co. v. Young, 263 Mass. 223, 160 N.E. 804 (1928); Blake, *supra* note 29, at 653; Comment, 25 YALE L.J. 499 (1916). However, the courts do not look to trade secret law to determine the enforceability of covenants but rely on the restraint of trade tests. *E.g.*, Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385, 389 (7th Cir. 1934), *cert. denied*, 294 U.S. 711 (1935); Universal Winding Co. v. Clarke, 108 F. Supp. 329 (D. Conn. 1952); Arthur Murray Dance Studios v. Witter, 62 Ohio L. Abs. 17, 105 N.E.2d 685 (C.P. 1952) (extensive treatment given to both customer relationships and confidential information). These tests require that the covenant protect no more than is reasonable. Courts usually attempt to find value in the information. To have value, the information must be specialized to the use of that business and not be in general use by the business' competitors. Gas Tool Patents Corp. v. Mould, 133 F.2d 815, 818 (7th Cir. 1943); Blake, *supra* note 29, at 651-53. Therefore, the information to be protectible must be confidential but not in the strict trade secret sense.

52. Guth v. Minnesota Mining & Mfg. Co., *supra* note 51. However, the court may avoid holding the entire covenant unenforceable by severing the unreasonable provisions. For a full discussion see notes 40-45 *supra* and accompanying text.

53. Sprague Elec. Co. v. Cornell-Dubilier Elec. Corp., 62 F. Supp. 1, 5-6 (D. Del. 1945); Clark Paper & Mfg. Co. v. Stenacher, 236 N.Y. 312, 319-22, 140 N.E. 708, 711-12 (1923); Arthur Murray Dance Studios, Inc. v. Witter, 62 Ohio L. Abs. 17,

remove the possibility that he will compete,[54] or to prevent the employee from using the general skill and experience he has acquired from his employment or previous career.[55]

However, the courts look only to the subject matter that the covenant allegedly protects and, therefore, may not be considering the legitimacy of the intentions that motivated an employer to extend his protection beyond that existing without a contract, *i.e.*, under trade secret law.[56] The employer may be attempting to prevent an employee from withholding an idea during employment and then selling it to a competitor after termination. Also, since inventing is usually a lengthy process, the employee's work may not be culminated at the time employment ceases, and the business may wish to prevent the employee's research from aiding a competitor.

A major difficulty in establishing a definable category of protectible subject matter is that inventors use their prior experiences in the process of invention all through their careers.[57] Courts have recognized the value in this knowledge and have granted protection to prevent the

33, 105 N.E.2d 685, 696 (C.P. 1952); see Heflebower v. Sand, 71 F. Supp. 607, 613 (D. Minn. 1947); Sternberg v. O'Brien, 48 N.J. Eq. 370, 373, 22 Atl. 348, 349 (Ch. 1891).

54. United States v. Addyston Pipe & Steel Co., 85 Fed. 271, 283 (6th Cir. 1898), *modified*, 175 U.S. 211 (1899); Heflebower v. Sand, *supra* note 53; Sprague Elec. Co. v. Cornell-Dubilier Elec. Corp., *supra* note 53; Clark Paper & Mfg. Co. v. Stenacher, *supra* note 53; Murray v. Cooper, 268 App. Div. 411, 51 N.Y.S.2d 935 (1944), *aff'd*, 294 N.Y. 658, 60 N.E.2d 387 (1945); Arthur Murray Dance Studios, Inc. v. Witter, *supra* note 53, at 33-34, 105 N.E.2d at 695-96; 6A CORBIN, CONTRACTS § 1394, at 100 (1962); Blake, *supra* note 29, at 652 & n.85.

55. Sprague Elec. Co. v. Cornell-Dubilier Elec. Corp., *supra* note 53 (foreman in manufacturing department); Fortna v. Martin, 158 Cal. App. 2d 634, 639-40, 323 P.2d 146, 149 (1958) (termite control inspector); Mutual Loan Co. v. Pierce, 245 Iowa 1051, 65 N.W.2d 405 (1954) (employee of small loan company); Roy v. Bolduc, 140 Me. 103, 107, 34 A.2d 479, 481 (1943) (real estate salesman); Abramson v. Blackman, 340 Mass. 714, 166 N.E.2d 729 (1960) (employee of real estate firm); Club Aluminum Co. v. Young, 263 Mass. 223, 226-27, 160 N.E. 804, 806 (1928) (salesman); Dunfey Realty Co. v. Enwright, 101 N.H. 195, 199, 138 A.2d 80, 83 (1957) (employee of real estate firm); Arthur Murray Dance Studios, Inc. v. Witter, *supra* note 53 (dancing instructor); Welex Jet Servs., Inc. v. Owen, 325 S.W.2d 856, 858 (Tex. Civ. App. 1959) (technical employees of oil well service company); Ridley v. Krout, 63 Wyo. 252, 272-74, 180 P.2d 124, 130-31 (1947) (bicycle repair man); Herbert Morris, Ltd. v. Saxelby, [1916] 1 A.C. 688, 714 (engineer); 6A CORBIN, *op. cit. supra* note 54, § 1394, at 99-100; 5 WILLISTON, CONTRACTS § 1652, at 4648 (rev. ed. 1937); RESTATEMENT (SECOND), AGENCY § 396, comment *h* (1958); RESTATEMENT, CONTRACTS § 516, comment *f* (1932); Blake, *supra* note 29, at 652. See generally Annot., 41 A.L.R.2d 15, 122-24 (1955).

56. *But see* Universal Winding Co. v. Clarke, 108 F. Supp. 329 (D. Conn. 1952).

57. See Universal Winding Co. v. Clarke, *supra* note 56, at 333; Westinghouse Air-Brake Co. v. Chicago Brake & Mfg. Co., 85 Fed. 786, 792-96 (C.C.N.D. Ill. 1898); Printing & Numerical Registering Co. v. Sampson, L.R. 19 Eq. 462, 464 (1875).

use of skill and experience which is specialized and not general. General skills and confidential business information are usually difficult to separate in the inventor's situation[58] because skill and experience that is specialized in a certain area of products may also be a general method used by most inventors. Thus, the prohibition against restricting the use of general skill and experience by the employee begs the question of the degree of specialization needed for information to be worthy of confidential treatment. Rather than define these terms, courts determine whether the subject matter to be protected is reasonable by considering such factors as the nature of the competition, the specialization of the business, the expense of development, the inability to obtain protection by patents and the information made available to the employees.[59] General and special skills and experience are usually mixed in the conglomerate fund of information which the business attempts to protect,[60] and the result of a case may be determined by the type of skill and experience the court examines more closely.[61]

The inventor's unique employment complicates the traditional analysis because the employee produces confidential information which adds to his skill and experience when he performs his function. Though an inventor gains general experience and skill through his employment, he also gains valuable information about the weaknesses and inapplicability of certain methods that were tested. It is not clear whether this is protectible confidential information or merely an unprotectible addition to the employee's skill and experience.[62] Knowledge of the correct steps leading to an inven-

58. "No ready formula has been yet devised by which general and special knowledge can be clearly differentiated, and by which the manner and type of information an employee may use can be determined . . . ." 2 CALLMANN § 55.2(a), at 824; *accord*, Blake, *supra* note 29, at 653.

59. Universal Winding Co. v. Clarke, 108 F. Supp. 329, 333, 336-37 (D. Conn. 1952); Arthur Murray Dance Studios, Inc. v. Witter, 62 Ohio L. Abs. 17, 105 N.E.2d 685 (C.P. 1952) (many considerations listed).

60. Universal Winding Co. v. Clarke, *supra* note 59; see Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied*, 294 U.S. 711 (1935). Also in cases not based on contract, general skill and experience have been enjoined along with trade secrets but only because general skill and experience were incidental to the protection of the trade secrets. *E.g.*, B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963). However, in *Universal Winding* the specialized skill and knowledge learned was deemed a protectible interest. Universal Winding Co. v. Clarke, *supra* note 59, at 333.

61. See 2 CALLMANN § 55.2 (discussion refers to trade secrets, but is applicable to covenants).

62. It seems too general to say that he may use "the knowledge and acquaintance which he acquired in his former employment in his new employment"; and the statement that "an employee, upon the severance of his employment, has the unquestioned right of competition and the privilege of using any knowledge acquired by him in the course of his employment so long as he is fair and does not violate any confidence" simply begs the question. . . . . Since experience is

tion seems worthy of confidential treatment because of its value in inventing related products,[63] although this knowledge is probably not protectible as a trade secret.[64]

A better approach may be to examine what information or processes the inventor is using in his new employment, then determine whether a significant portion of this skill and experience was derived from his previous employment, and finally determine whether damage resulted to the former employer. This analysis was adopted in *Universal Winding Co. v. Clarke*,[65] where a covenant to assign postemployment inventions afforded

---

something a man acquires, a standard must be found to test whether, in a particular case, an employee's experience is such as will permit of its use after termination of the employment, even though it may prove detrimental to his former employer. 2 CALLMANN § 55.2(a), at 824-25. (Footnotes omitted.)

63. Houghton v. United States, 23 F.2d 386 (4th Cir.), *cert. denied*, 277 U.S. 592 (1928); Westinghouse Air-Brake Co. v. Chicago Brake & Mfg. Co., 85 Fed. 786, 792-96 (C.C.N.D. Ill. 1898); Printing & Numerical Registering Co. v. Sampson, L.R. 19 Eq. 462 (1875).

The methods of development and knowledge of the trial and error process of invention has been recognized as deserving protection in Houghton v. United States, *supra*. The court stated that, "when an employee merely does what he is hired to do, his successes, as well as failures, belong to his employer." *Id.* at 390. Prior to that time Sir G. Jessel had recognized such protection in Printing & Numerical Registering Co. v. Sampson, *supra*.

Now nothing is better known than this, that when persons have turned their attention to a particular class of invention they are likely to go on and invent, and likely to continuously improve the nature of their invention, and continuously to discover new modes of attaining the end desired. *Id.* at 464.

Accord, Westinghouse Air-Brake Co. v. Chicago Brake & Mfg. Co., 85 Fed. 786, 792-96 (C.C.N.D. Ill. 1898).

64. In several trade secret cases, courts have enjoined the employee from employment in certain fields to prevent disclosure of trade secrets. However, the protection was not primarily for the use of the knowledge of the processes leading to invention. E. I. duPont de Nemours & Co. v. American Potash & Chem. Corp., 200 A.2d 428 (Del. Ch. 1964); Schulenburg v. Signatrol Inc., 50 Ill. App. 2d 402, 200 N.E.2d 615 (1964); B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963). However, if only inventive knowledge was claimed as a trade secret there are several reasons why it might not be protected. (1) The inventive process might be generally known. (2) Since trade secrets are to protect advances over prior knowledge, the court might not recognize the value of knowing prior failures in developing a product. See notes 7-8 *supra* and accompanying text. (3) Even if a trade secret could be recognized, it would be difficult to prove that the inventor actually used the same steps during former employment. See Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (1960), *cert. denied*, 365 U.S. 869 (1961); Welex Jet Servs., Inc. v. Owens, 325 S.W.2d 856 (Tex. Civ. App. 1959). (4) The court may find that the process has not become the property of the employer or that the process is the general skill, knowledge, and experience of the employee. Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960); 2 CALLMANN § 55.2(a). When the end product has been patented and therefore the trade secret destroyed, the incidental value of the knowledge of the process leading to invention, is also no longer protected by trade secret law. See note 39 *supra* and accompanying text.

65. 108 F. Supp. 329 (D. Conn. 1952).

protection against the use of inventive experience and skill developed during employment. The court reasoned that

> it was necessary for the proper protection of plaintiff's competitive position that a current knowledge of the plaintiff's great fund of specialized information and accumulated experience in the field of winding machinery should be made unavailable for the development of designs inuring to the benefit of plaintiff's competitors.[66]

b. effect on the employee. If the covenant has an unduly restrictive effect on the future activities of the employee, its enforcement would be unreasonable.[67] Postemployment assignment agreements "effectively close the doors of employment"[68] in competitive firms because potential employers will not hire inventors having an obligation to assign their work product.[69] In order to allow other avenues of employment to the employee in related areas of inventive work, the subject matter of the assignment covenant must be restricted to the specific subject matter which the employee encountered in his position[70] and must not include lines of business in which the employer might potentially engage.[71]

c. the public interest. The public interest dictates that investment in research and development be encouraged and that the inventor be allowed freedom to seek his best position. Therefore, the interest to be protected and the injury to the employee should be reconsidered from the perspective of the public interest.[72] Of course, this examination is influenced by the

66. *Id.* at 333.

67. Universal Winding Co. v. Clarke, *supra* note 65; see Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied,* 294 U.S. 711 (1935); Standard Plunger Elevator Co. v. Stokes, 212 Fed. 893 (2d Cir. 1914); National Cash Register Co. v. Remington Arms Co., 212 App. Div. 343, 209 N.Y. Supp. 40 (1925), *aff'd,* 242 N.Y. 99, 151 N.E. 144 (1926); Blake, *supra* note 29, at 676, 678 n.178.

68. Guth v. Minnesota Mining & Mfg. Co., *supra* note 67, at 388; *accord,* Universal Winding Co. v. Clarke, *supra* note 65, at 332.

69. In Universal Winding Co. v. Clarke, *supra* note 65, the court noted the restrictive effect on the employee:

> no competitor of the plaintiff [the former employer] in the field of winding machines would want to employ a designer who for the first year was under obligation to disclose the fruit of his labor to . . . [his former employer] and in effect give the . . . [former employer] a first option on any patentable rights . . . . Thus in this aspect the agreement savored of a covenant for the year following employment by the plaintiff not to work, or not to accept employment, for one year in the field of the design of winding machines. *Id.* at 332.

70. Gas Tool Patents Corp. v. Mould, 133 F.2d 815, 818 (7th Cir. 1943); see Universal Winding Co. v. Clarke, *supra* note 65.

71. Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied,* 294 U.S. 711 (1935); Universal Winding Co. v. Clarke, *supra* note 65.

72. Blake, *supra* note 29, at 686. One situation in which the effect on the public is a deciding factor occurs when the subject matter of the covenant is of an illegal nature. In Lanteen Labs., Inc. v. Clark, 294 Ill. App. 81, 13 N.E.2d 678 (1938), Clark was employed to develop a specialized type of contraceptive device. He agreed

previous determination of the effect of the covenant on the other interests. Another consideration may be avoiding monopolies or restraints on competition.[73] Also, it is possible that urgently needed inventions such as medical instruments, drugs, strategic defense materials, and components for other publicly supported projects comprise an additional factor in the public interest that may persuade the court to reach a decision fostering the fastest and most inexpensive production.[74]

2. *Duration*

a. interest of the employer. Although agreements to assign inventions for an unlimited duration after employment have been upheld,[75] they are generally invalid.[76] Usually, the time restriction is not allowed to exceed the reasonable needs of the employer in protecting his interests.[77] Reasonable protection to business interests embraces the concept of "lead time,"[78] which is the time necessary for a business to make a head start in marketing and further development. Lead time varies with the characteristics of the product

---

to assign to his employer all patent applications for these articles which would be filed during and for five years after employment. After employment terminated, Clark invented a new contraceptive and Lanteen filed suit for specific performance. At that time, the sale of contraceptives was prohibited in Illinois, and the court held that the contract was unenforceable. *Id.* at 91-93, 13 N.E.2d at 682.

73. See RESTATEMENT, CONTRACTS § 515 (1932):

> A restraint of trade is unreasonable, in the absence of statutory authorization or dominant social or economic justification, if it
>
> . . .
>
> (c) tends to create, or has for its purpose to create, a monopoly, or to control prices or to limit production artificially . . . .

Another consideration that may arise in future cases is that the effect of a covenant to assign postemployment inventions may be contrary to the purposes of the patent laws to encourage disclosure of inventive results, thereby bringing useful inventions into the public domain quickly. Harv. Bus. Rev., Sept.-Oct. 1963, p. 7.

74. *Contra,* De Long Corp. v. Lucas, 176 F. Supp. 104 (S.D.N.Y. 1959), *aff'd,* 278 F.2d 804 (2d Cir.), *cert. denied,* 364 U.S. 833 (1960) (assignment granted of patent involving construction of defense warning system); B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963) (enjoined employment involving trade secrets on space suit construction).

75. Shur-Loc Elevator Safety Co. v. Purcell, 196 App. Div. 546, 188 N.Y. Supp. 25 (1921), *affirming mem.* 185 App. Div. 888, 171 N.Y. Supp. 1099 (1918) (analysis not made of reasonableness of time period); see Thibodeau v. Hildreth, 124 Fed. 892 (1st Cir. 1903) (agreement was upheld only as interpreted to include inventions during employment).

76. *E.g.,* Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied,* 294 U.S. 711 (1935); Standard Plunger Elevator Co. v. Stokes, 212 Fed. 893, 896 (2d Cir. 1914).

77. Blake, *supra* note 29, at 677; see RESTATEMENT, CONTRACTS § 515, comment *c* (1932).

78. Universal Winding Co. v. Clarke, 108 F. Supp. 329, 333-34 (D. Conn. 1952); Blake, *supra* note 29, at 670, 676, 678; see ELLIS § 106.

and the marketing situation; for example, a product characterized by complex production arrangements or infrequent replacement warrants extended protection. In *Universal Winding,* the manufacture of winding machines (complicated products which are seldom replaced) was involved, and a one-year postemployment covenant was declared reasonable to protect the employer's exploitation of his designs.[79]

b. effect on the employee. Postemployment time restrictions must be reasonable in their impact on the employee. If an employee received no specialized knowledge because he had previous experience in the field, any time restraint probably would be unreasonable.[80] Also, in the balancing process, the length of disablement must not be unreasonable in relation to the value of the knowledge that the employee acquired. In *Universal Winding,*[81] the employee had no prior experience as a designer, and the court upheld a covenant involving a one-year restriction. However, in *Guth v. Minnesota Mining & Mfg. Co.,*[82] the worker, who was a chemical engineer before employment, entered into a covenant that required assignment of postemployment inventions for an unlimited time period. The court severed all provisions of unlimited duration because the covenant as written would have prevented the employee's future employment in the chemical industry for life or would have donated "the children of his inventive genius" to the former employer.[83]

c. the public interest. The public is interested in ultimate production of inventive talent. This requires protection of both the employee's freedom and the employer's continued investment in research. However, if continued employment in one positon is impossible, enforcement of a contract which forever prevents an inventor from actively engaging in his most knowledgeable field would stifle his utility to the public. Therefore, in *Guth,*

79. Universal Winding Co. v. Clarke, *supra* note 78. The court stated:

> to exploit these designs to its advantage, it was obviously necessary for the plaintiff to put them into actual production, to test them, and build up a market for them before imitative competitors could begin that process of development. For a task which thus involved the translation of a design in the blue-print stage to an operable, tested machine in the hands of customers, it is reasonable to infer that generally the plaintiff for its competitive needs would require at least a year's time. *Id.* at 333.

However, this one-year period should not be considered as the maximum possible period of protection because a longer length of time might have been held reasonable (1) if litigated or (2) if the covenant had not included a broad provision that required assignment of any invention developed in the field whether produced with the use of general skills or specialized knowledge.

80. See 2 CALLMANN § 55.2(a) (refers to trade secrets, but applicable to covenants); Blake, *Employee Agreements Not to Compete,* 73 HARV. L. REV. 625, 676 (1960).

81. Universal Winding Co. v. Clarke, 108 F. Supp. 329 (D. Conn. 1952).

82. 72 F.2d 385 (7th Cir. 1934), *cert. denied,* 294 U.S. 711 (1935).

83. *Id.* at 388.

a covenant unlimited in duration that excluded the employee from a broad area of the industry was held to be against the public interest.[84] However, the balancing process may allow a lengthy time restriction if the subject matter of the covenant is strictly limited.[85] To compromise these conflicting interests, one solution may be to restrict an employee's mobility for only a reasonable lead time, in this way protecting the employer long enough to take advantage of his investment while not unreasonably affecting the future of the employee.[86]

3. *Geographic Area*

Geographic area usually can be eliminated as a factor in invention cases because inventive ideas have transferable value,[87] and effective protection of the employer's interest must include all available marketing areas. Cases involving postemployment assignment covenants that have considered the restraint of trade tests have not applied this factor.[88] However, if a broad restriction includes regions where a business cannot be damaged, a court would probably consider the reasonableness of geographic restrictions.

CONCLUSION

Both postemployment assignment covenants and the legal safeguards protecting trade secrets attempt to deter misappropriation of intangible business interests that have novelty and confidentiality.[89] However, the range of

84. *Id.* at 388-89.

85. Universal Winding Co. v. Clarke, 108 F. Supp. 329 (D. Conn. 1952).

86. Universal Winding Co. v. Clarke, *supra* note 85, at 334; Blake, *supra* note 80, at 678.

87. 1 NIMS § 156, at 433-34; Blake, *supra* note 80, at 675, 679; see Vulcan Detinning Co. v. American Can Co., 67 N.J. Eq. 243, 58 Atl. 290 (Ch. 1904).

88. Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied*, 294 U.S. 711 (1935) (factor recognized as a possible basis for severance); Universal Winding Co. v. Clarke, 108 F. Supp. 329 (D. Conn. 1952). *But cf.* Note, 81 L.Q. REV. 5, 6 (1965).

89. A trade secret must be a substantial advance over prior knowledge. Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250, 273 (S.D. Cal. 1958), *aff'd mem.*, 283 F.2d 695 (9th Cir. 1960), *cert. denied*, 365 U.S. 869 (1961); Newell v. O. A. Newton & Son Co., 104 F. Supp. 162 (D. Del. 1952); *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 949 (1964); see Wexler v. Greenberg, 399 Pa. 569, 160 A.2d 430 (1960). It must also be confidential in two senses. (1) It must have been treated as confidential by the employer, and it must not be generally known. Hahn & Clay v. A. O. Smith Corp., 212 F. Supp. 22, 31 (S.D. Tex. 1962), *aff'd*, 320 F.2d 166 (5th Cir.), *cert. denied*, 375 U.S. 944 (1963); Sarkes Tarzian, Inc. v. Audio Devices, Inc., *supra*; Newell v. O. A. Newton & Son Co., *supra*; Schulenburg v. Signatrol Inc., 50 Ill. App. 2d 402, 200 N.E.2d 615 (1964); Space Aero Prods. Co. v. R. E. Darling Co., 238 Md. 93, 208 A.2d 74 (1965); National Starch Prods., Inc. v. Polymer Indus., Inc., 273 App. Div. 732, 79 N.Y.S.2d 357, *motion for leave to appeal denied*, 274 App. Div. 822,

interests protectible by postemployment contracts is not limited to trade secrets because the subject matter of a covenant is only required to be reasonably necessary for the protection of the business. Although the range of protectible interests is potentially greater, the employer might be afforded less protection by the use of covenants than by relying on trade secret law because enforcement of the former is limited by the reasonableness tests. Proof of the contract and breach seem easier to establish than the requirements of a trade secret,[90] especially when a breach has clearly occurred, but the restraint of trade tests may unexpectedly prevent enforcement. For ex-

81 N.Y.S.2d 278 (1948); B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio App. 493, 192 N.E.2d 99 (1963); 1 NIMS § 142, at 407 (valuable only for continuance of secret); *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 949 (1964); see 2 CALLMANN § 53.3, at 809; ELLIS §§ 26, 53. (2) The receiver must have knowledge that the information was confidential. Schulenburg v. Signatrol Inc., *supra*; RESTATEMENT, TORTS § 757 (1939); see Space Aero Prods. Co. v. R. E. Darling Co., *supra*; *Developments—Competitive Torts*, 77 HARV. L. REV. 888, 950 (1964).

In comparison, interests protectible by contract must also have value because of confidentiality and novelty. (1) Confidentiality is required of the interest to be protected by the restrictive covenant. Hydraulic Press Mfg. Co. v. Lake Erie Eng'r Corp., 132 F.2d 403 (2d Cir. 1942); Mutual Loan Co. v. Pierce, 245 Iowa 1051, 65 N.W.2d 405 (1954); Abramson v. Blackman, 340 Mass. 714, 166 N.E.2d 729 (1960); Arthur Murray Dance Studios, Inc. v. Witter, 62 Ohio L. Abs. 17, 105 N.E.2d 685 (C.P. 1952). However, the usage of the term is much broader in contract law than in the law of trade secrets; see note 51 *supra* and accompanying text. (2) Novelty is also required of the interest to be protected by a covenant. Kelite Corp. v. Khem Chems., Inc., 162 F. Supp. 332 (N.D. Ill. 1958); Harry Livingston, Inc. v. Macher, 30 Del. Ch. 94, 54 A.2d 169 (Ch. 1947); Roy v. Bolduc, 140 Me. 103, 34 A.2d 479 (1943); Kaumagraph Co. v. Stampagraph Co., 235 N.Y. 1, 138 N.E. 485 (1923); Molina v. Barany, 56 N.Y.S.2d 124, 130 (Sup. Ct. 1945). It is certain that the novelty does not have to be in the trade secret sense, that is, previously unknown or narrowly limited in use. Irvington Varnish & Insulator Co. v. Van Norde, 138 N.J. Eq. 99, 46 A.2d 201 (Ct. Err. & App. 1946). Blake has pointed this out as a fallacy but nonetheless it is existing law. Blake, *supra* note 80, at 673. In some cases, a considerable investment by the employer in time, effort and money seems to have satisfied the requirement for protection. Lee v. Samburn, 94 U.S.P.Q. 153, 154 (Cal. Super. Ct. 1952); see Eastman Kodak Co. v. Powers Film Prods., Inc., 189 App. Div. 556, 179 N.Y. Supp. 325 (1919).

Therefore, even though trade secrets and interests protectible by contract have different requirements as to degree, the characteristics of novelty and confidentiality can be found in both. In fact, several cases have recognized the possibility of recovery on covenant or trade secret alternatively. Hahn & Clay v. A. O. Smith Corp., *supra*; Head Ski Co. v. Kam Ski Co., 158 F. Supp. 919 (D. Md. 1958); Securities Acceptance Corp. v. Brown, 171 Neb. 701, 107 N.W.2d 540 (1961); Hudson Foam Latex Prods., Inc. v. Aiken, 82 N.J. Super. 508, 517, 198 A.2d 136, 141 (App. Div. 1964); B. F. Goodrich Co. v. Wohlgemuth, *supra* (court noted that decision could have been based on contract); Arthur Murray Dance Studios, Inc. v. Witter, *supra*; Welex Jet Servs., Inc. v. Owen, 325 S.W.2d 856 (Tex. Civ. App. 1959).

90. For discussion of the proof problems in trade secret law see notes 24-26, 64 *supra* and accompanying text.

ample, a contract designed to protect an interest for an unrestricted duration would be unenforceable because of the unreasonable effect on the employee,[91] but the same interest considered as a trade secret would be protected for "the life of the secrecy."[92]

There are three overriding problems in protecting inventive ideas through the use of postemployment assignment covenants. The first problem is the analysis that should be applied to covenants which attempt to protect subject matter that is actually a trade secret. The second is how far contracts may extend protection without being unenforceable because of public policy. The limitations will be determined by the restraint of trade tests, which allow enforcement only if the provisions are reasonable. However, the result is difficult to predict in advance of breach because the courts look to the circumstances existing at the time of enforcement to determine the reasonableness of the covenant's effect.[93] The third problem is what, if any, protection the courts should afford an employer if the effect of a covenant overreaches the reasonableness tests and is therefore unenforceable.

In some situations it is probable that a covenant is employed to establish the requirements of a trade secret or to avoid problems in the law of trade secrets. In order to apply a test that is consistent with the purpose for which the covenant was intended, the court could apply a two-step analysis in which the subject matter is considered alternatively. (1) If the contested invention would be protectible as a trade secret, then this approach would apply trade secret requirements to postemployment covenants since these covenants add nothing to the existing protection given by the law of trade secrets.[94] (2) If the subject matter is not a trade secret or the protection sought is greater than that available under trade secret law, then the restraint of trade tests would be applied to determine the enforceability of the contract.

When a covenant protects trade secret information and adds assignment as the predetermined relief for misappropriation, it is possible to categorize the covenant as merely duplicating trade secret law; but it can also be con-

91. For full discussion, see notes 80-83 *supra* and accompanying text.

92. 2 CALLMANN § 54.2, at 816. For a full discussion, see notes 4-11 *supra* and accompanying text.

93. Arthur Murray Dance Studios, Inc. v. Witter, 62 Ohio L. Abs. 17, 39-40, 105 N.E.2d 685, 700 (C.P. 1952), lists many factors existing at the time of the trial which may influence the decision of the court. See Blake, *supra* note 80, at 674. *Contra*, Slynn, *Restrictive Provisions In Contracts of Employment*, 5 BUS. L. REV. 216, 217 (1958).

94. A covenant which protected secrets and provided for postemployment assignment of inventions was at one time not subject to the restraint of trade analysis. Morse Twist Drill & Mach. Co. v. Morse, 103 Mass. 73 (1869); *accord*, Hulse v. Bonsack Mach. Co., 65 Fed. 864, 869 (4th Cir. 1895). *But see* Blake, *supra* note 80, at 669 n.146.

tended that assignment, which is merely specific performance, transforms the action into one seeking enforcement of a contract, and therefore, the reasonableness tests should apply.[95] However, in some trade secret cases constructive trusts and other equitable devices have been granted to transfer ownership of interests in ideas.[96] Therefore, it seems that the contract should be viewed as a prior agreement for the relief to be given if a misappropriation of a trade secret occurs.[97]

Assignment covenants have not been analyzed by this approach because there has been only slight recognition that the purpose of some contracts is to protect trade secrets and only to add assignment as the appropriate relief to existing trade secret protection.[98] Courts have recognized the parallelism of the characteristics of trade secrets and protectible interests in covenants but discuss the problem either as all contract or all trade secret and not as a trade secret with the relief specified by contract.[99]

---

95. See Blake, *supra* note 80, at 669 n.146.

96. Colgate-Palmolive Co. v. Carter Prods., 230 F.2d 855, 865 (4th Cir.), *cert. denied*, 352 U.S. 843 (1956) (assignment required of patents on inventions discovered during former employment); De Long Corp. v. Lucas, 176 F. Supp. 104, 134 (S.D.N.Y. 1959), *aff'd*, 278 F.2d 804 (2d Cir.), *cert. denied*, 364 U.S. 833 (1960) (constructive trust); Wireless Specialty Apparatus Co. v. Mica Condenser Co., 239 Mass. 158, 166, 131 N.E. 307, 310 (1921).

Most trade secret cases are brought before a postemployment invention has been completed, and assignment is not necessary. Businesses try to enjoin a threatened disclosure at the earliest possible moment to prevent the information from becoming so widespread as to make complete relief impossible and to prevent the information from losing its confidential nature and value. However, in this situation, assignment of patent rights may be the only manner of re-acquiring the exclusive use of the invention.

97. Courts are accustomed to determining if possible relief will cause hardship before enforcing contracts providing for specific performance. McCLINTOCK, EQUITY § 70 (2d ed. 1948). McClintock states that "a common case of hardship which defeats specific performance of a contract is inability to exercise a trade or calling because of restrictions imposed by a contract with a former employer." *Id.* § 70, at 192. Also, if equity would not grant specific performance, the court could at its discretion impose the normal remedies for misappropriation of trade secrets. *Id.* § 70, at 194.

98. It has been recognized that a contract may be "merely declarative of a pre-existing right." Consolidated Boiler Corp. v. Bogue Elec. Co., 141 N.J. Eq. 550, 566-67, 58 A.2d 759, 769-70 (Ch. 1948); L. M. Rabinowitz & Co. v. Dasher, 82 N.Y.S.2d 431 (Sup. Ct. 1948); Todd Protectograph Co. v. Hirshberg, 100 Misc. 418, 165 N.Y. Supp. 906 (Sup. Ct. 1917); Blake, *supra* note 80, at 669 n.146; Note, 42 COLUM. L. REV. 317, 318 (1948). However, this has not eliminated the necessity of contractual tests, and the courts have examined the business interest by the restraint of trade method to find if it necessitated protection.

99. Several cases have recognized alternative grounds for recovery. Hahn & Clay v. A. O. Smith Corp., 212 F. Supp. 22, 31 (S.D. Tex. 1962), *aff'd*, 320 F.2d 166 (5th Cir.), *cert. denied*, 375 U.S. 944 (1963); Head Ski Co. v. Kam Ski Co., 158 F. Supp. 919, 923 (D. Md. 1958); State Farm Mut. Auto. Ins. Co. v. Dempster, 174 Cal. App. 2d 418, 426, 344 P.2d 821, 825 (1959); B. F. Goodrich Co. v. Wohlgemuth, 117 Ohio

The proposed analysis would clarify which issues are to be treated as contract or tort and would limit the application of the additional contract considerations and the reasonableness requirements to provisions in contracts which attempt to expand the employer's rights beyond the limits of trade secret law.

The third problem occurs when an employer attempts to provide protection that he feels is necessary, but when a breach occurs, the effect of enforcement of the provisions of the contract appears unreasonable to the court. Interpretation and severance are presently used to construe covenants so that their effect will be reasonable. However, it can be argued that this method does not rectify the unreasonable effect of these covenants. Most employees attempt to fulfill their obligations, and therefore most of these agreements are never breached. Thus, employers impose unreasonable restrictions upon their employees in the hope that the covenant will not be litigated. On the other hand, when entire provisions are severed, the employer often receives less protection from the remaining provisions than he would have received from the law of trade secrets.[100]

One judicial approach would be to declare totally void and unenforceable any contract which, on its face, seemed to violate any of the fairness tests. This approach would use the threat of total invalidity as a sanction against employers who draft unreasonably broad provisions which, though unenforceable if litigated, still have an *"in terrorem"* effect on employees who comply with their contracts.[101]

On the other hand, this approach carries with it the danger of overgenerous treatment of employees. Most inventors are more educated than the normal industrial employee and may even be in a strong bargaining position as individuals.[102] The courts' attempt to protect the employee from overreaching covenants should not prevent them from seeking to determine what the covenant meant to the parties involved.[103] If the employee was

---

App. 493, 192 N.E.2d 99 (1963); Roy v. Bolduc, 140 Me. 103, 34 A.2d 479 (1943); Arthur Murray Dance Studios, Inc. v. Witter, 62 Ohio L. Abs. 17, 105 N.E.2d 685 (C.P. 1952). However, in these cases each action was discussed separately as if they were unrelated.

100. See Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied*, 294 U.S. 711 (1935).

101. Blake, *supra* note 80, at 682.

102. See Blake, *supra* note 80, at 683.

103. A basic concept of the law of contract is that

> within the rather broad limits of public policy . . . the parties can agree to do anything they wish, and the courts will enforce their agreement according to its terms. (The "law" of contracts is related primarily to proof—what, if anything, have they agreed to do, or what can a court piece together out of a jumbled mass of disconnected data that it can say represents what they agreed to do). W. Jones, *Back to Contract?*, 1964 WASH. U.L.Q. 143, 161.

not forced to sign an agreement which he thought seriously hindered his future activities, and if what he and his employer understood the covenant to cover was reasonable, it is hard to see why the entire contract should be unenforceable on the grounds that it might be ambiguous enough to have another meaning which the court deems unreasonable. For instance, in *Universal Winding Co. v. Clarke*,[104] the parties entered into an agreement providing for assignment by the employee of inventions or improvements which related to "the subject-matter of his employment."[105] The court may have carried out the reasonable intentions of the parties by limiting the meaning of the quoted phrase to inventions and improvements of winding machines (which was the task in which the employee was actually engaged).[106]

Admittedly, the line may be difficult to draw because it is sometimes not easy to tell the difference between interpreting the parties' words to make them describe a reasonable restriction and rewriting the clause to get a reasonable result. However, when rewriting is done to prevent voiding the contract, the employer receives the value of an unfairly broad statement of the employee's limitations together with enforcement if the court feels that restriction of the employee's conduct would have been permissible by a more limited contract.

In most cases, the question will not be close. A restriction "forever" does not mean "one year or six months," and a "forever" clause should prevent

---

The restraint of trade tests define the limits of public policy for enforcement of covenants. One purpose of these tests is to assure that the employer is not taking unfair advantage of the employee, but the shortage of inventive talent and the likelihood that an inventor is highly educated may decrease the advantage of the employer in obtaining a postemployment covenant. By interpretation and severance, courts may be recognizing the probability of a good faith agreement and merely attempting to determine what the parties have agreed to do, even though in some cases the construction process is carried too far. See Note, 81 L.Q. REV. 5, 7 (1965).

104. 108 F. Supp. 329 (D. Conn. 1952).

105. *Id.* at 331.

106. In Universal Winding Co. v. Clarke, *supra* note 104, a covenant requiring assignment of all inventions and improvements invented during or within one year following termination of employment and relating to "(1) the subject-matter of his employment; or (2) any subject matter or problem with respect to which he might become informed by reason of his employment; or (3) any article manufactured or to be manufactured by the plaintiff; or (4) any experimental work carried on by the plaintiff" was construed to include only inventions peculiar to the very narrow field of winding machine manufacture. *Id.* at 331. However, the court only considered the application of phrase one. It did not consider the possibly unreasonable effect that the other phrases may have had on the employee. Although the other provisions were not explicitly severed, the court's analysis of the case amounts to the same result as severance. This may be a fallacy in the case.

enforcement of the entire contract.[107] "Any and all inventions or improvements having in any way any connection with any item manufactured by the employer" does not mean some limited field of subject matter.[108] When it is clear that the clause overreaches the limits of reasonableness, the contract should not be enforced. The only limitation on the court should be that it not strain to find a possible interpretation which is too restrictive if it is unlikely that the language was given this meaning by the parties (especially the employee). Lastly, if the contract is declared void, trade secret protection should not be eliminated if such protection would have been available in the absence of the contract.

---

107. See Guth v. Minnesota Mining & Mfg. Co., 72 F.2d 385 (7th Cir. 1934), *cert. denied*, 294 U.S. 711 (1935). The court did not declare the contract unenforceable but severed from the contract the clause providing for unlimited duration.

108. See Gas Tool Patents Corp. v. Mould, 133 F.2d 815 (7th Cir. 1943). The covenant in issue contained similar language. Although the court did not allow assignment, it did not declare the contract unenforceable, and the covenant was interpreted to exclude the contested invention. *Id.* at 818. Therefore, it is unclear whether the covenant would be enforced in the future if the facts of the case were different.