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First Draft Law & Tech Writing Seminar

I. INTRODUCTION: REJECTION OF THE DOCTRINE OF INEVITABLE DISCLOSURE IN *GLOBESPAN V. O'NEILL*

A. Brief summary of the doctrine of inevitable disclosure (DID)
B. State and federal jurisdictions have not applied this doctrine uniformly
C. *Globespan v. O'Neill*: Following precedent in the Central and Northern Districts of California, the Central District of California rejects the DID as counter to public policy
D. Although not yet subject to appellate review, *Globespan* and its predecessors indicate that California courts have adopted a *per se* rule barring the use of the doctrine in actions for trade secret misappropriation
E. Conclusion/thesis: rejection of the doctrine based on public policy (§ 16600/employee mobility) was improper; however, the doctrine should be applied only under rare circumstances

II. LEGAL BACKGROUND

A. Introduction

Legal regimes that protect trade secrets provide businesses with an important incentive to create and develop new technologies.[1] Businesses can utilize proprietary information to their economic advantage only so long as it remains secret from competitors. By punishing those who improperly disclose and use protected information, trade secret laws spur innovation by providing an efficient means by which business can protect their investments in research and development.[2] Trade secret laws find further support under theories of fairness and morality: it is simply wrong to steal the property that is the fruit of another's labor.[3] However, overbroad application of trade secret laws can interfere with competition and employee mobility.[4] Thus, trade secret laws must

[1] *See generally* ROBERT MERGES ET AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 31-122 (2nd ed. 2000).
[2] Susan Street Whaley, Comment, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 816 (1999).
[3] MERGES ET AL., *supra* note 1, at 43.
[4] Whaley, *supra* note 2, at 840-41.

strike a careful balance between protecting business' proprietary information and promoting competition and employee autonomy.[5]

Trade secret doctrine, which originated as a common law tort, initially emerged as a unified body of law in the Restatement (First) of Torts and later in The Uniform Trade Secrets Act (UTSA).[6] Forty-two states, including California, have adopted the UTSA or a modified version of the UTSA.[7] The UTSA defines "trade secret" broadly as any "information, including a formula, pattern, compilation, program, device, method, technique, or process, that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."[8] California's version of the UTSA ("CUTSA") eliminates the "readily ascertainable" language in clause (i).[9]

For a finding of trade secret misappropriation, California courts require that the defendant use, disclose, or acquire knowledge of the trade secret, knowing the secret was acquired by improper means or in violation of a duty of confidentiality.[10] In accordance

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[5] *Id.*
[6] *See* JAMES POOLEY, TRADE SECRETS § 2.02[1] (1997). ("The first major effort at the synthesis of the developing U.S. law of trade secrets was the Restatement of Torts."); UNIF. TRADE SECRETS ACT, 14 U.L.A. 402-03 (1985 & Supp. 1990).
[7] Benjamin A. Emmert, Comment, *Keeping Confidence with Former Employees: California Courts Apply the Inevitable Disclosure Doctrine to California Trade Secret Law*, 40 SANTA CLARA L. REV. 1171, 1177 (2000).
[8] UNIF. TRADE SECRETS ACT, § 1(4).
[9] CAL. CIV. CODE § 3426.1(d). ([parenthetically indicate why omission of this clause creates broader ts law])
[10] CAL. CIV. CODE § 3426.1(b); *See* Globespan, Inc. v. O'Neill, No. CV 01-04350 LGB, 2001 WL 801609, at *6 (C.D. Cal. July 12, 2001); *See* Danjaq, LLC v. Sony Corp., No. CV 97-8414-ER, 1999 WL 317629, at *1 (C.D. Cal. Mar. 11, 1999).

with the UTSA, California courts may enjoin "actual or threatened misappropriation."[11] [I still need to tighten this section]

B. The Problem of Departing Employees and the Doctrine of Inevitable Disclosure

The departing employee presents a potentially difficult problem for employers seeking to protect their trade secrets.[12] Typically, an employee acquires knowledge of her employers' trade secrets over the course of her employment, especially if she holds a position in management or technology development. When the employee departs, she is allowed to take with her the general skills and knowledge acquired during her employment.[13] However, she may not take away her employer's trade secrets.[14] An employer may attempt to prevent disclosure of trade secret information by the departing employee by enforcing a non-competition agreement or by invoking the doctrine of inevitable disclosure. In some cases, the employer may elect both of the above strategies.

To protect its trade secrets, an employer may try to enforce a non-competition agreement, or "covenant not to compete," previously made between the employer and the employee.[15] In a non-competition agreement, an employee agrees not to work for a competitor, generally for a specified period of time following her departure. California courts have generally held non-competition agreements invalid under California Business

[11] CAL. CIV. CODE § 3426.2(a).
[12] *See generally* MERGES ET AL., *supra* note 1, at 84-90.
[13] [*Official Aviation Guide Co. v. Am. Aviation Assocs.*, 150 F.2d 173, 178 (7th Cir. 1945) - can probably cite to a better source than this]
[14] [need cite]
[15] Whaley, *supra* note 2, at 817.

and Professions Code Section 16600.[16] Section 16600 reflects California's strong public policy favoring employee mobility and free trade.[17] [more on § 16600 here?]

Additionally, an employer may invoke the "doctrine of inevitable disclosure" to obtain an injunction blocking the departing employee from working for a competitor.[18] This doctrine is based on the presumption that an employee cannot help but rely on her knowledge of a former employer's trade secrets in the performance of a new position having similar responsibilities.[19] In principle, the employer need not show actual misappropriation or even intent to misappropriate under this theory.[20] Like non-competition agreements, the doctrine of inevitable disclosure reveals the tension between trade secret protection and employee mobility.

The Seventh Circuit upheld the doctrine of inevitable disclosure in the landmark case of *PepsiCo v. Redmond*.[21] Here, PepsiCo enjoined Defendant Redmond, a former employee, from working for its direct competitor, Quaker.[22] As a high-level executive, Redmond managed PepsiCo's entire business unit in California.[23] He acquired knowledge of PepsiCo's trade secrets, including its three-year strategic plan, its pricing structure, its plans for gaining further market share, and its new product delivery system.[24] In 1994, Redmond left PepsiCo to accept a nearly identical position at Quaker, where he would implement marketing and distribution strategies for competing

[16] [Insert citation; reproduce text of § 16600 here or in text?]
[17]
[18] *Id*. at 818-22.
[19] *Id*.
[20] Matthew K. Miller, Note, *Inevitable Disclosure Where No Non-Competition Agreement Exists: Additional Guidance Needed*, 6 B.U. J. SCI. TECH. L. 9, ¶ 16 (2000).
[21] PepsiCo, Inc. v. Redmond, 54 F.3d 1262 (7th Cir. 1995).
[22] *Id*.
[23] *Id*. at 1264.
[24] *Id*. at 1266.

beverages.[25] The court found that, "unless Redmond possessed an uncanny ability to compartmentalize information, he would necessarily be making decisions about Gatorade and Snapple by relying on his knowledge of [PepsiCo's] trade secrets."[26]

Since *PepsiCo*, several state and federal district courts have applied the doctrine of inevitable disclosure in granting injunctions against departing employees.[27] However, many of these cases demonstrate the courts' willingness to apply the doctrine only when the plaintiff has presented evidence that the departing employee was not forthcoming in disclosing his plans for new employment or otherwise acted in bad faith.[28] Some commentators interpret these decisions as limiting the doctrine's applicability to situations where there exists strong evidence of a "threatened" misappropriation.[29] Otherwise stated, courts are reluctant to apply the doctrine in situations where the employer simply fears that the departing employee may inadvertently or unconsciously use or disclose her knowledge of trade secrets.[30]

C. California Courts Have Rejected the Doctrine of Inevitable Disclosure as Counter to Public Policy Favoring Employee Mobility

Until recently, it was unclear whether the doctrine of inevitable disclosure doctrine applied to cases in California and the Ninth Circuit.[31] Some state court decisions suggested that it could. In *Advanced Micro Devices v. Hyundai Electronics*

[25] *Id.* at 1267.
[26] *Id.* at 1269.
[27] DoubleClick, Inc. v. Henderson, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997); Uncle B's Bakery, Inc. v. O'Rourke, 920 F. Supp. 1405 (N.D. Iowa 1996); Merck & Co. v. Lyon, 941 F. Supp. 1443 (M.D.N.C. 1996); Novell, Inc. v. Timpanogos Research Group, Inc., 46 U.S.P.Q.2d 1197 (Utah D. Ct. 1998).
[28] *Id.*
[29] Miller, *supra* note 17, at ¶ 49.
[30] *Id.*
[31] Gary E. Weiss & Sean A. Lincoln, *Accepting the Inevitable: The California Court of Appeal Has Finally Adopted the Trade Secret Doctrine of Inevitable Disclosure*, THE RECORDER, Feb. 2000, at S6.

America, Plaintiff "AMD" filed a complaint against Defendant Hyundai alleging misappropriation of trade secrets.[32] Several employees had left AMD for Hyundai, who announced shortly thereafter the creation of its "flash memory" division, which would directly compete with other manufacturers of flash memory, including AMD.[33] Although AMD presented no direct evidence of misappropriation, AMD convinced the court that the disclosure of its trade secrets by its former employees was inevitable.[34] On this basis, the court issued a preliminary injunction blocking the former AMD employees from working on certain projects for Hyundai.[35]

In *Electro Optical Industries, Inc. v. White*, the Court of Appeal explicitly stated that, "although no California court has yet adopted it, the inevitable disclosure doctrine is rooted in common sense and calls for a fact specific inquiry. We adopt the rule here."[36] Although the court eventually affirmed denial of Plaintiff's motion for a preliminary injunction, finding that the disputed trade secrets either were not known by the Defendant or were not in fact secret, commentators viewed this decision as an affirmative adoption of the doctrine of inevitable disclosure by California.[37] However, the California Supreme Court ordered depublication of this decision.[38]

Recent cases from California federal district courts have summarily rejected the doctrine. In *Danjaq v. Sony Corporation*, the court stated outright that Plaintiffs could not rely on the inevitable disclosure doctrine as articulated in *PepsiCo* because "*PepsiCo*

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[32] First Amended Complaint, Advanced Micro Devices, Inc. v. Hyundai Elecs. Am., Santa Clara Superior Ct. No. CV752679 (Oct. 24, 1995).
[33] *See* Emmert, *supra* note 7, at 1194.
[34] *Id.* at 1195.
[35] *Id.*
[36] 90 Cal. Rptr. 2d 680, 684 (Cal. Ct. App. 1999), *ordered depublished* (April 12, 2000).
[37] *See* Weiss & Lincoln, *supra* note 28.
[38] 90 Cal. Rptr. 2d 680, 684 (Cal. Ct. App. 1999), *ordered depublished* (April 12, 2000).

is not the law of the State of California or the Ninth Circuit."[39] In *Computer Sciences Corporation v. Computer Sciences International, Inc.*, the court granted summary judgment for the Defendants in an action for misappropriation.[40] Here, the court held that a plaintiff cannot rely on the doctrine to establish that misappropriation actually took place.[41] Otherwise stated, the plaintiff may not use the doctrine to fill in gaps where the evidentiary record is lacking.[42]

In *Bayer v. Roche Molecular Systems, Inc.*, the court explicitly stated that, "California trade secrets law does not recognize the theory of inevitable disclosure; indeed such a rule would run counter to the strong public policy in California favoring employee mobility."[43] The court found that the doctrine of inevitable disclosure creates an ex poste facto covenant not to compete, and as such, the doctrine is properly rejected under Cal. Bus. & Prof. Code § 16600.[44]

III. CASE SUMMARY

A. Facts and Procedural Posture

Plaintiff Globespan, Inc., a New Jersey corporation, employed Defendant John O'Neill for nearly three years as a Market Development Manager and Product Line Manager in its "DSL" division. Defendant O'Neill left Globespan to work at Defendant Broadcom, a corporation located in California and one of Globespan's direct competitors. Defendants O'Neill and Broadcom first filed suit seeking declaratory relief of non-

[39] Danjaq, LLC v. Sony Corp., No. CV 97-8414-ER, 1999 WL 317629, at *1 n.1 (C.D. Cal. Mar. 11, 1999)
[40] Computer Sciences Corp. v. Computer Sciences Int'l Inc., Nos. CV 98-1374-WMB SHX, CV 98-1440-WMB SHX, 1999 WL 675446 (Aug. 12, 1999).
[41] *See id.*
[42] *See id* at *16.
[43] 72 F. Supp. 2d 1111, 1120 (N.D. Cal. 1999).
[44] *Id.* at 1119.

misappropriation of trade secrets and alleging unfair competition.[45] Plaintiffs later filed suit in New Jersey state court alleging, *inter alia*, misappropriation of trade secrets. Defendants removed the action from New Jersey state court to New Jersey federal district court on the grounds of diversity of citizenship.[46] The New Jersey federal district court transferred the action to the Central District of California for consolidation with Defendants' first filed suit.[47]

Plaintiff's complaint set forth the following counts: 1) misappropriation of trade secrets against Defendants O'Neill and Broadcom; 2) unfair competition against Defendants O'Neill and Broadcom; and 3) breach of the duty of loyalty against Defendant O'Neill.[48] Plaintiff further moved to enjoin Defendant O'Neill from entering into an employment contract with Defendant Broadcom for at least one year.[49] The court's opinion addressed Defendant Broadcom's motions to dismiss counts one and two on the grounds that the inevitable disclosure doctrine does not provide sufficient basis to support either of these allegations. The court granted both motions.[50]

B. The Court's Analysis of Plaintiff's Trade Secrets Misappropriations Claim [Although it was a substantial part of the case, I am not including the court's choice-of-law analysis since it is not part of my discussion]

To state a claim for misappropriation of trade secrets in California, a plaintiff must prove the following elements: 1) existence of subject matter capable of protection as a trade secret; 2) the secret was disclosed to the defendant, where the disclosee was under

[45] *Id.* at *1.
[46] *Id.*
[47] *Id.*
[48] *Id.*
[49] *Id.*
[50] *Id.* at *7.

legal or contractual obligation not to use or disclose the secret to the plaintiff's detriment; and 3) if the defendant is an employee or former employee of the plaintiff, the plaintiff's interest in protecting its secret must outweigh the employee's interest in using his knowledge to gain employment elsewhere.[51]

Here, the court found that Plaintiff did not meet the second element because it failed to show that Defendant Broadcom actually "used or disclosed Plaintiff's trade secrets." Specifically, the court rejected Plaintiff's argument that the inevitable disclosure doctrine supported a claim for misappropriation. Relying on both *Bayer Corporation* and *Danjaq*, the court stated that, "[t]he Central District of California has considered and rejected the inevitable disclosure doctrine."[52] The court stated that California trade secrets law does not recognize the doctrine of inevitable disclosure, which runs counter to the strong public policy in California favoring employee mobility.[53]

The court further rejected Plaintiff's claim on the grounds that "Plaintiff has not alleged that either Defendants [sic] Broadcom or O'Neill *will use* or disclose Plaintiff's trade secrets."[54] The court therefore seems to acknowledge that a plaintiff can bring a valid claim under section 3426.2(a), which allows injunctive relief for "threatened misappropriation." However, the court's holding implies that the doctrine of inevitable disclosure does not meet the evidentiary requirements for a claim of "threatened misappropriation."[55]

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[51] *Id.* (citing Cal Francisco Inv. Corp. v. Vrionis, 92 Cal. Rptr. 201 (1971)).
[52] *Id.*
[53] *Globespan*, 2001 WL 801609, at *6 (citing Bayer Corp. v. Roche Molecular Sys., Inc., 72 F. Supp. 2d 1111, 1120 (1999).
[54] *Id.* (emphasis added).
[55] [*Id.*]

By this analysis, the court granted Defendant Broadcom's motion to dismiss Plaintiff Globespan's claims against Broadcom of trade secret misappropriation and unfair competition.

IV. ANALYSIS (although some of the analysis is still in outline form, I've elaborated on all major points)

Thesis: *Globespan's* rejection of the doctrine of inevitable disclosure ("DID") under Cal Bus & Prof Code § 16600 was improper. Because the DID does not conflict with California law, California courts must consider the facts that a plaintiff presents under the purview of the doctrine. However, misappropriation claims brought under the DID should be subject to strict judicial scrutiny, thereby maintaining a balance between trade secret protection and employee mobility that, in all but the most extreme cases, favors the employee.

A. The DID Is Not Incompatible with Cal Bus & Prof Code § 16600

The DID creates an evidentiary presumption, not an ex poste facto covenant not to compete.

In Globespan, the court rejected the doctrine of inevitable disclosure as counter to California's public policy favoring employee mobility.[56] In reaching this conclusion, the court relied on the blanket assertion that application of the doctrine creates an ex poste facto or implied covenant not to compete, which the court would otherwise find invalid under Cal Bus & Prof Code § 16600.[57] However, the doctrine itself does no such thing; the doctrine merely expands the pool of evidence that a court may consider in determining whether misappropriation is threatened under UTSA 3426.2(a).[58] Based on its evaluation of this evidence, a court may or may not decide to enjoin an employee from assuming a position with an ex-employer's competitor or to limit the scope of his duties

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56 [Insert citation]
57 [Insert citation]
58 *See* James Pooley, *The Sky Is Not Falling: When It Comes to Trade Secrets and Employee Mobility, a Little 'Inevitable Disclosure' Is Not Such a Bad Thing*, THE RECORDER, Nov. 1998, at S31; *see* Michael Starr, *The Two Faces of Inevitable Disclosure*, MONDAQ BUS. BRIEFING, 2001 WL 8986722 (May 29, 2001).

therein.[59] Thus, to say that the doctrine creates a judicial covenant not to compete confuses a possible outcome of the doctrine with its use as an evidentiary tool.[60]

However, the only possible outcome to a finding of "inevitable disclosure" is injunctive relief prohibiting the employee from assuming his new position or restricting his duties under his new position. Any alternative form of relief, for example, allowing the employee to assume his new position without restriction but enjoining the use or disclosure of the trade secret, would prove ineffectual. This is so because the doctrine presumes that disclosure is "inevitable," that is, outside the power of the employee to consciously prevent or control.[61] In view of this singular outcome, did the Globespan court correctly find that the doctrine necessarily conflicts with Cal Bus. & Prof. Code § 16600? The answer to this question must be "no" in view of judicial interpretation of § 16600.

Even if the DID creates an ex poste facto covenant not to compete, a judicially created exception to § 16600 permits restrictive covenants where necessary to protect trade secrets.

Although California courts generally reject covenants not to compete under § 16600, a judicially created exception to § 16600 allows enforcement of covenants not to compete where necessary to protect an employer's trade secrets.[62] Thus, the courts in California have already determined that trade secret protection can "trump" employee mobility. We can apply this same rationale to assessing judicial application of the DID in

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[59] *PepsiCo* and other cases (complete bar to employment with competitor); *FMC* and *Lyon* (employee allowed to assume position at new employer but court limited scope of duties).
[60] Pooley, *supra*
[61] *PepsiCo* (somewhere) and MILGRIM
[62] Muggill v. Reuben H. Donnelly Corp., 42 Cal. Rptr. 107 (1965); Scott v. Snelling and Snelling, Inc., 732 F. Supp. 1034 (N.D. Cal. 1990) (however, not case where this judicial exception is actually applied); Roll Systems, Inc. v. Shupe, No. 97-12689-GAO, 1998 U.S. Dist. LEXIS 3142 (D. Ma. Jan. 22, 1998) *applying California law* [need pincites for all of these]

Globespan. Accepting Globespan's conclusion that the DID creates an implied convenant not to compete, such a covenant would nonetheless be enforceable under *Scott* if necessary to protect the plaintiff employer's trade secrets.

An argument against this proposition contends that an implied restrictive covenant based on the DID, because it is created ex poste, is not bargained for.[63] Therefore, the employer who fails to negotiate an ex ante restrictive covenant with her employee for valuable consideration can instead use the DID as a cheaper, and possibly more attainable, means of blocking that employee's subsequent employment. Under this rationale, the DID expands trade secret protection in favor of employers. However, this argument fails in two respects, at least in its application to California law. Under the framework outlined above, CA courts will pose the same question when assessing claims that invoke the DID as they do in assessing the validity of restrictive covenants: are trade secrets at stake?[64] [fn - other states have problems b/c of the inconsistencies between adjudication of restrictive covenants and the DID] Additionally, the court can fashion an appropriate injunctive remedy, when required, that takes into account consideration for the employee, compensating her for the limitations on mobility imposed by her obligation not to use or disclose her ex-employers trade secrets.

The judicially created "trade secret" exception to § 16600 does not conflict with the policy interests this section advances.

The judicially created "trade secret" exception to § 16600 and its application to the DID strike an appropriate balance between trade secret protection and the policy interests underlying § 16600. This exception is not preempted by any indication in the

[63] Susan Street Whaley, Comment, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 841 (1999).

history of § 16600 or in earlier cases interpreting this section that an employee's interest in freely pursuing her livelihood should take precedence over an employer's interest in protecting her trade secrets. The history of § 16600, originally adopted as § 1673 of the Cal Civ Code, indicates that this section was aimed primarily toward invalidating contracts that restrained trade by restricting the ability of individuals to compete.[65] Trade secrets were not at issue.[66] Early cases involved employees who attempted to compete with their former employers notwithstanding the presence of restrictive covenants.[67] In these cases, the employees took with them only general skills and knowledge, not their employee's trade secrets.[68] Today, many employers, primarily those outside of California, similarly require restrictive covenants from employees at all levels, regardless of whether that employee will become aware of trade secrets.[69] These broad-reaching covenants, which are likely the covenants contemplated by § 16600, are probably not concerned so much with trade secret misappropriation as they are with an employer's attempt to foreclose the availability of a generally skilled workforce to its competitors. Such covenants are correctly and summarily rejected as anti-competitive and anti-employee. On the other hand, covenants that restrict employee mobility for the purpose of protecting trade secrets cannot and should not be viewed through the same critical lens of section 16600.

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[64] *See* Earthweb v. Schlack (problems arise when it is easier to enjoin an employee by the DID than by a restrictive covenant)

[65] Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not To Compete*, 74 N.Y.U. L. REV. 575 (1999).

[66] *Id.*

[67] [*Id.* and cases cited therein - need to get these cases]; Davis v. Jointless Fire Brick Co., 300 F. 1 (9th Cir. 1924)

[68] *Id.*

[69] [L. Miller - NBC TODAY BROADCAST]

Misappropriation claims based on the DID cannot be summarily dismissed; the court must weight the relevant facts.

A court must determine in an "inevitable disclosure" case whether the plaintiff has made a case for trade secret misappropriation by examining whether the facts and evidence presented by the plaintiff under the rubric of "inevitable disclosure" are sufficient to support a claim of "threatened misappropriation" under UTSA 3426.2(a). Of course, the plaintiff must also establish the other elements required to bring a claim for trade secret misappropriation: the existence of a trade secret, etc. The court's inquiry, therefore, is highly fact-specific, and summary judgment based solely on the grounds that the DID conflicts with § 16600 is a conclusory and improper outcome.

The court's approach in *Computer Sciences* was the correct one. Although the court rejected the DID in granting defendant's motion for summary judgment, the court nonetheless correctly conducted the appropriate inquiry for trade secret misappropriations...[need to develop this further][70]

Conclusion: the DID is not precluded by the policy underlying § 16600. Instead the court's inquiry must be fact-based...

B. Guidelines for Analysis of a Trade Secret Misappropriation Claim Under the Doctrine of Inevitable Disclosure

As argued above, the policy underlying § 16600 does not support outright rejection of the DID in California. Courts should consider evidence of "inevitable disclosure" when assessing a plaintiff's claim for injunctive relief based on a threat of misappropriation. However, the courts must view evidence presented under the DID with an extremely critical eye. To do otherwise would permit the expansion of trade secret law well beyond its current boundaries.

Jurisdictions outside of California have varied in the standards that evidence of inevitable disclosure must meet in order to establish a misappropriations claim. In *IBM v. Seagate*, the court set a high standard, stating that "in the absence of a covenant not to compete or a finding of actual or *an intent* to disclose trade secrets, employees may pursue their chosen field of endeavor in direct competition with their prior employer."[71] The court further required that the plaintiff show "a high degree of probability of inevitable disclosure" or a "substantial threat."[72] [fn - court declined to pass on the question as to whether the 8th Circuit accepts or rejects the DID?] In contrast, the 7th Circuit in PepsiCo liberalized application of the DID, finding 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."[73] Whether the former employee acts "consciously or unconsciously" is irrelevant to a finding that disclosure is inevitable.[74]

However, the court in *PepsiCo* conceded that "the mere fact that a person assumed a similar position at a competitor does not, without more, make it inevitable that he will use or disclose...trade secret information."[75] The court found that the deceptive statements and lack of candor displayed by the defendants were a significant factor in

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70 *Computer Sciences*
71 IBM v. Seagate, 941 F. Supp. 98, 101 (D. Minn. 1992) (internal quotes omitted).
72 *Id.*
73 *PepsiCo* at 1269.
74 *Id.*
75 *Id.*

their decision to grant injunctive relief.[76] The court's decision was based as much on their intuition that Redmond could not be trusted as it was on the inevitability of disclosure. Presumably, this conduct was the requisite "more" that the court required.[77] Courts in other jurisdictions have followed suit, generally requiring a showing of dishonesty or bad faith on the part of the departing employee or the new employer.[78] Other factors that courts have rightly considered in determining whether misappropriation was threatened by inevitable disclosure are as follows: the degree of competition between the former and new employer; the new employer's efforts to safeguard the former employer's trade secrets; the former employee's lack of forthrightness (bad faith); the degree of similarity between the old and new positions; the broad or specific nature of the trade secrets that plaintiffs seek to protect; the value of the trade secrets that plaintiffs seek to protect; the occurrence of actual misappropriation.[79]

At this juncture, this Note seeks to analyze and clarify some of the evidentiary factors already considered in inevitable disclosure cases and to propose additional factors with the goal of presenting clear, uniform guidelines for the analysis of misappropriations claims based on the doctrine. In sum, courts should cabin the DID by viewing the evidence in favor of an employee who has left his former employer in good faith. Only when other factors weigh overwhelmingly in the plaintiff's favor should a court enjoin an employee departing in good faith. Conversely, the court should weigh heavily those factors that provide circumstantial evidence of intent to disclose trade secrets.

[76] *Id.* at 1271.
[77] Starr *supra*
[78] [many cases here; cite from outline and add more]
[79] [each factor will require its own footnote and there are many cases]

Dishonesty/lack of candor - points to be made in this section:

1. dishonesty on the part of the employee or new employer speaks to the issue of intent, i.e., provides circumstantial evidence that a willingness to misappropriate trade secrets is being concealed[80]
2. related to this factor is whether the employee was particularly pursued or heavily recruited by the new employer - speaks to the issue of whether the new employer recruited the employee for his knowledge of trade secrets instead of for his general skills (this was demonstrated in *PepsiCo* and *FMC v. Varco*)[81]

Nature of the trade secret to be protected - points to be made in this section:

1. distinction should be made between technology-based trade secrets vs. trade secrets pertaining to business plans, pricing strategies, marketing strategies, and the like ("business-related" trade secrets)
2. technology-based trade secrets - lie at either end of a spectrum

    classic cases (*DuPont* and possibly *Advanced MicroDevices*)[82] - discrete "pioneer" trade secret in a tech industry developed for many years and at great expense by a leader in the field; employee joins new employer that has previously tried and failed to develop the same technology or otherwise has no previous history of independent development of this technology - employer should be entitled to broad trade secret protection (analogize to the broad protection accorded to pioneer patents)

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[80] [cite the many cases where dishonesty/lack of candor played a major role in the court's decision to grant injunctive relief]; see n.77

[81] *PepsiCo* and *FMC*

[82] *DuPont* and possibly *Advanced MicroDevices*; others?

contrast with trade secrets in a high tech industry where innovations occur rapidly and mainly through improvements on pre-existing technologies (*Intel v. Broadcom* - employees at largest chipmaker leave to join a competitor, also a leading chipmaker)[83] - employer is entitled to narrow trade secret protection (analogize to narrower protection for improvement patents). Why? 1. In these situations, the line between general skills and knowledge and trade secrets is blurred. Therefore, the employee should be given the benefit of the doubt; and 2. The information "leakage" seen by some commentators as a key factor in Silicon Valley's success should be encouraged (Pooley and Gilson articles).[84] In a rapidly evolving tech-based environment, narrow protection for trade secrets (and increased employee mobility) may at first glance appear to disadvantage employers. However, the effect is reciprocal: an employer who is disadvantaged by the loss of an employee will eventually be on the other side of the coin (i.e., stands to gain an employee who contributes new information).[85]

In sum, the court should attempt to answer the following question: is the trade secret so unique or pioneering and so valuable that possible loss of the employee (and the secret) is highly unlikely to be offset by the future gain of an employee with new knowledge in an environment of free employee mobility?

3. "business-related" trade secrets should generally receive narrow trade secret protection compared with technology-based trade secrets, and only if the other factors weigh heavily in plaintiff's favor

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[83] Intel Corp. v. Broadcom Corp., No. CV 788310, 2000 WL 33260713 (June 20, 2000); others?
[84] Pooley and Gilson articles
[85] Gilson (collective action effect).

Compare misappropriation of tech-based trade secrets with business related trade secrets in the following hypo: presume that an employee joins competitor and actual misappropriation takes place. In one variation, the employee misappropriates technology-based information, while in another, the employee misappropriates business-related information. In the former variation, plaintiff can prove actual misappropriation of tech-based trade secrets by showing that the new employer rapidly and unexpectedly acquired technology that it had previously lacked and was not under substantial independent development.

However, a plaintiff will have much greater difficulty pinning down evidence of misappropriation of a business related trade secret. The new employer will not simply adopt its competitor's business plan. Instead, it will adjust its own business plan, for example, by focusing on some of the same markets as its competitor, or possibly, on markets that the competitor chose to avoid. Regardless, a plaintiff would have some degree of difficulty overcoming a defendant's assertion that its business plan was arrived at independently and without knowledge of the plaintiff's trade secrets. Obviously, if two corporations market competing products, it is highly likely that they would target the same markets, with or without knowledge of the other's business plan. Furthermore, in a given industry, business related trade secrets are not particularly innovative and may in fact be predicted to some extent by a competitor.

The point being, therefore, that if actual misappropriation is extremely difficult to prove in the business context, then an injunction, which requires a showing of probable success on the merits,[86] should not be granted. Unfortunately, in *PepsiCo v. Redmond*, the DID not only eased the burden of proof for the plaintiff in making this showing, but essentially shifted the burden of proof to the defendant.[87] Although the court's argument is at first glance compelling ("PepsiCo finds itself in the position of coach, one of whose players has left, playbook in hand, to join the opposing team before the big game"),[88] the court presumes too much by using the DID to fill in gaps where actual evidence does not and would not otherwise exist. In fact, the court rejected defendant's evidence that its business plan was already independently developed and would necessarily use marketing and distribution methods that differed significantly from *PepsiCo*[89] (evidence that rendered the court's "big game" analogy inapposite). [this entire section contains my own ideas, so I don't have a lot to cite to]

Nature of the new employer and the new position

1. Identical position - grounds for suspicion [need more on this, although employees often do take "identical positions, so perhaps this factor should not weigh in heavily][90]
2. "Copycat industry" - also grounds for suspicion [need to elaborate] (*Lumex*)[91]
3. The court should assess not only the degree of competition between the plaintiff and defendant corporations, but also their relative levels of success in the field.[92] If

[86] [insert citation]
[87] Morgan Chu & Gail Standish, *When Secrets Walk: Reining in "Threatened Misappropriation"*, INTELL. PROP. STRATEGIST (May 1996).
[88] *PepsiCo* [pincite]
[89] *Id.*
[90] Starr *supra*
[91] Lumex v. Highsmith, 919 F. Supp. 624 (E.D.N.Y. 1996)
[92] *See* MILGRIM

plaintiff is clearly an industry leader, then the court may justifiably look with suspicion at the departure of an employee for a new employer who is in effect seeking to "catch up" to its competitor.[93] This element was lacking in *PepsiCo*.[94] In fact, Redmond left *PepsiCo*, which historically had seen little success in the sports drink field, for the industry leader.[95] Would *Quaker* necessarily benefit from acquiring the business plan of a competitor who was otherwise unsuccessful in its field?

4. Court should also conduct a cost-benefit analysis on the part of the defendant. In other words, is the trade secret so valuable to the defendant, especially where the defendant is a large corporation, that the benefits of possessing the secret outweigh the costs and risks associated with undertaking a protracted litigation?

Final note: Injunctions, when granted, should be limited in scope and duration. Plaintiff should pay employee's salary during period of injunction.

At this point, the above factors will be assessed to determine if the court in *PepsiCo* got it right. Conclusion: *PepsiCo* is a limiting case.

V. CONCLUSION

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[93] *See id.*
[94] *See id.*
[95] *PepsiCo*