

INEVITABLE DISCLOSURE WHERE NO NON-COMPETITION AGREEMENT EXISTS: ADDITIONAL GUIDANCE NEEDED

Matthew K. Miller[†]

I. Introduction

As an increasing number of companies vie for the riches of the high-tech world, the value of employees with technical knowledge and the knowledge of markets and customers continues to rise.^[1] At the same time, however, employees are leaving their jobs with greater and greater frequency to work for competitors or start their own businesses.^[2] As a result, companies have become increasingly protective of their trade secrets, which are seen as among the most valuable assets they possess.^[3] To secure their trade secrets, and protect themselves from the resulting loss of expertise, companies are using certain restrictive post-employment covenants to prevent disclosure of valuable company information and restrict employee movement to competitors.^[4] Two common types of these restrictive covenants are non-competition covenants and confidentiality agreements.^[5]

Where no non-competition agreement is in place, trade secret law has been applied to restrict employee behavior where there is actual or threatened trade secret misappropriation.^[6] A new type of misappropriation, inevitable disclosure, has gained prominence in recent times.^[7] The doctrine of inevitable disclosure extends traditional trade secret misappropriation principles to situations where there has been no actual or threatened misappropriation.^[8] In an inevitable disclosure case, a court can issue an injunction to prevent an employee from working for a competitor of his or her former employer even where there is neither a non-competition agreement^[9] nor any proof of actual or threatened misappropriation; employers need only demonstrate a real and present danger of disclosure for an injunction to issue.^[10]

The Seventh Circuit decision in *PepsiCo, Inc. v. Redmond* seemed to indicate that such a limited showing was enough for the court to apply the doctrine.^[11] There, the court greatly expanded the range of trade secret misappropriation by upholding an inevitable disclosure injunction absent a non-compete agreement where it found that the defendant would inevitably disclose his former employer's trade secrets to his new employer.^[12] This finding was based in part on a "lack of forthrightness" by the employee in discussing his new job with his former employer prior to his departure.^[13]

Since the *PepsiCo* decision, however, inevitable disclosure has not been applied as broadly as some commentators feared it would.^[14] It appears as though courts have realized that broad application of the doctrine would be an undue burden on an individual's freedom to choose her employer and to fully utilize the skills and knowledge she has developed throughout her working life.

This Note reveals the excessiveness that would result from mechanical application of the doctrine of inevitable disclosure, clarifies *PepsiCo* and succeeding caselaw applying the doctrine, and argues that a change must be made to the comment to Section 2 of the Uniform Trade Secrets Act to ensure that the doctrine is properly applied in the future. Specifically, Part

II of the Note gives an overview of trade secret law and the doctrine of inevitable disclosure as it is currently understood. Part III gives a detailed description of *PepsiCo* and summarizes scholarly comment and case law applying inevitable disclosure in the aftermath of the decision. Part IV explores employee rights and their relation to the doctrine, concluding that inevitable disclosure should not be applied to restrict the free movement of employees where there has been no actual or threatened misappropriation and the employee has not signed a non-competition agreement. Part IV goes on to argue that using *PepsiCo* as a model, courts have looked for indications that disclosure is more than simply inevitable. These indications include a lack of credibility in the employee's promise not to disclose, and actions by the employee indicating a willingness to divulge their former employer's trade secrets. Part IV concludes that a search for these indicators is actually a search for threatened misappropriation, not simply a search for inevitable disclosure. Finally, Part V argues that the comment following Section 2 of the Uniform Trade Secrets Act should be amended to explicitly require more than simple inevitability to grant an injunction where a non-competition agreement does not exist.

I. The Doctrine of Inevitable Disclosure

A. Policy Reasons for Trade Secret Protection

"Trade secrets are among the most valuable assets firms own today, and many courts and commentators believe that the law of trade secrets is crucial to the protection of intellectual property."^[15] Originally, trade secrets were thought of in terms of property under state common law.^[16] However, this perception began to lose favor in the early twentieth century due to changes in legal thinking.^[17] Without property law as a foundation, many policy arguments became the chief justifications for continuing trade secret protection.^[18]

The most frequently made argument is an incentive-based one.^[19] This argument focuses on the lowered incentive creators would have to create if their innovations were not protected from others.^[20] Once a creation is made public, others are able to copy it, typically at a low cost.^[21] If the copier's costs are lower than those of the creator, the copier will be able to charge a lower price for the creation than will the creator.^[22] In this way, the copier will be able to use freely the time and money invested by the creator.^[23] Under the incentive-based argument, trade secret law is a means of protecting the creator and encouraging continued creation.^[24]

A second justification of trade secret law is one based on a comparison between the indirect costs and transaction costs associated with protecting and stealing trade secrets both with and without trade secret law.^[25] Without trade secret law, firms would need to invest large sums of money to prevent theft of their trade secrets.^[26] Thieves would respond likewise – by investing more than they had previously in order to overcome the firms' added safeguards.^[27] Firms would in turn invest even more money, and so on, resulting in a tremendously inefficient and wasteful cycle of one-upmanship.^[28]

With trade secret law, the cost of theft increases, without a corresponding increase in expenditures on defensive measures.^[29] The result is a decrease in expenditures on theft

because it becomes prohibitively expensive to steal.^[30] Consequently, the risk to trade secret owners diminishes, as does their spending on protective measures.^[31] The final result is that the increased cost of theft is an incentive for potentially larcenous firms to invest in licensing rather than stealing.^[32] Thus, the theory concludes, trade secret law is a means of reducing the total societal costs of protecting secret information.^[33]

A third argument in favor of trade secret law concerns the protection of industry norms.^[34] The theory suggests that “norms that survive the test of time are likely to be efficient, at least if all the effects of enforcement are internalized by the industry and there are no other obstacles to an efficient equilibrium.”^[35] The argument assumes that all firms benefit from generally accepted norms and follow the same norms with respect to each other’s trade secrets.^[36] Under this view, trade secret law is seen as a means of formalizing these industry norms to promote uniformity in adjudication.^[37] Taken together, these arguments suggest that trade secrets should be protected to generate incentives to create and maintain standardized protection across industries.

B. Trade Secret Misappropriation and Inevitable Disclosure

The Uniform Trade Secrets Act (“UTSA”) was created to further the policy goals discussed above by creating a uniform body of law intended to provide incentives for creation.

^[38] The Act was adopted in 1979, and amended in 1985, in response to a growing concern over the protection of trade secrets.^[39] The UTSA has been used as a model for trade secret laws adopted in forty-one states and the District of Columbia.^[40]

Section 1 of the Uniform Trade Secrets Act defines a trade secret as follows:

(4) “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.^[41]

When determining whether a given piece of information is a trade secret, courts look to six factors to aid their inquiry: (i) “the extent to which the information was known” to others outside the claimant’s business; (ii) “the extent to which [the information] was known to” the claimant’s employees and those “involved in the business”; (iii) “the extent of [the] measures taken by [the claimant] to guard the secrecy of the information”; (iv) “the value of the information” to both the claimant and its competitors; (v) the amount of time, effort, and money spent by the claimant to develop the information; and (vi) “the ease or difficulty with which” a competitor could acquire or develop the information themselves.^[42] These factors are analyzed to determine the nature of the information sought to be protected, whereupon the court determines whether the information is a protectable trade secret.^[43]

Companies generally seek to prevent their confidential information from being wrongfully disclosed to third parties by obtaining injunctions.^[44] The Act states that “[a]ctual or threatened misappropriation [of trade secrets] may be enjoined.”^[45] Misappropriation is defined therein as:

(2) “Misappropriation” means:

- (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
- (ii) disclosure or use of a trade secret of another without express or implied consent by a person who
 - (A) used improper means to acquire knowledge of the trade secret; or
 - (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was [intended to remain confidential]; or
 - (C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret^[46]

Courts are permitted a number of means by which they can preserve the secrecy of alleged trade secrets, including granting injunctions and protective orders.^[47] Injunctions can prohibit individuals from working for certain companies and/or from performing certain job functions for a specified period of time.^[48] Where there has been actual or threatened misappropriation, courts have been willing to fashion remedies to protect the original employer from loss of its intellectual assets and trade secrets.^[49]

The doctrine of inevitable disclosure extends traditional trade secret misappropriation theories to situations where there has been no actual or threatened misappropriation.^[50] Under this theory, the employee can be enjoined from working for a competitor even though the employee never threatened to use or disclose the former employer’s trade secrets.^[51] At the extreme, inevitable disclosure holds that even though there has been no actual misappropriation, and even though the defendant has sworn that he will not disclose any secrets, an injunction may be granted.^[52]

Many supporters of the inevitable disclosure doctrine “argue that a preliminary injunction prohibiting employment should be issued upon a showing that: (1) the former and the new employer are competitors; (2) the employee’s responsibilities in the new position overlap with those in the prior position such that the employee ‘inevitably’ will use or disclose the former employer’s trade secrets in the new position; and (3) the new employer has not taken sufficient, demonstrable steps to prevent misappropriation from occurring.”^[53] However, “[t]he mere fact that a worker with knowledge of a previous employer’s trade secrets holds an identical or substantially similar” position at a competitor of the former employer does not make disclosure inevitable.^[54] For example, where the employee would not need to use the former employer’s trade secrets because the new employer is already using an alternative technology or process, there is no risk of any substantive disclosure. On the other hand, disclosure may be inevitable

“where the former employer possesses [trade] secrets that enable it to market a product that the new employer does not know how to make, or to make as well, and where alternative technology . . . cannot be obtained from third parties.”^[55] As can be seen from the discussion of *PepsiCo* and the other cases below, however, courts have struggled with the notion of inevitable disclosure.

III. *PepsiCo, Inc. v. Redmond* and Related Cases

A. *PepsiCo, Inc. v. Redmond*

1. Facts

In *PepsiCo*, the plaintiff PepsiCo, Inc. (“PepsiCo”) sued for a preliminary injunction against the defendants William Redmond (“Redmond”) and the Quaker Oats Company (“Quaker”).^[56] PepsiCo sought to enjoin its former employee, Redmond, from disclosing certain confidential information (obtained while a PepsiCo employee) to Quaker, PepsiCo’s competitor.^[57] The district court granted the injunction, and the Seventh Circuit affirmed.^[58] The product lines at issue in the case were PepsiCo’s sports drink “All Sport,” which competed with Quaker’s sports drink “Gatorade,” and PepsiCo’s joint ventures with Lipton and Ocean Spray beverages, which competed with Quaker’s Snapple beverages.^[59]

Redmond was a PepsiCo employee from 1984 to 1994, working in its North America division.^[60] He became the General Manager of the Northern California Business Unit in 1993, and later PepsiCo promoted Redmond to the General Manager of the entire California business unit.^[61] Redmond’s position in Pepsi-Cola North America gave him access to PepsiCo’s trade secrets.^[62] Like other management employees at the company, Redmond signed a confidentiality agreement with PepsiCo,^[63] but he did not sign a non-compete agreement.

In early 1994, a former PepsiCo employee approached Redmond with an offer to work for Quaker as Vice President-On Premise Sales for Gatorade.^[64] Redmond did not accept Quaker’s offer at that time, but continued to negotiate for more money.^[65] On November 8, 1994, Quaker offered and Redmond accepted the position of Vice President-Field Operations for Gatorade.^[66] That same day, Redmond informed the Pepsi-Cola North America Senior Vice President of Human Resources that he had been offered, but not yet accepted, a position at Quaker as Chief Operating Officer.^[67] Redmond misstated to a number of his colleagues that he had been offered the position of Chief Operating Officer and that he was leaning towards accepting it.^[68] These misstatements proved important to the court to show a lack of forthrightness on Redmond’s part.^[69]

Two days later, Redmond informed PepsiCo that he intended to accept the offer from Quaker and was resigning.^[70] PepsiCo filed suit against Redmond and Quaker later that month, “seeking a temporary restraining order to enjoin Redmond from assuming his duties at Quaker and to prevent him from disclosing trade secrets or confidential information to his new employer.”^[71] PepsiCo identified a number of trade secrets and confidential information it claimed Redmond would disclose in the course of his employment at Quaker.^[72]

First, PepsiCo identified its “Strategic Plan,” which was an annually revised document

containing the company's plans to compete, financial goals, and "strategies for manufacturing, production, marketing, packaging, and distribution" over the ensuing three year horizon.^[73] PepsiCo, with the aid of managers at the same level as Redmond, would develop the highly confidential strategic plans that, if obtained by a competitor, would allow a competitor to anticipate the next business move.^[74] Redmond attended a meeting before his departure where PepsiCo distributed the most recently revised version of the Strategic Plan.^[75] At that same meeting, PepsiCo presented strategic marketing information (such as flavoring and packaging) concerning its plans for the Lipton and All Sport product lines in the future.^[76]

Second, PepsiCo argued that its Annual Operating Plan was a trade secret.^[77] The Annual Operating Plan indicates tactics that PepsiCo intends to implement on a national level for the year, including financial and marketing plans, anticipated growth, and changes in operations.^[78] Included in the Annual Operating Plan was PepsiCo's "pricing architecture," which covers both national pricing schemes and specific pricing plans for target markets.^[79] Knowledge of a certain company's pricing architecture would enable any competitor possessing that information to anticipate the former's pricing moves and underbid repeatedly.^[80] PepsiCo demonstrated that the position Redmond held with the company before leaving entailed responsibility for implementing the pricing architecture guidelines for the entire California market.^[81]

Further, PepsiCo demonstrated Redmond's intimate knowledge of its plans for specific markets.^[82] These plans indicated the markets where PepsiCo planned to dedicate extra funds on advertising.^[83] PepsiCo was able to show through testimony that Redmond knew the content of these plans.^[84] PepsiCo also offered evidence that Redmond knew about innovations in its selling and delivery systems that might have given PepsiCo an ability to negotiate from retailers additional shelf space.^[85]

After showing Redmond's knowledge of their trade secrets, "PepsiCo argued that Redmond would inevitably disclose that information to Quaker in his new position"^[86] In the course of his new employment, Redmond would have "substantial input on Gatorade and Snapple pricing, costs, margins, distribution systems, products, packaging, and marketing, and could give Quaker an unfair advantage . . ." in market competition with PepsiCo.^[87]

Quaker responded by arguing that Redmond's new duties were substantially different than his at PepsiCo, and Quaker also pointed to the confidentiality agreement Redmond had signed with PepsiCo.^[88] Quaker claimed Redmond's duties would be to integrate and manage the distribution of Gatorade and Snapple, and then to promote, market, and sell those products.^[89] According to Quaker and Redmond, he would perform his duties in a manner already specified in a pre-existing plan, and any special knowledge about PepsiCo's vertically integrated system did not benefit Quaker, who used independent distributors.^[90] Quaker also argued that the confidentiality agreement Redmond had signed with PepsiCo, and Quaker's Code of Ethics, would both prevent Redmond from disclosing PepsiCo's trade secrets.^[91]

Redmond himself promised at the preliminary injunction hearing that he would not use or disclose PepsiCo's trade secrets if presented with a situation where such disclosure might be

provoked.^[92] However, even before the court began its analysis of the merits, the court noted that, in light of the circumstances surrounding Redmond's departure from PepsiCo and conflicting testimony about Redmond's new responsibilities, Redmond's promise was "less than comforting."^[93]

2. Holding and Reasoning

The court applied the Illinois Trade Secrets Act,^[94] which provides that actual or "[t]hreatened misappropriation [of a trade secret may] be enjoined []' where there is a 'high degree of probability of inevitable and immediate . . . use'"^[95] "A plaintiff may prove a claim of trade secret misappropriation by demonstrating that the defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."^[96] To distinguish this case from prior adjudications where courts did not issue injunctions because plaintiffs had done no more than assert that employees were taking their skills elsewhere, the court found that PepsiCo had done much more by offering proof of the likelihood that Redmond would disclose its trade secrets.^[97]

The danger of misappropriation in *PepsiCo* was not that Quaker threatened to use PepsiCo's secrets to create marketing or distribution systems based on PepsiCo's ideas, but rather that Quaker would be able to use PepsiCo's plans to anticipate its distribution and marketing strategies, giving Quaker an unfair advantage.^[98] Based on the demonstrated inevitability that Redmond would rely on knowledge gained while at PepsiCo, and a lack of faith in Redmond's promise not to disclose PepsiCo's trade secrets, the Seventh Circuit concluded that the district court reached the correct conclusion in determining that PepsiCo had demonstrated the requisite likelihood of success on the merits for an injunction to issue.^[99]

B. Inevitable Disclosure After *PepsiCo*

The Seventh Circuit's *PepsiCo* decision is important for two reasons. First, it upheld an injunction preventing an executive from taking a position with a competitor for a limited time, instead of simply enjoining the executive from disclosing the trade secrets.^[100] Second, the court bolstered the trend of lawsuits filed by former employers by upholding the injunction where the departing employee had not signed a covenant not to compete.^[101] Previously, courts had been reluctant to prevent employees from working entirely, and to create covenants not to compete where none existed between the parties.^[102]

In the wake of the decision, many commentators have expressed fear that the doctrine of inevitable disclosure would expand to trample the employee's right to seek the employment of their choice.^[103] Some critics argue that the doctrine "improperly restricts the mobility of labor and rewards negligent employers who [fail] to obtain express restrictive covenant agreements."^[104] Another commentator contends that, if allowed to expand too far, the doctrine of inevitable disclosure would be a "menacing restriction" on the free movement of employees to the employer of their choice.^[105] Alternately, at least one commentator argued that it was unlikely that the *PepsiCo* decision would change judicial perceptions or the application of the doctrine.^[106] As the cases discussed below indicate, fears that inevitable

disclosure would run roughshod over employees' rights have not yet materialized.

A number of cases have been decided under the theory of inevitable disclosure on facts similar to PepsiCo,^[107] the great majority of which involved existing covenants not to compete.^[108] The doctrine has been applied only twice where no non-compete agreement was in place.^[109]

In *Merck & Co. Inc. v. Lyon*, the District Court for the Middle District of North Carolina held that, under the inevitable disclosure doctrine, “a plaintiff may prove a claim of trade secret misappropriation by demonstrating that [the] defendant’s new employment will inevitably lead him to rely on the plaintiff’s trade secrets.”^[110] Lyon was employed by a joint venture between Merck & Co., Inc. (“Merck”) and Johnson & Johnson working on the product Pepcid AC, an over the counter drug “for the treatment of heartburn, acid indigestion, and sour stomach.”^[111] Lyon’s new employment was with Glaxo Wellcome, which produces on Zantac 75, a drug that performed the same function as Pepcid AC.^[112] In his capacity with Glaxo Wellcome, Lyon was to “be involved in planning and discussing head-to-head advertising between Zantac® 75 and Pepcid® AC”^[113] Lyon would also be involved in discussions on planning and possible line extensions of the Zantac 75 product line.^[114]

In upholding an injunction against Lyon, the court noted that North Carolina law allowed such an injunction, but only where the injunction is limited to protecting specifically identified trade secrets of significant value.^[115] The court further noted that the plaintiffs were not concerned about Lyon’s future employment based on his expertise, but rather simply wanted to prevent him from working on Zantac 75.^[116]

In *DoubleClick, Inc. v. Henderson*, the court granted an injunction under inevitable disclosure where two former employees’ new job functions would inevitably lead them to rely on trade secrets belonging to the former employer.^[117] This case involved individual defendants Dickey and Henderson.^[118] Only Dickey entered into a covenant not to compete, although this did not appear to affect the court’s decision.^[119]

DoubleClick was involved in the business of selling advertising on the Internet.^[120] After becoming dissatisfied with the way DoubleClick operated, Dickey and Henderson agreed to start their own company called Alliance Interactive Network.^[121] Alliance Interactive Network would also sell advertising on the Internet.^[122] Before leaving DoubleClick, Dickey had access to most of the information DoubleClick claimed was confidential, including its business plan, revenue projections, plans for future projects, pricing and product strategies, and various databases containing the names of DoubleClick’s clients.^[123] Defendant Henderson had access to all of the above information, and in addition, was given highly confidential documents at meetings.^[124] These documents included summaries of the businesses’ revenue, expenses, and operations, and analyzed financial information.^[125]

In enjoining the defendants, the court reasoned that the defendants would be unable to remove DoubleClick’s trade secrets from their minds.^[126] Even more importantly, the

defendants had already used some of DoubleClick's trade secrets, and appeared willing to do so again.^[127] The injunction prohibited defendants from starting any company or accepting employment with any DoubleClick competitor for six months.^[128]

As discussed below, *Merck* and *DoubleClick* demonstrate that courts have been reluctant to expand the doctrine of inevitable disclosure too broadly. Indeed, in both cases, it appears as though the injunctions were issued because there was more than simply a fear of inevitability, there was evidence that the defendants would have disclosed the former employer's trade secrets.

IV. Employee Rights, Inevitable Disclosure, and the Absence of Non-Competition Agreements

The doctrine of inevitable disclosure presents difficult questions with regard to balancing employee rights with the protection of employer trade secrets.^[129] While employees should be free to choose where they will work and what work they will do, employers should be allowed to protect their trade secrets from misappropriation.^[130] The application of the inevitable disclosure doctrine to this balancing dilemma becomes even more difficult in cases where the employee has, for whatever reason, not signed a covenant not to compete.^[131] In such cases, courts should not use inevitable disclosure to enjoin an employee from working for the employer of their choice without further evidence of threatened misappropriation.

Public policy arguments favor the ability of an employee to freely choose his employer.^[132] “The public is interested in the reasonable mobility of such skilled persons from job to job in our fluid society, which is characterized by and requires the mobility of technically expert persons from place to place, from job to job and upward within the industrial structure.”^[133] The employee must be granted a reasonable opportunity to change jobs and the ability to practice the skills he has gained.^[134]

While employees must be allowed to use their skills, employers must be able to protect their trade secrets.^[135] In upholding a company's rights to their trade secrets, however, courts should not be allowed to overrun the employee's rights. As Judge Learned Hand stated, [I]t has never been thought actionable to take away another's employee, when the defendant wants to use him in his own business, however much the plaintiff may suffer. It is difficult to see how servants could get the full value of their services on any other terms; time creates no prescriptive right in other men's labor. If an employer expects so much, he must secure it by contract.^[136]

Judge Hand's statement, made in 1929, appears quite prescient in light of recent developments in the doctrine of inevitable disclosure. As previously mentioned, critics of the doctrine argue that application of inevitable disclosure when the employee does not sign a non-competition agreement benefits employers who fail to obtain restrictive agreements and limits the mobility of employees.^[137] The same law that seeks to protect an employer's trade secrets should not, critics argue, prevent workers from pursuing their livelihoods when they leave their jobs.^[138]

“Historically, courts have been reluctant to permit employers to use a claim of trade secret misappropriation to obtain . . . *ex post facto* covenants not to compete.”^[139] The most important and interesting feature of the *PepsiCo* holding is that it applied trade secret misappropriation and inevitable disclosure to an employment situation where no non-competition agreement had been signed.^[140] After the *PepsiCo* decision, much was written about inevitable disclosure and its possible ramifications.^[141] The general conclusion was that, if applied broadly, the inevitable disclosure doctrine may operate like a “judicially imposed covenant not to compete”^[142] Furthermore, there was concern that if courts were to apply liberally inevitable disclosure to trade secret misappropriation cases, employee mobility and the sharing of general knowledge would be chilled.^[143] These elements are in large part essential for the economic well being of many industries.^[144] Fortunately, courts applying inevitable disclosure to cases where no non-compete agreement exists have determined that misappropriation was actually threatened, not simply inevitable, before enjoining employees.^[145]

Recall that even in *PepsiCo.*, the court, after determining whether the information PepsiCo sought to protect included trade secrets, went on to discuss Redmond’s activities leading up to his resignation.^[146] After accepting the position with Quaker, Redmond informed his manager and other coworkers at PepsiCo that he had not.^[147] Furthermore, Redmond was unclear in his testimony about his new responsibilities at Quaker.^[148] In light of these factors, the court stated that even if Redmond did not disclose PepsiCo’s trade secrets, as he had promised, his actions and those of his recruiter at Quaker “made Redmond’s assurances to PepsiCo less than comforting.”^[149] The court did not use a pure inevitable disclosure theory; rather it looked for indications that trade secret misappropriation would occur, and based its decision on those indications.^[150] Therefore, *PepsiCo* itself suggests that more is needed than simple inevitability for an injunction to be granted in the absence of a non-competition agreement.

Merck and *DoubleClick* further illustrate this point. Both cases involved the grant of injunctions where employees did not sign non-competition agreements, but confirm the position that courts have been unwilling to expand the doctrine as far as they could.^[151]

First, in *Merck*, even as it held that the plaintiff was entitled to a preliminary injunction, the court qualified its decision by stating that “courts are reluctant to grant an injunction that will prevent a person from earning a livelihood.”^[152] The court further noted that to support a broad injunction preventing competitive employment altogether, North Carolina courts would “require a showing of bad faith, or underhanded dealing, and that the competitor lacked comparable levels of knowledge and achievement,”^[153] while more narrowly tailored relief might be had based on “the degree of similarity between the employee’s former and current position, and the value of the information.”^[154]

Applying these principles to the facts at hand, the court found it significant that, when originally asked by Merck whether he was going to a competitor, Lyon responded “that he was

considering a couple of opportunities outside the pharmaceutical field.”^[155] When posed with the same question a few weeks later, Lyon’s response was the same.^[156] It appears Lyon lied to Merck because he was attempting to secure a large benefits package that he would not have been eligible to receive had he resigned and gone to work for a competitor.^[157]

Based on the foregoing, the court fashioned a narrowly tailored injunction which did not prevent Lyon from working for Glaxo Wellcome entirely; it simply prevented Lyon from working on certain aspects of a single product for one to two years.^[158] Thus, although the court appears to have rested its decision on inevitable disclosure principles, it actually granted an injunction based on threatened misappropriation due to a lack of faith in Lyon’s promise not to disclose.

Second, in *DoubleClick*, the court discussed indications of bad faith.^[159] Although only one of the two defendants in the case had signed a covenant not to compete, the court did not distinguish between them in its opinion.^[160] Here, the defendants had already misappropriated some of DoubleClick’s trade secrets and appeared willing to continue doing so in the future.

^[161] The court noted that a document found on Henderson’s computer contained a discussion of DoubleClick’s margin.^[162] His computer also contained a proposed plan for telling DoubleClick’s largest client that the company’s margin was too high, indicated that the defendants had “at least contemplated using such information to compete against their former employer.”^[163] Again, the court here relied on more than simple inevitable disclosure theory in deciding the case; it used threatened misappropriation to grant an injunction preventing the defendants from competing with DoubleClick for a given period of time.

As these three cases illustrate, where the employee has not signed a covenant not to compete, courts have been unwilling to grant an injunction on a theory of inevitability alone. Rather, they have required evidence, such as position similarity, competition between current and former employers, and willingness of the employee to disclose, tending to show that misappropriation of trade secrets is more than simply “inevitable.” In doing so, courts have allayed commentator fears of overbroad application of the doctrine, and have struck an effective balance between the employee’s right to choose his profession and the employer’s right to protect its intellectual property, trade secrets included.^[164] Explicit guidance is needed, however, in order to ensure that this balance is maintained.

V. Addition to the Uniform Trade Secrets Act

While *PepsiCo*, *Merck*, and *DoubleClick* show that courts have correctly weighed the employees’ rights against those of the employers in the absence of a covenant not to compete, one should not assume this will continue in the future. In order to ensure uniformity between jurisdictions and to prevent the feared extension of inevitable disclosure,^[165] an amendment should be made to the comment to Section 2 of the Uniform Trade Secrets Act.^[166] The following amendment should be added to the comment:

Under section 2(a), an injunction may be granted under the theory of inevitable disclosure. Inevitable disclosure describes a situation where there has been no actual or threatened misappropriation, but due to similarities between two companies and their product lines,

and the functions of the employee at both companies, it appears the employee must disclose the trade secrets of the former employer to fulfill his duties to the new employer. *See, e.g., PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995). In cases where the employee has executed a valid non-competition agreement, a finding of inevitability of disclosure will be sufficient to allow the court to grant an injunction. However, where no non-competition agreement has been executed, for whatever reason, more than simple inevitability is required. In these cases, the court must look for evidence of dishonesty by the employee and/or new employer, and for past or present behavior of the employee indicating a willingness to misappropriate the former employer's trade secrets and a likelihood that misappropriation will occur. *See, e.g., Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443 (M.D.N.C. 1996); *DoubleClick, Inc. v. Henderson*, 1997 WL 731413 (N.Y.Co.Ct. 1997). The evidence must indicate that misappropriation is threatened, not simply inevitable. If one or both of these situations are present, a court should grant an injunction even though no non-competition agreement is in place.

This proposed amendment to the comment to Section 2 of the Uniform Trade Secrets Act serves three functions. First, it makes explicit the adoption of inevitable disclosure under trade secret misappropriation. Second, the amendment allows the courts to grant injunctions under a pure inevitable disclosure theory where a covenant not to compete has been executed between the employee and the former employer. In such cases, courts will determine whether the non-competition agreement should be enforced with respect to the employee's new duties at her new employer.

Third, and most importantly, the amendment protects employee rights where no non-competition agreement exists. Since *PepsiCo*, courts have weighed the harm to the former employer due to trade secret misappropriation against the harm to the employee should they be enjoined from working for their new employer.^[167] As discussed above, there is a general desire to encourage employee mobility and to allow employees to freely choose their employer.

^[168] The proposed amendment furthers this policy goal by preventing employers from obtaining "ex post facto covenants not to compete" where they have, for whatever reason, chosen not to execute an express covenant.^[169] Furthermore, the amendment describes situations in which the balance of harms to the employer and to the employee favor granting an injunction even in the absence of a covenant not to compete. Under these fact patterns, courts have to date made the appropriate inquiry into the defendant employee's actions and motives, and have granted injunctions where there was a threat of misappropriation, not just the possibility of inevitable disclosure.^[170] The addition of this proposed amendment would greatly aid the courts in determining whether to grant an injunction under the theory of inevitable disclosure, both in the presence and absence of covenants not to compete.

While the proposed comment to the rule would not be binding on courts in jurisdictions where the Uniform Trade Secrets Act has been adopted, it is consistent with the structure of the Act. The provisions of the Act are worded broadly to enable them to be applied to a wide range of fact patterns, much like the Uniform Commercial Code. Also like the UCC, comments are

used in the Uniform Trade Secrets Act to give guidance to specific situations contemplated by the drafters, but not explicitly addressed in the text of the rules. The addition of the proposed amendment is the most appropriate way to give courts guidance on specific situations they may encounter, while enabling the Uniform Trade Secrets Act to continue to have broad applicability and flexibility.

VI. Conclusion

PepsiCo threatened to take the inevitable disclosure doctrine to an extreme by applying it where the employee had not signed a covenant not to compete. This was frightening news for employees, who desired to benefit from the skills they had acquired, and employers who sought people with the skills necessary to succeed. Since *PepsiCo*, courts have been reluctant to extend the doctrine as far as many commentators feared they would. Only *Merck* and *DoubleClick* have granted an injunction in the absence of a non-competition agreement. In *Merck* the court fashioned a very specific remedy, applying only to identified trade secrets, and preventing the employee from working on one specific product for just a limited period of time.^[171] In *DoubleClick*, the court found that the defendants' history of trade secret misappropriation combined with their apparent willingness to misappropriate again, was sufficient to support the grant of an injunction.^[172]

It appears as though courts have taken the correct path since *PepsiCo*. Courts and commentators should view *PepsiCo*, not as a precedent to be broadly applied, but as a case distinguishable on its facts from most other trade secret misappropriation cases. As Johanna Edelstein wrote shortly after the *PepsiCo* decision:

The protection given to trade secrets is a shield, sanctioned by the courts, for the preservation of a trust in confidential relationships; it must not become a sword used by employers to retain employees on the threat of rendering them substantially unemployable in the field of their expertise if they decide to resign.^[173]

While courts have correctly required evidence of bad faith when evaluating inevitable disclosure in the absence of non-competition agreements, an amendment to the comment to Section 2 of the Uniform Trade Secrets Act should be made to ensure this continues. The amendment proposed herein will allow courts to grant an injunction under a simple inevitable disclosure theory where a non-competition agreement exists. However, the amendment will prevent courts from granting injunctions where no non-competition agreement is in place in the absence of further evidence of dishonesty or wrongdoing. By making this amendment to Section 2 of the Act, courts will have the guidance necessary to make uniform decisions, and the rights of the employee will be protected.

[‡] B.S. (Chemical Engineering), 1995, University of Pennsylvania School of Engineering and Applied Science; J.D. (anticipated), 2000, Boston University School of Law.

^[1] See Stephen L. Sheinfeld & Jennifer M. Chow, *Employees' Duties and Liabilities: Protecting Employer Confidences*, in *WRONGFUL TERMINATION CLAIMS: WHAT PLAINTIFFS & DEFENDANTS HAVE TO*

KNOW, at 347, 349 (PLI Litig. & Admin. Practice Course Handbook Series No. 581, 1998) (describing a dramatic increase in trade secrets disputes while noting the increasing importance of technology).

[2] See *id.* (attributing the increased need for protection of intellectual assets to such factors as increased mobility in the workforce and heightened competition).

[3] See Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CAL. L. REV. 241, 243 (1998) (discussing policy reasons for continued protection of trade secrets, and suggesting that the current policy justifications do not support the current state of trade secret law except where express confidentiality agreements are in place).

[4] See Sheinfeld & Chow, *supra* note 1, at 360-62 (explaining that employers use restrictive contract provisions to augment common law constraints on employees).

[5] See *id.* at 362-65. Non-competition covenants are agreements that restrict an individual's ability to compete with a former employer, subject to reasonableness of limitations on time, geography, and kinds of activity that the employee can undertake. See BLACK'S LAW DICTIONARY 364 (6th ed. 1990); Sheinfeld & Chow, *supra* note 1, at 364-65. Confidentiality agreements prohibit an employee from disclosing the employer's confidential information. See *id.* at 362. Although these agreements generally specify what types of information are to be held in confidence, they cannot create a trade secret out of generally known information. See *id.* at 362-63.

[6] See Lawrence F. Carnevale, *Spreading Nationwide? Is the Country Ready for the 'Inevitable Disclosure' Doctrine*, CORP. COUNS., May 1998, at 11.

[7] See Carnevale, *supra* note 6, at 11 (discussing *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995), *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624 (E.D.N.Y. 1996), *DoubleClick, Inc. v. Henderson*, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997), and trade secret law generally); Lawrence I. Weinstein, *Revisiting the Inevitability Doctrine: When Can a Former Employee Who Never Signed a Non-Compete Agreement nor Threatened to Use or Disclose Trade Secrets Be Prohibited from Working for a Competitor?*, 21 AM. J. TRIAL ADVOC. 211, 212 (1997).

[8] See James Pooley, *The Top Ten Issues in Trade Secret Law*, 70 TEMP. L. REV. 1181, 1186 (1997). This extension is evident from an examination of the language of Section 2 of the Uniform Trade Secrets Act, which provides that only "[a]ctual or threatened misappropriation may be enjoined." UNIF. TRADE SECRETS ACT § 2, 14 U.L.A. 449 (1990). A claim of threatened misappropriation requires a showing of intent. See Johanna L. Edelstein, Note, *Intellectual Slavery?: The Doctrine of Inevitable Disclosure of Trade Secrets*, 26 GOLDEN GATE U. L. REV. 717, 718 (1996).

[9] See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1263-64 (7th Cir. 1995); Weinstein, *supra* note 7, at 212.

[10] See Sheinfeld & Chow, *supra* note 1, at 374 (citing *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443, 1457 (M.D.N.C. 1996)).

[11] 54 F.3d at 1266-67 (inferring a likelihood of inevitable disclosure based on employees' high level job duties).

[12] See *id.* at 1266, 1271.

[13] *Id.* at 1267.

[14] See, e.g., Sheinfeld & Chow, *supra* note 1, at 383 ("Critics argue that the doctrine [of inevitable disclosure] improperly restricts the mobility of labor and rewards negligent employers who failed to obtain express restrictive covenant agreements."); Edelstein, *supra* note 8, at 719 ("[A]pplication of the inevitable disclosure theory . . .

creates a substantial risk for employees, impedes their mobility, limits their options and strips them of their bargaining power.”).

[15] Bone, *supra* note 3, at 243 (discussing many alternate theories for justifying trade secrets, and concluding that, with a few exceptions, trade secrets should only be protected under contract principles).

[16] *See id.* at 251-60.

[17]

The word “property” as applied to . . . trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not, the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore, the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs.

E.I. duPont deNemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917). Bone, *supra* note 3, at 259-60 quoted from this case.

[18] *See* Bone, *supra* note 3, at 260-96. Professor Bone asserts five policy arguments that favor protecting trade secrets: (1) creation incentives; (2) indirect costs and transaction costs; (3) privacy rights; (4) contractarianism; and (5) industry norms. *See id.* Only incentives to create, indirect and transaction costs, and industry norms will be discussed here.

[19] *See id.* at 262 (commenting that the incentive-based argument is also the “principal economic justification for intellectual property rights in general.”).

[20] *See id.* at 262-63.

[21] *See id.*

[22] *See id.* at 263.

[23] *See id.*

[24] *See id.*

[25] *See id.* at 272-83. Professor Bone ultimately concludes that the costs associated with licensing trade secrets greatly outweigh the costs of protection and theft due to high costs to the trade secret holder. *See id.* at 280. Therefore, he reasons, the theory that there should be broad protection for trade secrets is unpersuasive. *See id.*

[26] *See id.* at 272.

[27] *See id.* at 273.

[28] *See id.*

[29] *See id.*

[30] *See id.*

[31] *See id.*

[32] *See id.*

[33] *See id.* Professor Bone is unconvinced that this argument supports protection of trade secrets because commentators do not account for costs associated with enforcement and licensing, both of which can be very high. *See id.* at 273-81.

[34] *See id.* at 294-96 (discussing the protection of trade secrets as a “useful device for maintaining ‘standards of commercial ethics.’”).

[35] *Id.* at 294-95.

[36] *See id.* at 295 (“Assuming that informal norms are generally accepted because they work well, and that each firm benefits from others following the same norms, this reciprocity principle would justify imposing a conventionally accepted norm on the defendant in a trade secret suit.”).

[37] *See id.*

[38] *See* Mark V. Thigpen, *A New Age of Discovery: Your Trade Secrets are Safe in South Carolina*, 49 S.C. L. REV. 615, 616-17 (1998).

[39] *See id.* at 617.

[40] *See id.* at 618; ALA. CODE §§ 8-27-1 to -6 (1993); ALASKA STAT. §§ 45.50.910 to .945 (Michie 1998); ARIZ. REV. STAT. ANN. §§ 44-401 to -407 (West 1994); ARK. CODE. ANN. §§ 4-75-601 to -607 (Michie 1996); CAL. CIV. CODE §§ 3426 to 3426.11 (West 1997); COLO. REV. STAT. §§ 7-74-101 to -110 (1999); CONN. GEN. STAT. ANN. §§ 35-50 to -58 (West 1997); DEL. CODE ANN. tit. 6, §§ 2001 to 2009 (1993); D.C. CODE ANN. §§ 48-501 to 510 (1997); FLA. STAT. ANN. §§ 688.001 to .009 (West 1990); GA. CODE ANN. §§ 10-1-760 to -767 (1994); HAW. REV. STAT. ANN. §§ 482B-1 to -9 (Michie 1998); IDAHO CODE §§ 48-801 to -807 (1997); 765 ILL. COMP. STAT. ANN. 1065/1 to 1065/9 (West 1993); IND. CODE ANN. §§ 24-2-3-1 to -8 (West 1995); IOWA CODE ANN. §§550.1 to .8 (West 1997); KAN. STAT. ANN. §§ 60-3320 to -3330 (1994); KY. REV. STAT. ANN. §§ 365.880 to .900 (Michie 1996); LA. REV. STAT. ANN. §§ 51:1431 to :1439 (West 1987); ME. REV. STAT. ANN. tit. 10, §§ 1541 to 1548 (West 1997); MD. CODE ANN., COM. LAW I §§ 11-1201 to -1209 (1990); MINN. STAT. ANN. §§ 325C.01 to .08 (West 1995); MISS. CODE ANN. §§ 75-26-1 to -19 (1999); MO. ANN. STAT. §§ 417.450 to .467 (West Supp. 1999); MONT. CODE ANN. §§ 30-14-401 to -409 (1999); NEB. REV. STAT. §§ 87-501 to -507 (1994); NEV. REV. STAT. ANN. §§ 600A.010 to .100 (1997); N.H. REV. STAT. ANN. §§ 350-B:1 to -B:9 (1995); N.M. STAT. ANN. §§ 57-3A-1 to -7 (Michie 1998); N.D. CENT. CODE §§ 47-25.1-01 to .1-08 (Supp. 1999); OHIO REV. CODE ANN. §§ 1333.61 to .69 (Anderson Supp. 1998); OKLA. STAT. ANN. tit. 78, §§ 85 to 94 (West 1995); OR. REV. STAT. §§ 646.461 to .475 (1997); R.I. GEN. LAWS §§ 6-41-1 to -11 (1992); S.C. CODE ANN. §§ 39-8-10 to -130 (Law. Co-op. Supp. 1998); S.D. CODIFIED LAWS §§ 37-29-1 to -11 (Michie 1994); UTAH CODE ANN. §§ 13-24-1 to -9 (1996); VT. STAT. ANN. tit. 9, §§ 4601 to 4609 (Supp. 1998); VA. CODE ANN. § 59.1-336 to .1-343 (Michie 1998); WASH. REV. CODE ANN. §§ 19.108.010 to .940 (West 1999); W. VA. CODE §§ 47-22-1 to -10 (1999); WIS. STAT. ANN. § 134.90 (West 1989). Of the nine states that have not adopted the Uniform Trade Secrets Act, two rely on their own statutory schemes, and the remainder rely on common law. *See* Sheinfeld & Chow, *supra* note 1, at 358. Michigan and Texas rely on their own statutory schemes, while Massachusetts, New Jersey, New York, Pennsylvania, Tennessee, Vermont, and Wyoming rely on their common law. *See id.* Also, despite the Act’s widespread adoption, the Restatement (First) of Torts remains influential throughout the country as an interpretive guide. *See id.* Initially, Section 757 of the Restatement (Second) of Torts defined trade secrets and misappropriation. *See id.* at 359. However, the adoption of the Restatement (Third) of Unfair Competition has shifted the focus away from Section 757. *See id.* The Restatement (Third) of Unfair Competition defines a trade secret as “any information that can be used in the operation of a

business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.” *Id.* (internal quotation omitted). Under this definition, nearly all secret information of economic value may fall within the realm of trade secret protection. *See id.*

[41] UNIF. TRADE SECRETS ACT § 1, 14 U.L.A. 437 (1990).

[42] Thomas Smegal & Joseph Joyce, *Trade Secrets in the United States*, PAT. WORLD, Oct. 1998, at 31, 32.

[43] *See id.*

[44] *See* Mark D. Francis, *Avoiding Intellectual Property Pitfalls When Hiring High-Tech Employees*, 27 COLO. LAW., 85, 87 (1998) (“If the desired candidate is presently employed by a direct competitor, that competitor may bring suit . . . to prevent the client’s new employee from working for the client at all.”).

[45] UNIF. TRADE SECRETS ACT § 2(a), 14 U.L.A. 449 (1990).

[46] *Id.* § 1, 16 U.L.A. 449.

[47] *See id.* § 5, 14 U.L.A. 461.

[48] *See, e.g.*, *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1272 (7th Cir. 1995) (enjoining the defendant from working for the competitor for one month); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 636 (E.D.N.Y. 1996) (enjoining the defendant from working for the competitor for a period of up to six months); *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443, 1464-65 (M.D.N.C. 1996) (enjoining defendant from working on a specific product with the competitor for a maximum period of one year).

[49] *See* UNIF. TRADE SECRETS ACT § 2, 14 U.L.A. 449 (referencing the decisions of courts in various jurisdictions).

[50] *See* Pooley, *supra* note 8, at 1186.

[51] *See id.*

[52] *See id.*

[53] Sheinfeld & Chow, *supra* note 1, at 373.

[54] Weinstein, *supra* note 7, at 218.

[55] *Id.* at 218-19.

[56] *See* *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1263 (7th Cir. 1995).

[57] *See id.*

[58] *See id.* As reported by West Publishing, the Seventh Circuit held that PepsiCo “established that its managerial employee would inevitably disclose trade secrets to [its] competitor if [Redmond] accepted [the] competitor’s offer of employment, warranting preliminary injunctive relief under Illinois Trade Secret Act (ITSA)” *Id.* at 1262.

[59] *See id.* at 1263-64. A sports drink is a type of drink that contains the same salt concentration as human blood and has been produced so that the substances contained in the drink dissociate into ions. *See id.* at 1264 n.1.

[60] *See id.* at 1264.

[61] *See id.* The California business unit had “annual revenues of more than \$500 million and represented twenty percent of [PepsiCo’s] profit” for the entire United States. *Id.*

[62] *See id.*

[63] *See id.*

[64] *See id.*

[65] *See id.* Redmond kept his negotiations with Quaker secret from PepsiCo during this time. *See id.*

[66] *See id.*

[67] *See id.*

[68] *See id.* These colleagues included PepsiCo’s Chief Executive Officer, Chief Operating Officer, and Redmond’s immediate supervisor. *See id.*

[69] *See id.* at 1271 (noting that in light of Redmond’s actions, the court was reluctant to believe his promise not to disclose PepsiCo’s trade secrets).

[70] *See id.* at 1264.

[71] *Id.* at 1265.

[72] *See id.*

[73] *Id.* at 1265.

[74] *See id.*

[75] *See id.*

[76] *See id.*

[77] *See id.*

[78] *See id.*

[79] *Id.* (“Pricing architecture . . . encompasses [PepsiCo’s] objectives for All Sport and its new age drinks with reference to trade channels, package sizes[,] and other characteristics of both the products and the customers at

which the products are aimed. Additionally, [PepsiCo's] pricing architecture outlines [PepsiCo's] customer development agreements. . . . As with other information contained in the [Operating Plan], pricing architecture is highly confidential and would be extremely valuable to a competitor.”).

[80] *See id.*

[81] *See id.*

[82] *See id.*

[83] *See id.*

[84] *See id.* at 1266.

[85] *See id.*

[86] *Id.*

[87] *Id.*

[88] *See id.*

[89] *See id.*

[90] *See id.* However, the court noted PepsiCo's argument that the pre-existing plan was simply a basic plan consisting of only a distribution agreement and a two page contract terms summary. *See id.* Such a basic plan would most likely require Redmond's expertise to be fully implemented. *See id.*

[91] *See id.*

[92] *See id.*

[93] *See id.* at 1267.

[94] Illinois Trade Secrets Act, 765 ILL. COMP. STAT. ANN. 1065/1-9 (West 1994). Under the Illinois Trade Secrets Act, trade secret

means information, including but not limited to, technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers or suppliers, that: (1) is sufficiently secret to derive economic value, actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality.

Id. at 2(d).

[95] *See PepsiCo*, 54 F.3d at 1268 (quoting *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353, 356 (N.D. Ill. 1989)).

[96] *Id.* at 1269.

[97] *See id.* (distinguishing *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989) and *AMP, Inc. v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987)).

[98] *See id.* at 1270 (“PepsiCo finds itself in the position of a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game. Quaker and Redmond’s protestations that their distribution systems and plans are entirely different from [PepsiCo’s] are thus not really responsive.”).

[99] *See id.* at 1271.

[100] *See* Edelstein, *supra* note 8, at 717.

[101] *See id.*

[102] *See id.*

[103] *See, e.g.*, Sheinfeld & Chow, *supra* note 1, at 383-85 (stating that if inevitable disclosure were applied too broadly, “employers [would be able to] obtain a de facto non-compete agreement through the application of [the] inevitable disclosure [doctrine.]”); Edelstein, *supra* note 8, at 731-34 (noting that broad application of inevitable disclosure under the *PepsiCo* framework could greatly limit an employee’s future employment prospects).

[104] Sheinfeld & Chow, *supra* note 1, at 383 (discussing whether the application of inevitable disclosure in the absence of a covenant not to compete is “[e]conomic [s]lavery or [n]ecessary [p]rotection.”).

[105] *See* Edelstein, *supra* note 8, at 735 (“Although the arguments expressed by proponents of both sides of this dilemma are understandable, an inevitable disclosure theory that allows employers to prevent an employee from working for a competitor in the employee’s area of expertise for an unlimited amount of time and without any compensation to the employee is a menacing restriction.”).

[106] *See* Weinstein, *supra* note 7, at 226-27 (noting that “there have been virtually no reported decisions” since *PepsiCo* where an injunction has been granted “in the absence of a non-compete agreement.”). For a discussion of two cases in which injunctions were granted under the doctrine of inevitable disclosure in the absence of a non-compete agreement, see *infra* text accompanying notes 110-28.

[107] For a thorough review of all inevitable disclosure cases through March 1998, see Scheinfeld & Chow, *supra* note 1. For further review of more recent cases, and a review of the differences between the Economic Espionage Act and the Uniform Trade Secrets Act, see Smegal & Joyce, *supra* note 42.

[108] *See, e.g.*, *Bridgestone/Firestone, Inc. v. Lockhart*, 5 F. Supp. 2d 667, 680-82 (S.D. Ind. 1998) (refusing to grant an injunction in the presence of a covenant not to compete where there was no evidence that the employee had or would disclose sensitive information); *APAC Teleservices, Inc. v. McRae*, 985 F. Supp. 852, 868-69 (N.D. Iowa 1997) (refusing to grant an injunction where the employee left a technical position to take a managerial position despite the existence of a signed non-competition agreement); *Carboline Co. v. Lebeck*, 990 F. Supp. 762, 768 (E.D. Mo. 1997) (denying an injunction where a non-competition agreement existed and holding that the former employer needed to assert more than that a skilled employee was taking his abilities to a competitor); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 625, 636 (E.D.N.Y. 1996) (granting an injunction where the employee signed a “Technical Information and Non-Competition Agreement”).

[109] *See* *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443, 1457, 1460-61 (M.D.N.C. 1996); *DoubleClick, Inc. v. Henderson*, 1997 WL 731413, at *6 (N.Y. Sup. Ct. Nov. 7, 1997).

[110] *Merck*, 941 F.Supp. at 1457 (quoting *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995)).

[111] *See id.* at 1446.

[112] *See id.* at 1446-47.

[113] *Id.* at 1448.

[114] *See id.* This duty includes determining which lines to extend, determining how and when to pursue those extensions, and developing the advertising claims for the line extensions. *See id.*

[115] *See id.* at 1460.

[116] *See id.* at 1458 (finding that Merck had an interest in the information sought to be protected).

[117] *See DoubleClick, Inc. v. Henderson*, 1997 WL 731413, at *6 (N.Y. Sup. Ct. Nov. 7, 1997).

[118] *See id.* at *1-2.

[119] *See id.* at *2. The court did not address this issue other than to note this difference between Dickey and Henderson. *See id.*

[120] *See id.* at *1.

[121] *See id.* at *3.

[122] *See id.* at *1-3 (noting that among the services DoubleClick developed was a proprietary advertisement delivery system that distributed advertisements to the appropriate web sites).

[123] *See id.* at *2.

[124] *See id.* The documents were distributed to DoubleClick's top managers at the beginning of meetings and were collected at the end of those meetings. *See id.*

[125] *See id.*

[126] *See id.* at *6 (comparing the defendants in this case to the defendants in *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624 (E.D.N.Y. 1996), where the court granted a preliminary injunction under an inevitable disclosure theory).

[127] *See id.* at *5-6. The defendants had prepared a document entitled "Stakeholder Positioning Analysis," which revealed the defendants' intent to advise DoubleClick's largest client that it was paying DoubleClick too much. *See id.* at *5. This document was created using DoubleClick's proprietary rate and margin information. *See id.*

[128] *See id.* at *8.

[129] *See Weinstein, supra* note 7, at 213.

[130] *See id.*

[131] *See, e.g.,* PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1264 (7th Cir. 1995) (extending inevitable disclosure where the employee had not signed a covenant not to compete); Merck & Co. Inc. v. Lyon, 941 F. Supp 1443, 1454, 1464-65 (M.D.N.C. 1996) (granting an injunction under inevitable disclosure where the employee had not signed a non-competition agreement); DoubleClick, Inc., 1997 WL 731413, at *2, 8 (granting an injunction against two defendants, only one of whom had signed a non-competition agreement).

[132] *See* Weinstein, *supra* note 7, at 213.

[133] *Id.* at 212-13 (quoting Standard Brands Inc. v. Zumpe, 264 F. Supp. 254, 259 (E.D. La. 1967)).

[134] *See id.* at 213.

[135] *See id.*

[136] *Harley & Lund Corp. v. Murray Rubber Co.*, 31 F.2d 932, 934 (2d Cir. 1929).

[137] *See* Sheinfeld & Chow, *supra* note 1, at 383-84.

[138] *See* Edelstein, *supra* note 8, at 729-30.

[139] *Id.* at 731.

[140] *See id.* at 717.

[141] *See, e.g.,* Carnevale, *supra* note 6; Bradford P. Lyerla & Reginald J. Hill, *Dealing with Trade Secret: Inevitable Disclosure: No Non-Compete Agreement Needed*, CORP. COUNS., Feb. 1998, at 5 (commenting generally on inevitable disclosure as it arises under the Uniform Trade Secrets Act); Pooley, *supra* note 8 (discussing the top ten issues in trade secret law, including inevitable disclosure); Sheinfeld & Chow, *supra* note 1, at 360-73, 377-83 (giving an overview of restrictive covenants in general, the doctrine of inevitable disclosure, and a thorough multi-state summary of inevitable disclosure cases through March, 1998); Weinstein, *supra* note 7, at 212-13, 219-26 (discussing public policy considerations as related to inevitable disclosure and giving a thorough summary of the doctrine); Edelstein, *supra* note 8, at 731-34 (discussing the doctrine of inevitable disclosure and critiquing its effects on the rights of employees to freely choose their employer and concluding that inevitable disclosure, if applied too broadly, could run roughshod over employees rights and liberties).

[142] Carnevale, *supra* note 6.

[143] *See* Edelstein, *supra* note 8, at 732.

[144] *See id.*

[145] *See, e.g.,* PepsiCo v. Redmond, 54 F.3d 1262, 1267 (7th Cir. 1995) (looking to actions and statements by employee to determine that promise not to disclose was not “comforting”).

[146] *See id.* at 1265-67.

[147] *See id.* at 1264.

[148] *See id.* at 1267.

[149] *Id.*

[150] *See id.* at 1267-72.

[151] *See Carnevale, supra* note 6 (noting that fear of “judicially imposed covenant[s] not to compete” has not yet become reality); *see also Sheinfeld & Chow, supra* note 1, at 374 (stating that if inevitable disclosure were applied too broadly, employers could obtain a de facto non-compete agreement through the application of the doctrine); Edelstein, *supra* note 8, at 719 (noting that broad application of inevitable disclosure under the *PepsiCo* framework could greatly limit an employee’s future employment prospects).

[152] *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443, 1458 (M.D.N.C. 1996).

[153] *Id.* at 1460 n.5.

[154] *Id.* at 1460.

[155] *Id.* at 1448.

[156] *See id.*

[157] *See id.* at 1448-49. At the time of his resignation, a joint venture was being created between Merck and Johnson & Johnson. *See id.* at 1447. Under a severance package plan, Lyon would receive stock options worth \$250,000 and nearly \$80,000 in severance benefits if his job at Merck were eliminated as a result of the joint venture and he did not accept a position with the joint venture. *See id.* at 1448. If Lyon resigned because he had accepted a position with another company, he would not receive either of those amounts. *See id.* at 1449.

[158] *See id.* at 1464-65.

[159] *See DoubleClick, Inc. v. Henderson*, 1997 WL 731413, at *5 (N.Y. Sup. Ct. Nov. 7, 1997).

[160] *See id.*

[161] *See id.* *5-6.

[162] *See id.* at *5. The margin is “the percentage shares that DoubleClick and a client web site split from advertising revenues.” *Id.*

[163] *Id.*

[164] *See Lyerla & Hill, supra* note 141, at 6.

[165] *See supra* text accompanying notes 103-06.

[166] UNIF. TRADE SECRETS ACT § 2, 14 U.L.A. 449 (1990). Section 2 of the Act provides when injunctive relief can be granted in a case of trade secret misappropriation. *See id.* Currently, the comment describes situations in which an injunction can be granted and those in which a reasonable royalty can be assessed against the defendant. *See id.*, comment.

[167] *See supra* Part III(B).

[168] *See supra* text accompanying notes 135-48.

[169] Edelstein, *supra* note 8, at 731.

[170] *See supra* text accompanying notes 127-49 (describing *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443 (M.D.N.C. 1996) and *DoubleClick v. Henderson*, 1997 WL 731413 (N.Y. Sup. Ct. Nov. 7, 1997)).

[171] *See* 941 F. Supp. 1443, 1464-65 (M.D.N.C. 1996).

[172] *See*, *DoubleClick, Inc. v. Henderson*, 1997 WL 731413, at *5, 8 (N.Y. Sup. Ct. Nov. 7, 1997).

[173] Edelstein, *supra* note 8, at 733.