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## Facing the Inevitable: The Inevitable Disclosure Doctrine and the Defend Trade Secrets Act of 2016

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# Facing the Inevitable: The Inevitable Disclosure Doctrine and the Defend Trade Secrets Act of 2016

M. Claire Flowers\*

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### I. Introduction

Consider the following hypothetical: Pinkies Bakery, a leading national producer of crumpets and other baked goods, is suing Mr. Jones, a former executive with the company. Mr. Jones parted amicably with Pinkies after his wife's job transferred the family out of state. But, when Mr. Jones seeks employment with another grocery manufacturing company in an executive role, Pinkies

attempts to block this employment, even in the absence of a non-compete agreement.

Mr. Jones worked for Pinkies as an executive for ten years. Pinkies relies on a secret formula to achieve the special light and balanced consistency of their crumpets. Mr. Jones worked diligently for the company and moved up in its rank during the course of his ten-year career with Pinkies. Because of the nature of his job, he was one of the few key executives at Pinkies with access to the secret formula. Mr. Jones had fifteen years of experience as a bakery executive before working at Pinkies. The job that Mr. Jones performed is highly specialized. Also, there are few positions available for seasoned bakery executives and few skilled individuals who can fill these positions.

Pinkies sues Mr. Jones for trade secret misappropriation on the theory that he will necessarily use the secret formula information in his new job with another manufacturer of baked goods. Mr. Jones did not leave Pinkies with any proprietary documents and does not intend to disclose any of Pinkies' information to his new employer. However, simply on the basis of having worked for Pinkies, Mr. Jones faces a major dilemma: take the new job in a field that is suited to his training and twenty-five years of experience and face a lawsuit, or be forced to find employment in a different field, in which he is not skilled, in order to avoid being sued by his former employer.<sup>1</sup>

Businesses have a legitimate interest in protecting their proprietary information.<sup>2</sup> Maintaining mobility of labor remains a key interest to at-will employees.<sup>3</sup> “Historically, the law has sought to balance these two interests.”<sup>4</sup> However, employers increasingly are attempting to prevent employees from taking the knowledge

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1. This hypothetical is inspired by *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102 (3d Cir. 2010). For a discussion of the facts of *Bimbo*, see *infra* notes 89–91 and accompanying text.

2. See James Bessen, *How Companies Kill Their Employees' Job Searches*, ATLANTIC (Oct. 17, 2014) <https://www.theatlantic.com/business/archive/2014/10/how-companies-kill-their-employees-job-searches/381437/> (last visited on Nov. 25, 2018) (discussing that trade secret protection is important for “motivating firms to invest” and that companies have an interest in preventing the misuse of their trade secrets) (on file with the Washington and Lee Law Review).

3. See *id.* (recounting the story of Mark Papermaster who was sued by his former employer IBM after he went to work for Apple).

4. *Id.*

and skills that they possess to new jobs.<sup>5</sup> Jimmy John's sandwich chain even requires the sandwich maker, earning eight dollars per hour, to sign a non-compete agreement.<sup>6</sup> Trade secret misappropriation litigation is one way that employers can limit the mobility of skilled laborers.<sup>7</sup> The introduction of a new federal cause of action for trade secret misappropriation, the Defend Trade Secrets Act of 2016 (DTSA),<sup>8</sup> and the cases<sup>9</sup> decided since the DTSA's passage indicate that the DTSA significantly tipped the scales toward businesses protecting their proprietary information at the expense of the mobility of highly skilled laborers.<sup>10</sup>

Multiple federal courts recognized and applied the inevitable disclosure doctrine in cases brought by employers against former employees under the DTSA.<sup>11</sup> The inevitable disclosure doctrine

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5. *See id.* (describing that employers are using trade secret laws to take legal action against former employees).

6. Neil Irwin, *When the Guy Making Your Sandwich Has a Noncompete Clause*, N.Y. TIMES (Oct. 14, 2014), <https://www.nytimes.com/2014/10/15/upshot/when-the-guy-making-your-sandwich-has-a-noncompete-clause.html> (last visited Nov. 25, 2018) (on file with the Washington and Lee Law Review).

7. *See* Bessen, *supra* note 2 ("The number of lawsuits over noncompete agreements and trade secrets has nearly tripled since 2000.").

8. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (Supp. IV 2016)).

9. *See generally* *Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App'x 72 (3d Cir. 2017); *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16-C-03545, 2017 U.S. Dist. LEXIS 71700 (N.D. Ill. May 11, 2017); *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593 (N.D. Ill. Sept. 8, 2017); *Xoran Holdings LLC v. Luick*, No. 16-13703, 2017 WL 4039178 (E.D. Mich. Sept. 13, 2017); *Mid-Am. Bus. Sys. v. Sanderson*, No. 17-3876, 2017 WL 4480107 (D. Minn. Oct. 6, 2017). The first case mentioning the inevitable disclosure doctrine in the context of a DTSA claim focuses solely on New York state law and is not critical to the analysis of this Note. *See* *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016).

10. *See generally* *Fres-co*, 690 Fed. App'x at 76; *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*15-17; *Mickey's*, 2017 WL 3970593, at \*12; *Xoran*, 2017 WL 4039178, at \*6; *Mid-Am.*, 2017 WL 4480107, at \*7 (granting injunctions restricting the employment of former employees in actions brought by employer); *see also infra* Part VI.C (discussing the DTSA's labor mobility implications).

11. *See generally* *Fres-co*, 690 Fed. App'x at 72; *Molon*, 2017 U.S. Dist. LEXIS 71700; *Mickey's*, 2017 WL 3970593; *Xoran*, 2017 WL 4039178; *Mid-Am.*, 2017 WL 4480107. This Note addresses caselaw published before March 1, 2018. Additional caselaw addressing the inevitable disclosure doctrine has been published since that date. *See also* *Opus Fund Servs. (USA) LLC v. Theorem Fund Servs. LLC.*, No. 17 C 923, 2017 WL 1156246, at \*4 (N.D. Ill. March 5, 2018); *Prime Therapeutics LLC v. Beatty*, No. 18-cv-02715, 2018 WL 5669270, at \*6 (D. Minn.

allows a business to temporarily enjoin the new employment of a former employee by a competitor on the theory that the employee learned confidential information while working for that business which the employee cannot possibly forget or refrain from relying on during her employment with the competitor.<sup>12</sup> The application of this doctrine under the DTSA is controversial for two reasons. First, some states refuse to recognize the inevitable disclosure doctrine due, in part, to its restrictive effect on labor mobility.<sup>13</sup> Secondly, the application is controversial because some practitioners thought that the language of the DTSA preempted the application of this doctrine at the federal level.<sup>14</sup>

Some scholars consider the inevitable disclosure doctrine to be functionally equivalent to a non-compete agreement because it prevents employees from joining a competitor or launching their own start-up that would compete against their former employer.<sup>15</sup> The issue with allowing the inevitable disclosure doctrine to achieve the same result of a non-compete agreement is that the doctrine imposes the same restraints as a non-compete agreement in the absence of a contractual agreement between the parties and does not allow for the employee to negotiate the terms of such an

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Nov. 1, 2018) (conducting an inevitable disclosure analysis in claims brought under the DTSA).

12. See Tracey Bateman Farrell, Annotation, *Applicability of Inevitable Disclosure Doctrine Barring Employment of Competitor's Former Employee*, 36 A.L.R. 6th 537, § 1 (2008) ("Under the inevitable disclosure doctrine, the former employer argues that in order to perform the new job effectively, the new employee cannot but help but draw upon this information learned in the previous employment.").

13. See *Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443, 1447 (2002) and discussion *infra* notes 105–108 (discussing California's outright rejection of the inevitable disclosure doctrine because of its impact on labor mobility).

14. See Erik Weibust & Andrew Stark, *The Third Circuit Addresses the Defend Trade Secrets Act and Appears to Have Applied the Inevitable Disclosure Doctrine*, TRADING SECRETS BLOG (July 11, 2017), <http://www.tradesecretslaw.com/2017/07/articles/dtsa/the-third-circuit-addresses-the-defend-trade-secrets-act-and-appears-to-have-applied-the-inevitable-disclosure-doctrine/> (last visited Nov. 25, 2018) ("Only time will tell whether this trend will continue, or if the federal courts will clarify . . . that injunctions keeping a former employee out of work may not be based on their alleged 'inevitable disclosure' of trade secrets.") (on file with the Washington and Lee Law Review).

15. See Sharon K. Sandeen & Elizabeth A. Rowe, *Debating Employee Non-Competes and Trade Secrets*, 33 SANTA CLARA HIGH TECH L.J. 438, 457 (2017) ("Even without [a non-compete agreement], some courts apply the inevitable disclosure doctrine to prevent an employee from working for a new employer.").

agreement.<sup>16</sup> Thus, the inevitable disclosure doctrine's function as a de facto non-compete agreement profoundly impacts innovation and the formation of start-ups.<sup>17</sup> The application of highly restrictive trade secret laws, including the doctrine of inevitable disclosure, can hinder employees as well as employers.<sup>18</sup> Empirical evidence suggests "the average effect of IDD [the inevitable disclosure doctrine] on innovation quality . . . is negative."<sup>19</sup> Concerns exist that an overly pro-employer trade secret environment will have a negative impact on innovation.<sup>20</sup> For these reasons, it is important to analyze whether the inevitable disclosure doctrine can and should survive in federal courts in claims brought under the DTSA.<sup>21</sup>

In light of the DTSA's recent passage and the restrictive effects of the inevitable disclosure doctrine, it is necessary to determine whether the DTSA preempts the application of inevitable disclosure or if its application will become increasingly prevalent in federal courts.<sup>22</sup> Applying the inevitable disclosure doctrine at the federal level significantly implicates various stakeholders, perhaps most negatively, at-will employees. The application of the inevitable disclosure doctrine "reflects the fundamental tension between legitimate, competing interests: the

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16. *See id.* ("[Inevitable disclosure] is a highly controversial remedy precisely because critics complain that there is no contractual agreement between the employer and employee.")

17. *See* Charles Tait Graves & James A. DiBoise, *Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation*, 1 *ENTREPRENEURIAL BUS. L.J.* 323, 324 (2007) ("[R]estrictive trade secret rules operate as court-created non-competition agreements and all too easily allow former employers to bury a new start-up in legal fees and amorphous, ever-changing accusations of trade secret theft.")

18. *See id.* at 327 (challenging the notion that strict non-competition agreements and trade secret laws protect innovation).

19. Andrea Contigiani et. al, *Trade Secrets and Innovation: Evidence from the "Inevitable Disclosure" Doctrine 4* (Dec. 1, 2016) (unpublished manuscript) (on file with the Washington and Lee Law Review).

20. *See id.* at 7 ("An employer friendly trade secret environment may hamper the operation of . . . the external labor market, and so raises the possibility of dampened individual incentives for innovation.")

21. *Defend Trade Secrets Act of 2016*, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (Supp. IV 2016)).

22. *See* Brittany S. Bruns, Note, *Criticism of the Defend Trade Secrets Act of 2016: Failure to Preempt*, 32 *BERKELEY TECH. L.J.* 469, 489-91 (2017) (discussing further the preemptive effects of the DTSA on all state trade secret laws).

need to protect the employer's investment in confidential information and the need to support free competition and movement of labor."<sup>23</sup> Applying inevitable disclosure under the DTSA seems to disturb the balance between the public policy considerations surrounding the mobility of skilled laborers and the economic considerations related to the preservation of a business's intellectual property.<sup>24</sup>

This Note addresses whether application of the inevitable disclosure doctrine should be permitted in trade secret misappropriation claims brought under the DTSA.<sup>25</sup> In answering this question, this Note first examines the goals Congress intended to achieve with this legislation and how application of the inevitable disclosure doctrine serves or undermines those goals. This Note then looks to the plain language of the statute, the legislative intent behind the DTSA, judicial application of the Act since its passage, and the normative arguments against the inevitable disclosure doctrine.

This Note proceeds in the following course: Part II addresses the relevant history of trade secret law in the United States up until the passage of the DTSA and introduces the legislation. Part III details the legislative history and Congressional intent behind the passage of this Act with a particular focus on injunctive relief against departing employees.<sup>26</sup> Part IV argues that the language of the DTSA fails to preempt the application of the inevitable disclosure doctrine. Part V critically examines some of the cases decided after the passage of the DTSA, in light of the statutory language and legislative intent, to demonstrate the DTSA's failure to preempt inevitable disclosure. Part VI discusses the problems with allowing the inevitable disclosure doctrine to survive in DTSA claims. Part VII concludes that given the DTSA's current failure to

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23. JAMES POOLEY, TRADE SECRETS, § 7.02[2] (2007).

24. See *SI Handling Sys. v. Heisley*, 753 F.2d 1244, 1267 (3d Cir. 1985) (Adams, J., concurring) (“[T]rade secret cases frequently implicate the important countervailing policies served on one hand by protecting a business person from unfair competition stemming from the usurpation of trade secrets, and on the other by permitting an individual to pursue unhampered the occupation for which . . . she is best suited.”). For further discussion of this case, see *infra* notes 330–334 and accompanying text.

25. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (Supp. IV 2016)).

26. *Id.*



preempt the application of inevitable disclosure and the harms caused by the inevitable disclosure doctrine, Congress should amend the DTSA to preempt the inevitable disclosure doctrine.

## *II. Background and Context of Trade Secret Law in the United States*

Trade secret law is a branch of intellectual property law. Unlike other forms of intellectual property law such as patents, trademarks, and copyrights, the federal government does not register trade secret information.<sup>27</sup> States and various uniform codes have developed trade secret law over time, culminating with the new federal cause of action for trade secret misappropriation.<sup>28</sup>

### *A. Sources of Law*

Trade secret misappropriation claims historically fell under state law.<sup>29</sup> Each state enacts its own trade secret misappropriation law.<sup>30</sup> Through time, various states and the Restatement (First) of Torts defined trade secrets differently and provided different criteria for plaintiffs to prove that a trade secret existed and that it had been misappropriated.<sup>31</sup> Courts also

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27. See Sally Kane, *Career Requirements and Responsibilities in Trade Secret Law*, BALANCE, <https://www.thebalance.com/trade-secret-law-2164628> (last updated Nov. 25, 2018) (last visited Nov. 25, 2018) (“Unlike other forms of intellectual property, such as patents, copyrights, and trademarks, organizations cannot register their trade secrets with the government to protect their proprietary information.”) (on file with the Washington and Lee Law Review).

28. See discussion *infra* Part II.A (discussing various sources of trade secret law and its development over time).

29. See Sharon K. Sandeen & Christopher B. Seaman, *Toward a Federal Jurisprudence of Trade Secret Law*, 32 BERKELEY TECH. L.J. 829, 832 (2017) (“For over 175 years, state law governed civil trade secret principles in the United States . . .”).

30. See Malla Pollack, *Litigating Misappropriation of Trade Secret*, 127 AM. JUR. TRIALS 283, § 14 (2012) (detailing the different language of various state statutes regarding trade secret misappropriation).

31. See *id.* §§ 7–9 (detailing the various Restatements that have influenced trade secret law in states); RESTATEMENT (FIRST) OF TORTS § 757 (AM. LAW INST. 1939) (providing liability for “one who discloses or uses another’s trade secret, without privilege to do so”); see RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (AM. LAW INST. 1995) (defining a trade secret as “any information that can be used

established trade secret common law as they interpreted state trade secret statutes.<sup>32</sup> Because trade secret common law developed slowly and inconsistently, practitioners and businesses sought a “clearly defined” and “uniform” cause of action.<sup>33</sup> The Uniform Law Commission published the Uniform Trade Secrets Act (UTSA)<sup>34</sup> to fill gaps left by the Restatement and to bring some level of uniformity to trade secret law in the United States.<sup>35</sup> Since then, forty-seven states and the District of Columbia have adopted the UTSA, sometimes with modifications.<sup>36</sup> Until the DTSA’s passage in 2016, claimants could generally bring civil actions for trade secret misappropriation only under state laws.<sup>37</sup>

### *B. Elements of a Trade Secret Claim*

The modern elements of trade secret misappropriation generally include: (1) that the plaintiff owned a trade secret; (2) the defendant acquired, disclosed, or used the plaintiff’s trade secret; and (3) the defendant’s actions damaged the plaintiff.<sup>38</sup> The

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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”).

32. *See id.* § 5 (“Prior to the popularity of the UTSA, most cases were decided under common law doctrines . . .”).

33. Sharon K. Sandeen, *The Evolution of Trade Secret Law and Why Courts Commit Error When They Do Not Follow the Uniform Trade Secrets Act*, 33 *HAMLIN L. REV.* 493, 502 (2010).

34. UNIFORM TRADE SECRETS ACT (UNIF. LAW COMM’N. 1986).

35. *See* Richard F. Dole, *The Contours of American Trade Secret Law: What Is and What Isn’t Protectable as a Trade Secret*, 19 *SMU SCI. & TECH. L. REV.* 89, 93 (2016) (describing the development of the UTSA to provide uniformity and cure defects in the Restatement definitions).

36. *See Uniform Trade Secrets Act Enactment Status Map*, UNIF. LAW COMM’N. (Nov. 26, 2017, 2:05 PM), <http://www.uniformlaws.org/LegislativeMap.aspx?title=trade%20Secrets%20Act> (last visited Nov. 25, 2018) (demonstrating which states have adopted the UTSA) (on file with the Washington and Lee Law Review).

37. *See* Kris J. Kostolansky & Frances Staadt, *The Defend Trade Secrets Act of 2016: Reconciling Inevitable Disclosure*, 45 *COLO. LAW.* 37, 37 (2016) (“Before the DTSA’s passage, victims of trade secret theft could bring civil actions only under state trade secret laws, which vary widely from state to state.”).

38. *See* George L. Blum, Annotation, *Uniform Trade Secrets Act (UTSA) as Preempting Civil Action Not Sounding in Contract and Based on Misappropriation of Confidential Information Other than Trade Secret, and UTSA as Precluding Plaintiff’s Assertion that Claim Does Not Constitute Trade*

first element a plaintiff must prove in a trade secret misappropriation claim is that a trade secret exists.<sup>39</sup> The UTSA defines a trade secret as:

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.<sup>40</sup>

Having established that a trade secret exists, the plaintiff then must establish misappropriation.<sup>41</sup> To prove misappropriation, plaintiffs may need to demonstrate “the 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.”<sup>42</sup> Plaintiffs may additionally need to demonstrate the “disclosure or use of a trade secret of another without express or implied consent by a person.”<sup>43</sup> Once the plaintiff satisfies the elements of misappropriation, the court primarily grants the remedy of an injunction.<sup>44</sup> Courts look to various legal and factual considerations when determining whether to grant an injunction.<sup>45</sup>

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*Secret in Order to Circumvent Preemption Bar*, 29 A.L.R. Fed. 7th Art. 4 (2017) (referencing the elements of a trade secret misappropriation claim under the California statute).

39. See Pollack, *supra* note 30, § 14 (listing the elements of trade secret misappropriation claim).

40. UNIFORM TRADE SECRETS ACT § 14 (UNIF. LAW COMM’N. 1986).

41. See Sandeen, *supra* note 33, at 529 (describing the UTSA’s requirement that both the existence of a trade secret and its misappropriation must be demonstrated in order to state a successful claim of trade secret misappropriation).

42. UNIFORM TRADE SECRETS ACT § 1(2)(i) (UNIF. LAW COMM’N. 1986).

43. *Id.* § 1(2)(ii).

44. See POOLEY, *supra* note 23, § 7.02[2] (detailing that courts will typically grant an injunction to stop any future use of stolen trade secret information); see also Elizabeth Rowe, *Unpacking Trade Secret Damages*, 55 HOUS. L. REV. 155, 160–62 (2017) (discussing injunctive relief as a remedy under trade secret common law, the UTSA, and the DTSA).

45. See, e.g., *RKI, Inc. v. Grimes*, 177 F. Supp. 2d. 859, 876 (N.D. Ill. 2001) (analyzing the level of competition between the former and new employer, how comparable the position the employer hold is to his former job, and actions the

One such legal consideration is whether it is appropriate to apply the inevitable disclosure doctrine.<sup>46</sup>

### *C. Inevitable Disclosure Doctrine*

The inevitable disclosure doctrine allows a court to temporarily “enjoin a former employee from working for his employer’s competitor because of the threat of misappropriation.”<sup>47</sup> The rationale behind the doctrine is that the employee has gained knowledge of confidential information while working for that business, and the employee cannot possibly forget or refrain from relying on that knowledge during her employment with the competitor.<sup>48</sup> In other words, given the employee’s access to trade secret information in her former position, the competitor’s use of that information will be unavoidable.<sup>49</sup> The inevitable disclosure doctrine is a judge-made doctrine, although some states have found a textual anchor in the UTSA’s prohibition of “threatened misappropriation.”<sup>50</sup>

Scholars disagree about what “inevitable disclosure” really means.<sup>51</sup> James Pooley, one of the foremost experts in trade secret law, argues that inevitable disclosure is simply courts applying injunctive relief against threatened misappropriation and is not

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new employer took to prevent the employee from disclosing the former employer’s trade secrets).

46. See Farrell, *supra* note 12, § 2 (detailing circumstances which support the court’s application of inevitable disclosure and circumstances which do not support the application).

47. Ryan M. Wiesner, *A State-by-State Analysis of Inevitable Disclosure: A Need for Uniformity and a Workable Standard*, 16 MARQ. INTELL. PROP. L. REV. 211, 214 (2012).

48. See Farrell, *supra* note 12, § 1 (defining the inevitable disclosure doctrine and describing its use in trade secret litigation).

49. See Wiesner, *supra* note 47, at 214 (“The employer must show that its employee had access to its trade secrets ‘and the former employee has such similar responsibilities with the new employer as to make it inevitable that he will . . . disclose those trade secrets in the performance of his [new] job duties . . . .’” (quoting DAVID W. QUINTO & STUART H. SINGER, *TRADE SECRETS* 44 (2009))).

50. See UNIFORM TRADE SECRETS ACT § 2(a) (UNIF. LAW COMM’N. 1986) (“Actual or threatened misappropriation may be enjoined.”).

51. See Farrell, *supra* note 12, § 2 (“The doctrine of inevitable disclosure has been defined and applied differently by different courts.”).

based on information that the individual merely knew through previous employment.<sup>52</sup> Other authority has found inevitable disclosure when a former employee will “inevitably disclose” or use their trade secret information upon joining a competitor in a similar position as their original job.<sup>53</sup>

Typically, an injunction granted on the basis of the inevitable disclosure doctrine is temporary in duration or limited to certain job positions.<sup>54</sup> Inevitable disclosure essentially allows for the use of circumstantial evidence to demonstrate “threatened” trade secret misappropriation.<sup>55</sup> While the inevitable disclosure doctrine is a judicially created doctrine, the outcomes in the cases that apply inevitable disclosure “depend more on factual variations than on doctrinal consistency.”<sup>56</sup> In applying inevitable disclosure, the central inquiries are (1) whether the defendant possesses information that is considered the plaintiff’s trade secret information and (2) whether the defendants will inevitably rely on that information in subsequent employment.<sup>57</sup> However, caselaw

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52. See POOLEY, *supra* note 23, § 2.05[4] (“In reality, the very notion of inevitability, like ‘threatened misappropriation’ begs the question of what proof is necessary to establish it.”).

53. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995) (applying inevitable disclosure on the basis that the former employee would necessarily rely on information learned at Pepsi in his new job); see *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 111 (3d Cir. 2010) (stating that “Pennsylvania law empowers a court to enjoin the threatened disclosure of trade secrets without requiring the plaintiff to show that disclosure is inevitable”); see also Farrell, *supra* note 12, § 2 (“The type of the job that the employee held with the former employer is often important in determining whether he or she will inevitably disclose trade secret information . . . by taking a job with a competitor.”).

54. See POOLEY, *supra* note 23, § 2.05[4] (“When the doctrine is applied, the outcome [will be] . . . a more limited injunction that . . . forbids participation in some particular product line or area of business. Variations on this approach are an injunction which will expire in a short time.”).

55. See *id.* § 7.02[2] (“This has led to the so-called ‘doctrine of inevitable disclosure’ . . . under which circumstantial evidence strongly indicating a likelihood of misappropriation may be sufficient to support an injunction, despite the defendant’s protestations to the contrary.”).

56. *Id.*

57. See *Kostolansky & Staadt*, *supra* note 37, at 38 (“The relevant inquiry regarding inevitable disclosure is whether a former employee possesses information that constitutes a trade secret and whether reliance on that trade secret is inevitable.”).

from different states has individually defined and tailored the inevitable disclosure analysis.<sup>58</sup>

### 1. Pre-DTSA Caselaw Applying the Inevitable Disclosure Doctrine

Given the competing definitions of the inevitable disclosure doctrine, various courts have articulated and applied the doctrine in different ways. The seminal case defining and applying the inevitable disclosure doctrine is *PepsiCo, Inc. v. Redmond*.<sup>59</sup> In *PepsiCo*, the court held that a plaintiff “may prove a claim of trade secret misappropriation by demonstrating that defendant’s new employment will inevitably lead him to rely on plaintiff’s trade secret.”<sup>60</sup> The opinion articulated that in this case, the employee possessed a demonstrated knowledge of trade secret information and would necessarily base decisions made in his new job with a competitor on knowledge of that information.<sup>61</sup>

*PepsiCo* involved companies in the highly competitive market of sports drinks and “new age drinks,” such as Snapple and Fruitopia.<sup>62</sup> In 1995, Quaker tried to solidify its lead in this market as the distributor of Snapple and Gatorade, while PepsiCo attempted to catch up to Quaker with its new sports drink, All Sport.<sup>63</sup> William Redmond worked as the General Manager of the Northern California Business Unit for PepsiCo in its North American (PCNA) division, and because of the high-ranking nature of his job, Redmond had access to a great deal of PepsiCo proprietary information.<sup>64</sup> The head of Quaker’s Gatorade division

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58. See discussion *infra* Part II.C.1 (detailing the different standards and definitions applied in an inevitable disclosure analysis).

59. 54 F.3d 1262 (7th Cir. 1995). Some pre-*PepsiCo* cases enjoined departing employees from working for competitors, although without referring to “inevitable disclosure.” See, e.g., *FMC Corp. v. Varco Int’l, Inc.*, 677 F.2d 500, 504–05 (5th Cir. 1982); *Allis-Chalmers Mfg. Co., v. Cont’l Aviation & Eng’g Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966); *Fountain v. Hudson Cush-N-Foam Corp.*, 122 So. 2d 232, 234 (Fla. Dist. Ct. App. 1960).

60. *PepsiCo, Inc.*, 54 F.3d at 1269.

61. See *id.* at 1270 (indicating that Redmond would necessarily be influenced by the knowledge he acquired at PCNA in working for Quaker).

62. *Id.* at 1264.

63. *Id.*

64. *Id.*

offered Redmond a position as the Vice President of Field Operations for the Gatorade division, and Redmond accepted the position.<sup>65</sup> Redmond communicated with the human resources department at PCNA about the offer, but indicated that he was unsure if he would accept the position with Quaker.<sup>66</sup> The Senior Vice President of Human Resources told Redmond to continue making planned visits to PCNA customers.<sup>67</sup> Two days after Redmond accepted the position with Quaker, he informed PCNA's Chief Operating Officer that he had decided to take the position with Quaker and was resigning from PCNA.<sup>68</sup>

PepsiCo filed suit against Redmond seeking a temporary restraining order to enjoin Redmond from assuming his new position at Quaker.<sup>69</sup> During the preliminary injunction hearing, PepsiCo offered evidence of confidential information and trade secrets that Redmond had learned in the course of his employment.<sup>70</sup> PepsiCo identified key documents as trade secrets including: PCNA's Strategic Plan including financial goals and marketing strategies; PCNA's Annual Operating Plan; and documentation regarding innovation in selling and delivery models.<sup>71</sup> PepsiCo argued that because Redmond had "intimate knowledge" of this information, he would inevitably disclose this information to Quaker through the course of his employment with Quaker.<sup>72</sup> Redmond and Quaker responded that the information Redmond acquired from his work with PepsiCo was irrelevant to his position at Quaker and that it would violate the Quaker Code of Ethics to misappropriate trade secret information in this way.<sup>73</sup>

The United States Court of Appeals for the Seventh Circuit upheld the preliminary injunction enjoining Redmond from assuming his position at Quaker for over a year.<sup>74</sup> The Illinois

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65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.* at 1265.

70. *Id.* at 1265.

71. *Id.* at 1265–66.

72. *Id.* at 1266.

73. *See id.* ("Redmond asserted that . . . his special knowledge of PCNA strategies would be irrelevant.")

74. *See id.* at 1271 (upholding the injunction on the basis of Redmond's

Trade Secret Act, which governed the trade secret issue in this case, provides that a court may enjoin behavior on the basis of “actual or threatened misappropriation” of a trade secret.<sup>75</sup> In this case, the Seventh Circuit wrestled with defining the certain actions that constitute threatened misappropriation.<sup>76</sup> The court based its decision to affirm the district court’s injunction primarily on the “demonstrated inevitability that Redmond would rely on PCNA trade secrets in his new job at Quaker.”<sup>77</sup>

*PepsiCo* is not an atypical case; numerous other states adopted the inevitable disclosure doctrine as part of their trade secret common law.<sup>78</sup> Notably, Delaware recognizes the inevitable disclosure doctrine, and the first decision to refer to a disclosure occurring “inevitably” was a Delaware case.<sup>79</sup> Acceptance and application of the inevitable disclosure doctrine varies from state to state, but the majority of state courts that have addressed the doctrine have “endorsed” inevitable disclosure.<sup>80</sup>

While many courts have applied the inevitable disclosure doctrine, they have not applied it consistently.<sup>81</sup> This could be in part due to the confusion mentioned earlier: whether inevitable disclosure is synonymous with “threatened misappropriation” or whether the doctrine only pertains to enjoining former employees on the basis of what they know.<sup>82</sup> This confusion is especially

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threatened misappropriation).

75. *See id.* at 1267 (quoting the Illinois Trade Secret Act, 765 ILL. COMP. STAT. 1065/3 (West 1988)).

76. *See id.* at 1268 (discussing that there is little law establishing what constitutes threatened misappropriation in the Seventh Circuit).

77. *Id.* at 1271.

78. *See* Wiesner, *supra* note 47, at 217–28 (detailing multiple states’ positions on the inevitable disclosure doctrine).

79. *See* E.I. duPont de Nemours & Co. v. American Potash & Chem. Corp., 200 A.2d 428 (Del. Ch. 1964) (“Plaintiff says that on this record an issue is created as to whether disclosure will inevitably or probably follow from Hirsch’s employment . . .”).

80. RANDALL E. JAHNKE, ET. AL., DOCTRINE OF INEVITABLE DISCLOSURE 14 (2008), <http://www.ipso.org/wp-content/uploads/2013/04/DoctrineofInevitableDisclosure.pdf>; *see also* Wiesner, *supra* note 47, at 217–28 (detailing which states have endorsed the inevitable disclosure doctrine).

81. *See* JAHNKE, *supra* note 80, at 14 (“Even in states that have accepted the doctrine, application has been uneven . . .”).

82. *See id.* (“[Application has been inconsistent] primarily due to



apparent because the UTSA specifically recognizes injunctive relief on the basis of threatened misappropriation.<sup>83</sup> However, some states that have adopted the UTSA do not recognize the inevitable disclosure doctrine.<sup>84</sup> Other states that have refused to adopt the UTSA's language of injunctive relief on the basis of threatened misappropriation accept the inevitable disclosure doctrine.<sup>85</sup> This Note now explores additional caselaw to highlight the inconsistent application of inevitable disclosure and demonstrate how different courts apply distinct inevitable disclosure analyses.

*Bimbo Bakeries USA, Inc. v. Botticella*<sup>86</sup> serves as another influential case in the canon of inevitable disclosure jurisprudence. Although the facts in *Bimbo* resemble the facts in *PepsiCo*,<sup>87</sup> the court's application of inevitable disclosure in *Bimbo* is significantly different than the application of the doctrine in *PepsiCo*.<sup>88</sup> Botticella worked as a senior executive at Bimbo, one of the largest companies in the United States bakery business.<sup>89</sup> As an executive, Botticella had access to confidential information including formulas and strategic business documents.<sup>90</sup> Botticella accepted a job with a key Bimbo competitor, Hostess, as their Vice President of Bakery Operations.<sup>91</sup> A computer forensics expert presented some evidence that Botticella accessed a number of confidential documents inconsistent with his prior document usage in the

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misunderstandings regarding the role of the doctrine in reference to the threatened misappropriation . . .”).

83. *See id.* (describing the UTSA's "specific reference to threatened misappropriation").

84. *See id.* (indicating that at least some states believe that applying the inevitable disclosure doctrine means something different than granting injunctive relief on the basis of threatened misappropriation).

85. *See id.* (remarking that California has accepted the UTSA but rejected the inevitable disclosure doctrine, while New York and New Jersey have not adopted the UTSA but do accept the doctrine).

86. 613 F.3d 102 (3d Cir. 2010).

87. *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995).

88. *Compare* *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102, 102 (3d Cir. 2010) (requiring the disclosure to be "substantially" likely and not requiring plaintiffs to demonstrate that the disclosure is inevitable), *with* *PepsiCo*, 54 F.3d at 1262 (focusing on the inevitability of Redmond's disclosure).

89. *Bimbo*, 613 F.3d at 105.

90. *Id.*

91. *Id.*

weeks leading up to his departure from Bimbo.<sup>92</sup> After Botticella left Bimbo to work for Hostess, Bimbo brought a trade secret misappropriation action under the Pennsylvania Uniform Trade Secrets Act and moved for a preliminary injunction.<sup>93</sup> The district court found that there was “a substantial likelihood, if not inevitability, that [Boticella] will disclose or use Bimbo’s trade secrets in the course of his employment with Hostess.”<sup>94</sup>

On appeal, the Third Circuit agreed with the district court that Pennsylvania law “empowers a court to enjoin the threatened disclosure of trade secrets.”<sup>95</sup> However, the opinion stated that the District Court enjoined the threatened disclosure on the basis that the disclosure was likely rather than inevitable.<sup>96</sup> The Third Circuit decided that courts may appropriately enjoin the threatened disclosure even without determining whether the disclosure was in fact inevitable.<sup>97</sup> The Third Circuit affirmed the District Court’s statement that the “proper inquiry” in granting an injunction to prevent the threatened disclosure of trade secrets is “not whether a defendant inevitably will disclose a trade secret in the absence of injunctive relief, but instead whether there is ‘sufficient likelihood, or substantial threat, of defendant doing so in the future.’”<sup>98</sup>

## 2. States that Reject the Inevitable Disclosure Doctrine

In contrast, some states have barred the application of the doctrine entirely. Courts in the Eighth Circuit, California, Kentucky, Louisiana, Maryland, and Massachusetts expressly refused to adopt the inevitable disclosure doctrine.<sup>99</sup> *Whyte v.*

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92. *Id.* at 107.

93. *Id.* at 108.

94. *Id.* at 110 (quoting *Bimbo Bakeries USA, Inc. v. Botticella*, No. 10-0194, 2010 WL 571774, at \*11–14 (E.D. Pa. Feb. 9, 2010)).

95. *Id.* at 111.

96. *See id.* (“In other words, the District Court concluded, albeit paradoxically, that Pennsylvania courts apply the ‘inevitable disclosure doctrine’ to grant injunctions not based on a trade secret’s *inevitable* disclosure, but on its *likely* disclosure.”).

97. *Id.* at 111.

98. *Id.* at 116.

99. *See Farrell, supra* note 12, § 7 (listing the courts and jurisdictions that

*Schlage Lock Co.*<sup>100</sup> demonstrates the reasoning of some states in deciding to reject the inevitable disclosure doctrine.<sup>101</sup> This California case relied on *PepsiCo* to articulate the justification for courts to apply the inevitable disclosure doctrine.<sup>102</sup> However, the California court ultimately rejected *PepsiCo*'s reasoning and refused to accept inevitable disclosure.<sup>103</sup> The decision acknowledged that the majority of jurisdictions that addressed the issue adopted the inevitable disclosure doctrine in some form.<sup>104</sup> Nonetheless, it balanced employee mobility and protecting trade secrets to reject the inevitable disclosure doctrine.<sup>105</sup> The opinion articulated two major considerations in rejecting inevitable disclosure: (1) the affect on employee mobility and (2) the fact that inevitable disclosure essentially acts as a non-compete agreement imposed after the fact of the initial employment agreement.<sup>106</sup> The California court “complete[ly]” rejected the inevitable disclosure doctrine.<sup>107</sup> The court refused to grant an injunction affecting the mobility of labor based solely on an inference that an employee may inevitably disclose trade secret information.<sup>108</sup>

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have rejected the inevitable disclosure doctrine).

100. 101 Cal. App. 4th 1443 (2002).

101. *See id.* at 1458–62 (rejecting the inevitable disclosure doctrine on the basis that inevitable disclosure hinges on circumstantial evidence to restrict employment).

102. *See id.* at 1458–59 (“The [inevitable disclosure] doctrine’s justification is that unless the employee has ‘an uncanny ability to compartmentalize information’ the employee will necessarily rely . . . upon knowledge of the former employer’s trade secrets in performing his or her new duties.” (quoting *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995))).

103. *See id.* at 1460 (“We are free to consider the inevitable disclosure doctrine, and we reject it.”).

104. *See id.* at 1461 (“Our survey confirms the majority of jurisdictions addressing the issue have adopted some form of the inevitable disclosure doctrine.”).

105. *See id.* (“The decisions rejecting the inevitable disclosure doctrine correctly balance competing public policies of employee mobility and protection of trade secrets.”).

106. *Id.* at 1461–62.

107. *Id.* at 1463.

108. *See id.* at 1461–62 (“The inevitable disclosure doctrine permits an employer to enjoin the former employee without proof of the employee’s actual or threatened use of trade secrets based upon an inference (based in turn upon circumstantial evidence) . . .”).

California is arguably the state most committed to opposing the inevitable disclosure doctrine, favoring a public policy of employee mobility and narrowly drafted employment agreements.<sup>109</sup> Until the DTSA's passage, California enjoyed a high degree of success in innovation because of the state's emphasis on employee mobility.<sup>110</sup> California's reluctance to accept the inevitable disclosure doctrine promotes competition, including encouraging former employees to form start-ups.<sup>111</sup> Refusing to apply the inevitable disclosure doctrine also generates positive impacts on creativity, innovation, and employee mobility.<sup>112</sup>

Understanding the state law foundations and policy considerations behind trade secret protection and the inevitable disclosure doctrine lays the backdrop for the new federal cause of action governing trade secret misappropriation. The variation of state laws helps demonstrate why Congress felt compelled to create a federal cause of action for trade secret misappropriation in an attempt to bring uniformity.

#### *D. Creation of the DTSA*

The DTSA provides the first federal civil cause of action for trade secret misappropriation in the United States.<sup>113</sup> One impetus behind creating a federal cause of action for this traditional state law claim was to establish uniformity for businesses and prevent conflict of state laws.<sup>114</sup> Another goal of this legislation, as

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109. *See id.* (noting that California courts are open to protecting trade secrets “through an employment agreement that is narrowly drafted for the specific purpose of protecting trade secrets against misappropriation”).

110. *See* Bessen, *supra* note 2, at 5 (discussing the positive impact that California's refusal to recognize non-compete agreements has had on labor mobility and the success of Silicon Valley).

111. *See id.* (“[The California approach] promotes competition including the ability of former employees to create competitive businesses that . . . have the salutary effect of lowering costs to consumers.”).

112. *See id.* at 457 (analogizing the inevitable disclosure doctrine to a non-compete agreement and describing the impacts of non-compete agreements on innovation).

113. *See* Sandeen & Seaman, *supra* note 29, at 832 (“The May 2016 enactment of the DTSA created a federal, civil cause of action for trade secret misappropriation for the first time.”).

114. *See* Press Release, Orrin Hatch, U.S. Senator for Utah, Hatch, Coons

articulated by the press release introducing the bill, was to prevent foreign nationals and foreign competitors from accessing and stealing U.S. companies' trade secret information.<sup>115</sup>

Congress's first attempt to regulate trade secret misappropriation at the federal level involved passing the Economic Espionage Act.<sup>116</sup> This Act provides a federal, criminal cause of action for trade secret misappropriation.<sup>117</sup> Members of Congress considered adding a civil cause of action to the Economic Espionage Act, but ultimately decided against it.<sup>118</sup> Congress began contemplating a separate federal civil cause of action for trade secret misappropriation in the 112th Congress and ultimately created one during the 114th Congress with the passage of the Defend Trade Secrets Act of 2016 (DTSA).<sup>119</sup>

The language of the DTSA states:

(b) Private Civil Actions.—

(1) In general.—An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.<sup>120</sup>

The Act provides specific civil remedies for an action brought under the DTSA, which this Note discusses in detail in Part IV.<sup>121</sup> The

Introduce Bill to Combat Theft of Trade Secrets, Protect Jobs (Apr. 29, 2014) [hereinafter Hatch & Coons] (“Federal courts are better suited to working across state and national boundaries to facilitate [trade secret misappropriation litigation.]”) (on file with the Washington and Lee Law Review).

115. *See id.* (“American companies are losing jobs because of theft of trade secrets every day. This bipartisan bill will empower American companies to protect their jobs by legally confronting those who steal their trade secrets.”).

116. Economic Espionage Act of 1996, Pub L. No. 104-294, 110 Stat. 3488 (codified as amended at 18 U.S.C. §§ 1831–1832 (2012)).

117. *See id.* (providing a criminal cause of action to address the theft of trade secrets and protect proprietary information).

118. *See* 142 CONG. REC. 27111-12 (Oct. 2, 1996) (statement of Sen. Arlen Specter) (stating that “a Federal civil cause of action is needed” in protecting trade secrets).

119. *Compare* Protecting American Trade Secrets and Innovation Act of 2012, S. 3389, 112th Cong. (2012) (providing a federal civil cause of action and remedies for violating the Act), *with* Defend Trade Secrets Act of 2016, S. 1890, 114th Cong. (2016) (expanding on the 2012 version of the Act by changing the injunctive language and adding the whistleblower provision).

120. 18 U.S.C. § 1836(b)(1) (Supp. IV 2016)).

121. *See* discussion *infra* Part III.B. (describing the injunctive language and

majority of the Note's analysis focuses on the injunctive language of the DTSA,<sup>122</sup> which provides insufficient treatment of the inevitable disclosure doctrine—a problem demonstrated by the federal cases<sup>123</sup> decided since its passage.

### III. Legislative History of the DTSA

Despite the state law framework for trade secret misappropriation, Congress introduced and passed a federal cause of action for trade secret misappropriation.<sup>124</sup> Understanding Congress' key goals and intentions behind creating this law requires analysis of the legislative history of the DTSA. Additionally, legislative intent provides foundational principles necessary to understand how courts should interpret and apply the DTSA. The primary issue with the language of the DTSA is that it is insufficient to preempt the application of the inevitable disclosure doctrine. The cases decided since the passage of the DTSA demonstrate this insufficiency.<sup>125</sup> Preempting the inevitable disclosure doctrine would align the impact and effects of the DTSA with the legislative intent behind the Act. Amending the DTSA to preempt the inevitable disclosure doctrine is the quickest and best solution to achieve uniformity among the states.

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remedies offered by the current version of the Act and past iterations of the bill).

122. See 18 U.S.C. § 1836 (b)(3)(A)(i) (Supp. IV 2016) (“A court . . . may grant an injunction . . . to prevent any actual or threatened misappropriation . . .”).

123. See generally *Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App'x 72 (3d Cir. 2017); *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No.16-C-03545, 2017 U.S. Dist. LEXIS 71700 (N.D. Ill. May 11, 2017); *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593 (N.D. Ill. Sept. 8, 2017); *Xoran Holdings LLC v. Luick*, No. 16-13703, 2017 WL 4039178 (E.D. Mich. Sept. 13, 2017); *Mid-Am. Bus. Sys. v. Sanderson*, No. 17-3876, 2017 WL 4480107 (D. Minn. Oct. 6, 2017); *UCAR Tech. (USA) Inc. v. Yan Li*, No. 5:17-cv-01704-EJD, 2017 WL 6405620 (N.D. Cal. Dec. 15, 2017).

124. Defend Trade Secrets Act of 2016, S. 1890, 114th Cong. (2016).

125. See generally *Fres-co*, 690 F. App'x at 72; *Molon*, 2017 U.S. Dist. LEXIS 71700; *Mickey's*, 2017 WL 3970593; *Xoran*, 2017 WL 4039178; *Mid-Am.*, WL 4480107, at \*1; *UCAR*, 2017 WL 6405620; see also discussion *infra* Part V (focusing on the caselaw's treatment of the inevitable disclosure doctrine in DTSA claims).

*A. Congressional Intent Behind Creating a Federal Cause of Action for Trade Secret Misappropriation*

Senator Orrin Hatch of Utah and Senator Chris Coons of Delaware, the two sponsoring Senators of the DTSA, stated two primary reasons for pursuing a federal cause of action for trade secret misappropriation when introducing the bill.<sup>126</sup> One purpose of this legislation was to create uniformity in the law of trade secret misappropriation and to prevent the conflict of state laws given that many American companies operate in multiple states.<sup>127</sup> The second major purpose in proposing this legislation was to tackle the issue of foreign nationals and businesses accessing and misappropriating the trade secret information of United States' companies.<sup>128</sup>

Serious economic considerations supported establishing a federal cause of action for trade secret misappropriation.<sup>129</sup> The estimated annual losses to the American economy caused by trade secret theft reportedly total over \$300 billion.<sup>130</sup> Congress recognized that trade secret theft costs American businesses money and American employees jobs.<sup>131</sup> Given the prevalence and cost of trade secret theft in the United States, Congress wanted to bring the area of trade secret law under federal jurisdiction.<sup>132</sup>

Congress gave additional rationales for creating a federal cause of action for trade secret misappropriation. One major consideration was the growing sophistication by which this theft occurs and the fact that preventing this theft is becoming

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126. See Hatch & Coons, *supra* note 114 (listing uniformity of law and prevention of foreign nationals from stealing U.S. companies trade secret information as the primary purposes for the federal trade secret misappropriation cause of action).

127. See *id.* (noting the harmonization of U.S. trade secret law as a primary consideration behind this bill).

128. See *id.* (“American companies are losing jobs because of theft of trade secrets every day. This bipartisan bill will empower American companies to protect their jobs by legally confronting those who steal their trade secrets.”).

129. See S. REP. NO. 114-220, at 2 (2016) (including losses to the American economy and Americans losing jobs as an impetus behind the Act).

130. *Id.*

131. See *id.* (“[T]rade secret theft has led to the loss of 2.1 million American jobs each year[.]”).

132. See *id.* at 3 (“A Federal cause of action will allow trade secret owners to protect their innovations by seeking redress in Federal court[.]”).

increasingly difficult.<sup>133</sup> Another major consideration was that trade secret laws were the only area of intellectual property law primarily governed by state law in the United States.<sup>134</sup> Congress sought to bring uniformity to trade secret litigation to address the differences in trade secret laws across the states that can be “case-dispositive.”<sup>135</sup>

Congress was aware of the inevitable disclosure doctrine and the possible issues that could arise under the DTSA because the application of the doctrine differs between the states.<sup>136</sup> However, the Senate Judiciary Committee did not see the need to address the inevitable disclosure doctrine beyond stating, “The Committee notes that courts interpreting State trade secret laws have reached different conclusions of the applicability of the inevitable disclosure doctrine.”<sup>137</sup> Thus, Congress essentially acknowledged the possibility of inevitable disclosure for DTSA claims without providing a clear solution. However, given the Senate Judiciary Committee Report’s statement that “[t]he DTSA will incentivize future innovation while protecting and encouraging the creation of American jobs,”<sup>138</sup> it seems clear that applying inevitable disclosure in DTSA claims would be contrary to this articulated goal.

### *B. Injunctive Language in the DTSA and in the Drafts of the DTSA*

In addition to the legislative history and congressional intent behind the Act, the plain language of the remedies section of the

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133. *See id.* at 2 (“Thieves are using increasingly sophisticated methods to steal trade secrets and the growing use of technology and cyberspace has made trade secret theft detection particularly difficult.”).

134. *See id.* (“Unlike other types of intellectual property, which are primarily protected by Federal law, trade secrets are primarily governed by State law.”).

135. *See id.* (“Although the differences between State law and the UTSA are generally relatively minor, they can prove case dispositive . . .”).

136. *See id.* at 8 n.16 (noting the different state interpretations of the inevitable disclosure doctrine).

137. *See id.* (highlighting Congress’ awareness of the inevitable disclosure doctrine, but its lack of providing for it in the Act).

138. *See id.* at 3 (indicating that application of the inevitable disclosure doctrine in DTSA claims would be counterintuitive to the goal of encouraging innovation).



statute also seems to indicate that Congress did not intend for courts to apply inevitable disclosure in DTSA claims. This analysis centers on the injunctive language offered in § 1836(b)(3)(A)<sup>139</sup> to determine the preemptive effect of this language on the inevitable disclosure doctrine. This Note focuses on the injunctive language and remedies offered by the DTSA because courts cite to this language when applying the inevitable disclosure doctrine.<sup>140</sup> While the DTSA offers remedies by statute for violations of the Act,<sup>141</sup> courts rely on common law rules in granting the statutory remedies that the DTSA offers.<sup>142</sup> The statute states:

(3) REMEDIES.—In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may—

(A) grant an injunction—

(i) to prevent any actual or threatened misappropriation described in such terms paragraph (1) on such terms as the court deems reasonable, provided the order does not—

(I) prevent a person from entering into an employment relationship and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows; or

(II) otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful professions, trade, or business.<sup>143</sup>

This language went through multiple changes throughout the drafting of the legislation.<sup>144</sup> The pertinent language of the 2015

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139. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836(b)(3)(A) (Supp. IV 2016)).

140. *See, e.g., Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App'x 72, 76 (3d Cir. 2017) (“Under the statutes giving rise to Fres-co’s causes of action, misappropriation of trade secrets need not have already occurred to warrant injunctive relief, threatened misappropriation is sufficient.” (citing 18 U.S.C. § 1836 (b)(3)(A)(i) (Supp. IV 2016))).

141. 18 U.S.C. § 1836 (b)(3) (Supp. IV 2016).

142. *See Fres-co*, 690 F. App'x at 76 (interpreting the language of the statute to allow for the application of the inevitable disclosure doctrine in DTSA claims).

143. 18 U.S.C. § 1836 (b)(3) (Supp. IV 2016).

144. *See* Protecting American Trade Secrets and Innovation Act of 2012, S. 3389, 112th Cong. (2012) (“[A court may issue an order] for appropriate injunctive relief . . . if determined appropriate by the court, an order requiring

draft of the Act allowed the courts to grant an injunction “to prevent any actual or threatened misappropriation” as long as the order does not “prevent the employee from accepting an offer of employment under the conditions that avoid actual or threatened misappropriation.”<sup>145</sup> This language is much less clear than the current DTSA.

Congress possibly amended the injunctive language in the Act, at least in part, in response to a letter from intellectual property law scholars and professors, who had voiced concern that the 2015 version of the DTSA would create possible federal recognition of the inevitable disclosure doctrine.<sup>146</sup> Additionally, California’s United States Senator Dianne Feinstein’s concerns that the language could potentially “override” state law provisions that protect labor mobility could have influenced the Senate to amend the injunctive language.<sup>147</sup> After the Senate passed the current legislation, including the more specific injunctive language, Senator Feinstein issued a press release stating that the law accomplishes the goal of protecting trade secrets, “while preserving the ability of workers to move from one job to another.”<sup>148</sup>

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affirmative action to be taken to protect a trade secret . . . .”); Defend Trade Secrets Act of 2014, S. 2267, 113th Cong. (2014) (“[A court may grant an injunction] if determined appropriate by the court, requiring affirmative actions to be taken to protect a trade secret . . . .”); Defend Trade Secrets Act of 2015, H.R. 3326, 114th Cong. (2015) (“[A court may grant an injunction] provided the order does not prevent a person from accepting an offer of employment under conditions that avoid actual or threatened misappropriation . . . .”); Defend Trade Secrets Act of 2016, S. 1890, 114th Cong. (2016) (“[A court may grant an injunction] provided the order does not—prevent a person from entering into an employment relationship and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows . . . .”).

145. Defend Trade Secrets Act of 2015, H.R. 3326, 114th Cong. (2015).

146. See Letter from Eric Goldman et al., Professors’ Letter in Opposition to the Defend Trade Secrets Act of 2015 (S. 1890, H.R. 3326), to Hon. Charles E. Grassley, Chairman, Judiciary Committee; Hon. Robert W. Goodlatte, Chairman, Judiciary Committee; Hon. Patrick J. Leahy, Ranking Member, Judiciary Committee; Hon. John Conyers, Jr., Ranking Member, Judiciary Committee 5 (Nov. 17, 2015) (“The current version of the DTSA also contains new language regarding injunctive relief that appears to implicitly recognize the so-called inevitable disclosure doctrine.”).

147. See S. REP. NO. 114-220, at 8 (2016) (reporting Senator Feinstein’s concerns about the injunctive language).

148. Press Release, Dianne Feinstein, U.S. Senator for Cal., Feinstein Statement on the Defend Trade Secrets Act (May 12, 2016) (on file with the

Between the draft (2015) and final version (2016) of the DTSA, Congress adjusted the language regarding the type of injunctive relief courts can grant in trade secret misappropriation claims under the Act.<sup>149</sup> In the final draft, Congress specifically stated when the court can grant an injunction that will affect the defendant's ability to enter into an employment relationship.<sup>150</sup> While it is possible that these modifications were an attempt to entirely prevent the application of the inevitable disclosure doctrine in federal courts, that has not been their effect.<sup>151</sup>

Considering Congress's intent and numerous edits to the injunctive language throughout the iterations of the Act, it seems clear that Congress did not intend for the DTSA to overly restrict the mobility of labor.<sup>152</sup> Because the inevitable disclosure doctrine restricts the mobility of labor and stifles innovation, it appears contrary to the legislative intent behind the Act to allow its application in DTSA claims.<sup>153</sup> Applying the inevitable disclosure

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Washington and Lee Law Review).

149. Compare Defend Trade Secrets Act of 2015, H.R. 3326, 114th Cong. (2015) (“[A court may grant an injunction] provided the order does not prevent a person from accepting an offer of employment under conditions that avoid actual or threatened misappropriation . . .”), with Defend Trade Secrets Act of 2016, S. 1890, 114th Cong. (2016) (“[A court may grant an injunction] provided the order does not—prevent a person from entering into an employment relationship and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows . . .”).

150. See 18 U.S.C. § 1836 (b)(3)(A)(i)(I) (Supp. IV 2016) (“[C]onditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows.”).

151. See Goldman, *supra* note 146. Congress could have been responding the letter's concern about recognizing the inevitable disclosure doctrine with its amendments to the injunctive language. However, the amendments to the language have not prevented the application of the doctrine in federal courts. See *Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App'x 72, 76 (3d Cir. 2017); *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No.16-C-03545, 2017 U.S. Dist. LEXIS 71700, at \*15–17 (N.D. Ill. May 11, 2017); *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at \*12 (N.D. Ill. Sept. 8, 2017); *Xoran Holdings LLC v. Luick*, No. 16-13703, 2017 WL 4039178, at \*6 (E.D. Mich. Sept. 13, 2017); *Mid-Am. Bus. Sys. v. Sanderson*, No. 17-3876, 2017 WL 4480107, at \*7 (D. Minn. Oct. 6, 2017) (applying the inevitable disclosure doctrine in DTSA claims); see also discussion *infra* Part IV (arguing that the language of the DTSA does not preempt the inevitable disclosure doctrine).

152. See discussion *supra* Parts III.A–B (discussing Congressional intent and the variations of the injunctive language in the different versions of the bill).

153. See *supra* notes 15–21 and accompanying text (detailing the inevitable

doctrine in DTSA claims also does little to achieve Congress's goal of a uniform trade secret cause of action.<sup>154</sup> Therefore, the current language of the DTSA does not sufficiently achieve Congress's objectives because it does not preempt the inevitable disclosure doctrine.

#### *IV. DTSA Language Fails to Preempt the Inevitable Disclosure Doctrine*

The DTSA does not sufficiently preempt the application of the inevitable disclosure doctrine, as some scholars and practitioners originally thought.<sup>155</sup> A careful reading of the language of the statute demonstrates why some practitioners originally thought that the DTSA preempted application of the inevitable disclosure doctrine. However, upon closer inspection, it appears that the language does not preempt all of the iterations of the inevitable disclosure doctrine, and thus creates issues. An analysis of the injunctive language of the DTSA, specifically subsections i, I, and II, is necessary to establish the conclusion that DTSA fails to preempt application of the inevitable disclosure.

##### *A. 18 U.S.C. § 1836(b)(3)(A)(i)*

While the language of the DTSA<sup>156</sup> appears to detail the appropriate injunctions under the Act, it has created confusion for courts.<sup>157</sup> The DTSA provides details on the remedies offered under the Act in Section (b)(3).<sup>158</sup> The first grant of authority that

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disclosure doctrine's function as a non-compete agreement which is restrictive on innovation).

154. See *supra* Part III.A (explaining the various objectives that Congress was attempting to achieve with this legislation).

155. See Sandeen & Rowe, *supra* note 15, at 451 ("Accordingly, the DTSA strikes a blow to states that recognize the inevitable disclosure doctrine by making the doctrine inapplicable in DTSA actions.").

156. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836(b)(3)(A)(i)(I-II) (Supp. IV 2016)).

157. See discussion *infra* Part V (discussing the judicial decisions after the passage of the DTSA that are seemingly contrary to the intent and language of the statute).

158. See 18 U.S.C. § 1836 (b)(3) (defining appropriate remedies offered under

Congress gives to the courts from the DTSA is the authority to “grant an injunction—to prevent any actual or threatened misappropriation” in § 1836(b)(3)(A)(i).<sup>159</sup> From this plain language, it would seem that courts could grant an injunction on the basis of threatened misappropriation alone.<sup>160</sup> As previously discussed, some states interpret granting an injunction on the basis of “threatened misappropriation” as synonymous with applying the inevitable disclosure doctrine.<sup>161</sup> Therefore, the plain language of § 1836(b)(3)(A)(i) would invite application of the inevitable disclosure doctrine in jurisdictions that equate the doctrine with “threatened misappropriation.”

Giving the courts this grant of authority and then stating limiting language in subsequent sections has caused courts to think that they are permitted to grant an injunction on the basis of “actual or threatened” misappropriation, without reading further<sup>162</sup>—thereby, opening the door to inevitable disclosure. However, other language in the DTSA, found in subsection I, could be construed as limiting the application of the inevitable disclosure doctrine.<sup>163</sup> The following discussion examines this language.

#### *B. 18 U.S.C. § 1836(b)(3)(A)(i)(I)*

The plain language of § 1836(b)(3)(A)(i)(I), which states in part, “[A] court cannot grant an injunction to] prevent a person from entering into an employment relationship, and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on information the person knows,” is not sufficient to preempt the application of the

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the statute).

159. *Id.* § 1836 (b)(3)(A)(i).

160. *Id.*

161. *See supra* note 52 and accompanying text (discussing the inevitable disclosure doctrine as a means of proving threatened misappropriation).

162. *See* 18 U.S.C. § 1836(b)(3)(A)(i) (Supp. IV 2016) (basing the injunction on actual or threatened misappropriation).

163. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836(b)(3)(A)(i)(I) (Supp. IV 2016)).

inevitable disclosure doctrine because of the order of the clauses in the language of the DTSA and subsection I.<sup>164</sup>

Subsection I should act as limiting language on the broad grant of authority for an injunction on the basis of the threatened misappropriation.<sup>165</sup> This language provides that the injunction shall not “prevent a person from entering into an employment relationship.”<sup>166</sup> This language, on its face, would appear to bar application of the inevitable disclosure doctrine because the inevitable disclosure allows a claimant who demonstrates threatened misappropriation to obtain an injunction restricting former employees from pursuing subsequent employment.<sup>167</sup> However, subsection I contains another clause that further complicates what type of injunction is permissible by going on to state, “[C]onditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows.”<sup>168</sup>

Determining whether application of inevitable disclosure is appropriate under this language depends on one’s definition of inevitable disclosure. Some courts seem to think that relying on the inevitable disclosure doctrine is appropriate to demonstrate “evidence of threatened misappropriation.”<sup>169</sup> Similarly, other courts have applied inevitable disclosure to enjoin employment on the basis of the competition between the two companies and the similar nature of the employment that the defendant held at both companies.<sup>170</sup> In contrast, the Seventh Circuit in *PepsiCo* based its

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164. *Id.*

165. *See id.* (stating that the order should not “prevent a person from entering into an employment relationship”).

166. *Id.*

167. *See* Farrell, *supra* note 12, § 2 (“[The inevitable disclosure doctrine] has also been used to establish threatened misappropriation of trade secrets under the common law or the Uniform Trade Secrets Act.”).

168. 18 U.S.C. § 1836 (b)(3)(A)(i).

169. *See* *Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App’x 72, 76 (3d Cir. 2017) (“Under the statutes giving rise to Fres-co’s causes of action, misappropriation of trade secrets need not have already occurred to warrant injunctive relief. Threatened misappropriation may be enjoined.”).

170. *See* *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No.16-C-03545, 2017 U.S. Dist. LEXIS 71700, at \*17 (N.D. Ill. May 11, 2017) (“[T]he allegations on the employment breadth and similarity of Desai’s work at the two companies are enough to trigger the circumstantial inference that the trade secrets inevitably would be disclosed by Desai to Nidec.”).

application of the inevitable disclosure doctrine on the idea that Redmond would not be able to “compartmentalize” the knowledge he acquired at PepsiCo and would, therefore, use it in his employment with Quaker.<sup>171</sup> The rationale in the *PepsiCo* decision would seem to be impermissible under the DTSA because the court based its decision on the amount of information Redmond knew.<sup>172</sup>

However, the language in subsection I, as it exists now, is not sufficient to preempt the application of the inevitable disclosure doctrine. From the order of the clauses and the broad initial grant of authority, courts could reasonably interpret that they have the discretion to apply the inevitable disclosure doctrine in claims brought under the DTSA. Courts can justify their application of the inevitable disclosure doctrine by stating that the injunction is based on “threatened misappropriation” rather than on the former employee’s knowledge.<sup>173</sup> Courts can look to and rely on multiple factors including the defendant’s job role at both companies, the competition between the two companies, and the time worked for the company, to determine that threatened misappropriation exists.<sup>174</sup>

However, the rationale behind the inevitable disclosure doctrine is to limit employees who go to work for competitors on the basis of their knowledge, regardless of the existence of any demonstrated intent or capability to disclose trade secret information. From a theoretical understanding of the inevitable disclosure doctrine, the language of the statute should be sufficient to preempt the application of inevitable disclosure because the DTSA prevents injunctions that affect employment that are merely based on what the employee knows, which would seem to embody

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171. See *PepsiCo, Inc. v. Redmond*, 54 F.3d. 1262, 1269 (7th Cir. 1995) (“The district court concluded . . . 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 PCNA trade secrets.”).

172. See *id.* at 1270 (concluding that Redmond “cannot help but rely on PCNA trade secrets” because of his vast knowledge of the processes).

173. See Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (b)(3)(A)(i)(I) (Supp. IV 2016)) (detailing that an injunction based on threatened misappropriation is permissible, while an injunction based on knowledge the employee possesses is not permissible).

174. See discussion *supra* Parts II.A–B (detailing what factors the courts consider in their application of the inevitable disclosure doctrine).

inevitable disclosure.<sup>175</sup> However, the plain language of the DTSA only provides a very narrow exception for when you cannot grant an injunction affecting an employment relationship, and allows plaintiffs to mount inevitable disclosure arguments.<sup>176</sup> The DTSA states that the only time that it is permissible for the court to grant an injunction that prevents a person from entering into an employment relationship is when there is evidence of threatened misappropriation.<sup>177</sup> However, courts are effectively relying on the other factors, such as amount of time worked for the company, to apply the inevitable disclosure doctrine instead of granting the injunction on the basis of “information the person knows.”<sup>178</sup>

*C. 18 U.S.C. § 1836(b)(3)(A)(i)(II)*

The DTSA provides further language to limit the type of injunctions that courts can impose in trade secret misappropriation claims.<sup>179</sup> Subsection II of the Remedies section of the DTSA states that courts may not grant injunctions that “otherwise conflict with applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.”<sup>180</sup> This language indicates that Congress did not intend to authorize restrictions on the mobility of labor, and that the DTSA allows states with a high interest in preserving the mobility of labor to refuse to apply restrictions on employment like the inevitable disclosure doctrine.<sup>181</sup>

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175. See 18 U.S.C. § 1836 (b)(3)(A)(i)(I) (Supp. IV 2016) (prohibiting the grant of injunctions based solely on information an individual knows); see also discussion of *PepsiCo*, *supra* notes 53–54 and accompanying text (conceptualizing the court’s definition of inevitable disclosure in *PepsiCo*).

176. See 18 U.S.C. § 1836 (b)(3)(A)(i)(I) (indicating that the statute only bars an injunction based “on information the person knows”).

177. See *id.* (“[C]onditions placed on such employment shall be based on evidence of threatened misappropriation . . .”).

178. *Id.*; see also *Mickey’s Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593 (N.D. Ill. Sept. 8, 2017) (relying on the level of competition between the employers and similarity of job positions to apply inevitable disclosure).

179. See 18 U.S.C. § 1836(b)(3)(A)(i)(II) (providing that state law limits the injunctions awarded in DTSA claims).

180. *Id.*

181. See *UCAR Tech. (USA) Inc. v. Yan Li*, No. 5:17-cv-01704-EJD, 2017 WL 6405620 (N.D. Cal. Dec. 15, 2017) (describing that California continues to refuse



At least two ambiguities arise in reading subsection II. First, it is not clear from the language what “applicable State law”<sup>182</sup> means. The phrase “applicable State law” creates questions as to which state law will actually apply in DTSA claims. This issue came up in a case before the United States District Court of Colorado shortly after the passage of the DTSA.<sup>183</sup> In this case, the court struggled through a “choice-of-law bramble” to determine what state law applied, per subsection II, to this DTSA claim.<sup>184</sup>

In *First Western Capital Management v. Malamed*,<sup>185</sup> Malamed founded Financial Management Advisors in California.<sup>186</sup> First Western Financial, a Denver-based company, acquired Financial Management Advisors and renamed the business First Western Capital Management.<sup>187</sup> Much of First Western’s marketing and portfolio managing occurred in California where Malamed was still a resident.<sup>188</sup> However, corporate control and major decision-making occurred in Colorado.<sup>189</sup> Additionally, the Colorado office directed all hiring and firing of key personnel, including those in the California office.<sup>190</sup> Through the course of his employment with First Western, Malamed continued to reside and work in California, only traveling to Denver three or four times a year for meetings.<sup>191</sup>

After filing suit, the parties hotly contested which state law would apply, Colorado or California, for the purposes of satisfying the DTSA subsection II provision.<sup>192</sup> The court determined that the appropriate inquiry was to determine “the applicable State law for

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to apply the inevitable disclosure doctrine, even under the DTSA); *see also infra* Part V.F. (discussing *UCAR Tech. (USA) Inc. v. Yan Li* in further detail).

182. 18 U.S.C. § 1836(b)(3)(A)(i)(II) (Supp. IV (2016)).

183. *First West. Cap. Mgmt. Co. v. Malamed*, No. 16-cv-1961-WJM-MJW, 2016 WL 8358549 (D. Colo. Sept. 30, 2016), *rev’d on other grounds*, 874 F.3d 1136 (10th Cir. 2017).

184. *Id.* at \*9.

185. No. 16-cv-1961-WJM-MJW, 2016 WL 8358549 (D. Colo. Sept. 30, 2016).

186. *Id.* at \*1.

187. *Id.*

188. *Id.*

189. *Id.*

190. *Id.*

191. *Id.* at \*2.

192. *See id.* at \*9 (“The DTSA also forbids an injunction that would ‘conflict with applicable State law . . . .’” (quoting 18 U.S.C. § 1836(b)(3)(A)(i)(II) (2012))).

evaluating ‘restraints on the practice of a lawful profession, trade or business’ that often flow from trade secret injunctions.”<sup>193</sup> While the parties argued that the place of the employment contract should be the applicable state law, the court reasoned that the DTSA does not turn on the existence of a contract, although one may exist.<sup>194</sup> Rather, the court determined that “trade secret misappropriation . . . is more akin to a tort, and the choice of law issues should be analyzed under a tort framework.”<sup>195</sup> The Colorado court, applying its own choice of law rules, determined that the applicable State law was the California statute governing non-compete agreements.<sup>196</sup>

The language “applicable State law” also creates a temporality ambiguity. It is unclear from this language if “applicable state law” means at the time of the passage of the DTSA, at the time of the alleged misappropriation, or at the time that the plaintiffs file suit. Because common law regarding the application of the inevitable disclosure doctrine could change over time in states, this could create potential issues in litigating DTSA claims.

Because the DTSA does not preempt all state law, courts have relied on state trade secret laws to complete their analyses in DTSA claims.<sup>197</sup> Therefore, since the DTSA’s passage, caselaw has addressed the inevitable disclosure doctrine, both in jurisdictions that endorse and prohibit its application.<sup>198</sup> A discussion of this caselaw follows.

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193. *Id.* (quoting the 18 U.S.C. § 1836(b)(3)(A)(i)(II) (2012)).

194. *Id.*

195. *Id.*

196. *Id.*

197. *See infra* Part VI.A (discussing the inconsistent outcomes that arise when federal courts supplement the DTSA with state laws).

198. *See, e.g.,* *Molon Motor & Coil Corp. v. Nidec*, No.16-C-03545, 2017 U.S. Dist. LEXIS 71700, at \*17–18 (N.D. Ill. May 11, 2017) (recognizing the inevitable disclosure doctrine in Illinois and applying it in a DTSA claim); *UCAR Tech (USA) Inc. v. Yan Li*, No. 5:17-cv-01704-EJD, 2017 WL 6405620, at \*3 (N.D. Cal. Dec. 15, 2017) (barring the application of the doctrine in the state of California and DTSA claims).

*V. Caselaw Addressing the Inevitable Disclosure Doctrine  
Under the DTSA*

Understanding the legislative intent behind the DTSA and the injunctive language of the Act, it may seem perplexing that federal courts are applying the inevitable disclosure doctrine.<sup>199</sup> However, there is clearly a split in authority for application of the inevitable disclosure doctrine in DTSA claims.<sup>200</sup> Multiple federal courts have applied the inevitable disclosure doctrine in cases brought by employers against former employees under the DTSA.<sup>201</sup> One federal court, however, has not permitted the application of the inevitable disclosure doctrine in the claims brought under the DTSA.<sup>202</sup> These cases create confusion for practitioners in litigating claims under the DTSA, particularly because many practitioners believed that the DTSA preempted application of the inevitable disclosure doctrine.<sup>203</sup> Because the DTSA was only codified in 2016, these cases are among the firsts to interpret and apply the DTSA and do not rely on a great deal of case precedent.<sup>204</sup>

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199. See *Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App'x 72, 76 (3d Cir. 2017); *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*15–17; *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at \*12 (N.D. Ill. Sept. 8, 2017); *Xoran Holdings LLC v. Luick*, No. 16-13703, 2017 WL 4039178, at \*6 (E.D. Mich. Sept. 13, 2017); *Mid-Am. Bus. Sys. v. Sanderson*, No. 17-3876, 2017 WL 4480107, at \*7 (D. Minn. Oct. 6, 2017) (granting injunctions based on application of the inevitable disclosure doctrine).

200. Compare *Fres-co*, 690 F. App'x at 76; *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*15–17; *Mickey's*, 2017 WL 3970593, at \*12; *Xoran*, 2017 WL 4039178, at \*6; *Mid-Am.*, 2017 WL 4480107, at \*7 (applying the inevitable disclosure doctrine), with *UCAR*, 2017 WL 6405620, at \*3 (refusing to apply the inevitable disclosure doctrine in DTSA claims).

201. See, e.g., *Fres-co*, 690 F. App'x at 76; *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*15–17; *Mickey's*, 2017 WL 3970593, at \*12; *Xoran*, 2017 WL 4039178, at \*6; *Mid-Am.*, 2017 WL 4480107, at \*7.

202. *UCAR*, 2017 WL 6405620, at \*3.

203. See *Sandeen & Rowe*, *supra* note 15, at 451 (stating that inevitable disclosure is inapplicable in DTSA actions); see also *Weibust & Stark*, *supra* note 14 (“[The language of the DTSA] appears to bar injunctive relief under the DTSA based on the inevitable disclosure doctrine . . .”).

204. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (Supp. IV 2016)). The DTSA was signed into law on May 11, 2016. *Fres-co* was argued less than a year later on January 12, 2017. *Fres-co*, 690 F. App'x at 72. *Molon* was decided exactly one year to the day after the DTSA was signed into law, on May 11, 2017. *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*1; see also *Sandeen & Seaman*, *supra* note 29, at 857 (“With the DTSA’s

This Note analyzes a total of six cases published since the passage of the DTSA that address this issue; five cases have allowed the application of the inevitable disclosure doctrine in claims brought under the DTSA and one case has barred its application.<sup>205</sup> The cases applying the inevitable disclosure doctrine under the DTSA are evidence that the statute does not preempt the doctrine. Each case is discussed below.

#### A. *Fres-co Systems USA, Inc. v. Hawkins*

In *Fres-co Systems USA, Inc. v. Hawkins*,<sup>206</sup> the Third Circuit addressed the issue of whether it was appropriate to issue a preliminary injunction in a trade secret misappropriation claim.<sup>207</sup> Kevin Hawkins spent sixteen years working for Fres-co Systems USA, Inc. before terminating his employment with Fres-co and going to work for their direct competitor, Transcontinental Ultra Flex, Inc.<sup>208</sup> The court determined that because of the similar nature of the job roles that Hawkins held at Fres-co and Transcontinental, it was likely that Fres-co would suffer irreparable harm from Hawkins's disclosure of confidential information to Transcontinental through the course of his employment.<sup>209</sup> In *Fres-co*, the court relied on the language of the DTSA to grant injunctive relief on the basis of threatened misappropriation without referring to the inevitable disclosure doctrine by name.<sup>210</sup> It appears that the Third Circuit stopped at

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enactment, we have a federal statute but little federal jurisprudence to guide us as to the meaning of many of its provisions.”). Two earlier cases mention the inevitable disclosure doctrine in DTSA claims, but the courts' treatment of the issue does not advance the analysis in this Note. See *Free Country Ltd. v. Drennen*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016); *Chubb Ina Holding, Inc. v. Chang*, No. 16-2354-BRM-DEA, 2017 WL 499682 (D.N.J. Feb. 7, 2017).

205. Compare *Fres-co*, 690 F. App'x at 76; *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*15–17; *Mickey's*, 2017 WL 3970593, at \*12; *Xoran*, 2017 WL, at \*6; *Mid-Am.*, 2017 WL 4480107, at \*7 (applying the inevitable disclosure doctrine), with *UCAR*, 2017 WL 6405620, at \*3 (barring application of the doctrine).

206. 690 F. App'x 72 (3d Cir. 2017).

207. *Id.* at 73.

208. *Id.*

209. *Id.* at 76.

210. *Id.* (quoting 18 U.S.C. § 1836(b)(3)(A)(i)(Supp. IV 2016)).

the language of subsection i in its analysis in *Fres-co*.<sup>211</sup> The only language of the DTSA that the court relied on is the first grant of authority to grant an injunction: “[A] court may grant an injunction to prevent any actual or threatened misappropriation.”<sup>212</sup> The court failed to acknowledge subsection I, which provides further requirements that the injunction must satisfy.<sup>213</sup>

*B. Molon Motor & Coil Corp. v. Nidec Motor Corp.*

*Molon Motor & Coil Corp. v. Nidec Motor Corp.*<sup>214</sup> provides another example of a DTSA case where a former employer sued an employee who went to work for a competitor.<sup>215</sup> The Northern District of Illinois addressed an alleged trade secret theft by a former Molon employee as a violation of the DTSA.<sup>216</sup> Molon employed Manish Desai as the head of quality control, which gave him access to Molon’s trade secret information.<sup>217</sup> Desai made copies of Molon’s engineering files and design documents and saved them to a portable thumb drive before leaving his employment to go work for Nidec.<sup>218</sup> Molon alleged, without evidence of disclosure, that Desai shared this information with Nidec and that Nidec continued to use this information.<sup>219</sup> In this case, unlike in *Fres-co*, the court conducted an entire inevitable disclosure analysis, ultimately concluding that Molon appropriately pled the relevant factors to apply the inevitable disclosure doctrine.<sup>220</sup> The opinion reasoned that the facts

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211. *See id.* (granting an injunction on the basis of threatened misappropriation per 18 U.S.C. § 1836(b)(3)(A)(i)(Supp. IV 2016)).

212. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. 1836(b)(3)(A)(i) (Supp. IV 2016)).

213. *See* 18 U.S.C. § 1836(b)(3)(A)(i)(I) (Supp. IV 2016) (prohibiting an injunction that affects an employment relationship based solely on the employee knowledge of trade secrets).

214. No. 16-C-03545, 2017 U.S. Dist. LEXIS 71700 (N.D. Ill. May 11, 2017).

215. *Id.* at \*2.

216. *Id.*

217. *Id.* at \*3.

218. *Id.*

219. *Id.* at \*4.

220. *See id.* at \*15–17 (analyzing three factors to determine whether

“justified the circumstantial evidence inference.”<sup>221</sup> The court relied on the demonstrated competition between Molon and Nidec and the similar nature of the work that Desai did during his employment with both companies in granting the injunction.<sup>222</sup>

### C. Mickey’s Linen v. Fischer

In keeping with the theme, *Mickey’s Linen v. Fischer*<sup>223</sup> also involves a plaintiff-employer suing a former employee for trade secret misappropriation.<sup>224</sup> Mickey’s Linen rents and launders various table linens, such as tablecloths and napkins, to hospitality providers and restaurants.<sup>225</sup> Donald Fischer worked for Mickey’s for nearly twenty years before going to work for their direct competitor AlSCO.<sup>226</sup> Throughout his time with Mickey’s, Fischer rose from a Route Representative to a Regional Service Manager, and ultimately to Mickey’s Key Account Representative.<sup>227</sup> As a Regional Service Manager and Key Account Representative, Fischer had access to a great deal of confidential information including customer lists and company financial data.<sup>228</sup> Fischer began to engage in conversations with AlSCO shortly after his promotion to Key Account Representative.<sup>229</sup> After beginning the conversations with AlSCO, Fischer resigned from Mickey’s.<sup>230</sup> After resigning from Mickey’s, Fischer continued to work for them for a

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inevitable disclosure has been “triggered”).

221. *Id.*

222. *Id.*

223. No. 17 C 2154, 2017 WL 3970593 (N.D. Ill. Sept. 8, 2017).

224. *Id.* at \*1. *Mickey’s* is one of three cases in which the Northern District of Illinois applied the inevitable disclosure doctrine in a claim brought under the DTSA, but it is the most illustrative of the court’s analysis. *See also* Cortz, Inc. v. Doheny Enters., Inc., No. 17 C 2187, 2017 WL 2958071, at \*11 (N.D. Ill. July 11, 2017); PrimeSource Bldg. Prods. v. Huttig Bldg. Prods., Inc., No. 16 CV 11390, 2017 WL 7795125, at \*17 (N.D. Ill. Dec. 9, 2017) (applying the inevitable disclosure doctrine).

225. *Mickey’s Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at \*1 (N.D. Ill. Sept. 8, 2017).

226. *Id.*

227. *Id.* at \*3–4.

228. *Id.* at \*4.

229. *Id.*

230. *Id.* at \*5.

few weeks.<sup>231</sup> Mickey's did not place any additional safeguards on the confidential information that Fischer had access to because Fischer assured the Mickey's management that he was leaving the laundry leasing industry completely and going to work in another industry.<sup>232</sup> In his final days at Mickey's, Fischer acted suspiciously with regard to Mickey's confidential information.<sup>233</sup> Fischer began actively soliciting Mickey's customers on the behalf of AlSCO within a month of starting to work for AlSCO,<sup>234</sup> Having learned that Fischer went to work for their direct competitor, Mickey's filed suit under the DTSA and sought a preliminary injunction.<sup>235</sup>

The Northern District of Illinois employed a two-part analysis on the alleged misappropriation of Mickey's trade secrets.<sup>236</sup> First, the opinion reiterated that a plaintiff can rely on circumstantial evidence to establish trade secret misappropriation.<sup>237</sup> Second, the court conducted an entire inevitable disclosure discussion.<sup>238</sup> It began its discussion on the inevitable disclosure doctrine by stating, "[B]oth the ITSA [Illinois Trade Secret Act] and the DTSA provide that 'threatened misappropriation' . . . may be enjoined."<sup>239</sup> Applying the *PepsiCo* standard, the court stated, "[A] plaintiff may prove trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."<sup>240</sup> The court went

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231. *Id.*

232. *Id.*

233. *See id.* (detailing that Fischer deleted all the data off his company-issued phone without permission and shredded key documentation).

234. *Id.* at \*6.

235. *Id.* at \*7.

236. *See id.* at \*10–12 (considering both threatened misappropriation and the inevitable disclosure doctrine).

237. *See id.* at \*12 ("The Court instead infers from the substantial circumstantial evidence of Fischer's misappropriation that he improperly took at least some of Mickey's trade secret documents with him . . .").

238. *See id.* ("Wholly apart from the circumstantial evidence of Fischer's misappropriation . . . [the] DTSA provide[s] that threatened . . . misappropriation may be enjoined. In Illinois, such threatened misappropriation may be addressed under the inevitable disclosure doctrine . . .").

239. *Id.* (quoting 18 U.S.C. § 1836(b)(3) (2012)).

240. *Id.* (quoting *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995)).

on to apply a three-factor test to determine whether the disclosure of trade secrets is inevitable.<sup>241</sup> The factors were: (1) the level of competition between the former and new employer; (2) how comparable the position the defendant holds with the new employer is to his position with the former employer; and (3) the actions the new employer has taken to prevent the defendant from disclosing the former employer's trade secrets.<sup>242</sup>

Ultimately, the court found that Fischer would inevitably disclose Mickey's trade secrets during his employment with AlSCO.<sup>243</sup> The Court relied on the inevitable disclosure doctrine to grant an injunction under the DTSA temporarily preventing Fischer from working with AlSCO.<sup>244</sup> The court based this conclusion on its reading of the DTSA as providing injunctive relief on the basis of threatened misappropriation coupled with Illinois case law, which allows defendants to demonstrate threatened misappropriation by relying on the inevitable disclosure doctrine.<sup>245</sup>

#### D. Xoran Holdings LLC v. Luick

*Xoran Holdings LLC v. Luick*<sup>246</sup> demonstrates an example of a case where the inevitable disclosure doctrine directly hindered the launch of a start-up.<sup>247</sup> Xoran Technologies (Xoran) brought suit against Luick, a former Director of Sales.<sup>248</sup> Xoran is a research and development company that makes, among other things, CT scanners.<sup>249</sup> Luick resigned from Xoran and shortly thereafter filed incorporation papers to start his own business, Tungsten Medical Network (Tungsten).<sup>250</sup> Xoran found out that Luick "might be

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241. *Id.*

242. *Id.* (quoting *RKI, Inc. v. Grimes*, 177 F. Supp. 2d. 859, 876 (N.D. Ill. 2001)).

243. *Id.* at \*13.

244. *Id.*

245. *Id.* at \*12.

246. No. 16-13703, 2017 WL 4039178 (E.D. Mich. Sept. 13, 2017).

247. *Id.* at \*1.

248. *Id.*

249. *Id.*

250. *Id.*



using confidential information . . . to compete with Xoran” in the course of his new business.<sup>251</sup> Xoran took steps to address this issue with Luick without resorting to litigation.<sup>252</sup> Through various communications, Luick assured Xoran that he was not using confidential information to compete with Xoran.<sup>253</sup> Xoran ultimately filed a trade secret misappropriation action against Luick under the DTSA.<sup>254</sup>

In this case, Luick argued that the only theory of trade secret misappropriation that Xoran put forth was that Luick must be misappropriating Xoran’s trade secret information just by continuing to work in the CT scanner industry.<sup>255</sup> Luick asserted that Congress rejected the inevitable disclosure doctrine by relying on the injunctive language of the DTSA.<sup>256</sup> The court rejected this argument, holding that Xoran did not have to demonstrate that the defendant actually possessed and used Xoran’s trade secret information.<sup>257</sup> The Eastern District of Michigan concluded that the plain language of the DTSA was not sufficient to preempt application of the inevitable disclosure doctrine.<sup>258</sup>

#### E. Mid-America Business Systems v. Sanderson

*Mid-America Business Systems v. Sanderson*<sup>259</sup> provides yet another example of an employer bringing suit against a former employee after the employee went to work for a competitor.<sup>260</sup>

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251. *Id.*

252. *Id.*

253. *Id.*

254. *Id.*

255. *Id.* at \*6.

256. *See id.* (“[A]n injunction to prevent actual or threatened misappropriation of a trade secret “shall be based on evidence of threatened misappropriation and not on information the person knows.” (quoting 18 U.S.C. § 1839(b)(3)(A)(i)(I) (2012))).

257. *Id.* (explaining that the court will not inquire into the actual use of the trade secret information “for the purposes of evaluating the allegations of misappropriation under the motion to dismiss standard”).

258. *See id.* (“The Court concludes that the defendant’s argument [that Congress rejected the inevitable disclosure doctrine in the enactment of the DTSA] lacks merit.”).

259. No. 17–3876, 2017 WL 4480107 (D. Minn. Oct. 6, 2017).

260. *Id.* at \*1.

Mid-America provides “large-scale storage and organization systems.”<sup>261</sup> Kevin Sanderson worked for Mid-America as a service technician for a period of nine years, ending in 2016.<sup>262</sup> While working for Mid-America, Sanderson had access to a variety of non-public information, including “costs, pricing, operations, and business processes.”<sup>263</sup> At that time, Mid-America was an authorized regional dealer for Kardex-Remstar and an exclusive regional dealer for Kardex storage systems.<sup>264</sup> Eventually Kardex-Remstar terminated its dealer contract with Mid-America and KHS then became Kardex-Remstar’s authorized dealer for most of the region that Mid-America had originally covered.<sup>265</sup> Sanderson began working for KHS as a service technician in 2017, shortly after terminating his employment with Mid-America.<sup>266</sup>

Mid-America alleged that Sanderson copied and transferred confidential information before leaving the company.<sup>267</sup> It further alleged that Sanderson solicited Mid-America clients during his employ with KHS.<sup>268</sup> Mid-America brought suit against Sanderson under the DTSA for trade secret misappropriation.<sup>269</sup> The company sought a temporary restraining order against Sanderson to enjoin him and KHS from misappropriating Mid-America’s trade secret information.<sup>270</sup>

In assessing the trade secret misappropriation claim, the United States District Court for Minnesota started its analysis with the language of the DTSA.<sup>271</sup> The court stated that in order to demonstrate this actual or threatened misappropriation, Mid-America had to demonstrate a “high degree of probability of inevitable disclosure.”<sup>272</sup> Because Mid-America presented little

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261. *Id.*

262. *Id.* at \*2.

263. *Id.*

264. *Id.* at \*1.

265. *Id.*

266. *Id.*

267. *Id.* at \*3.

268. *Id.*

269. *Id.* at \*1.

270. *Id.*

271. *See id.* at \*7 (“Courts may enjoin actual or threatened misappropriation.” (quoting 18 U.S.C. § 1836(b) (2012))).

272. *Id.* (quoting *Lexis-Nexis v. Beer*, 41 F. Supp. 2d 950, 958 (D. Minn. 1999)).

evidence to support their allegations, the court ultimately concluded that Mid-America had not demonstrated the likelihood of the success on the merits of its trade secrets claims against Sanderson.<sup>273</sup> While Mid-America was not successful in demonstrating that Sanderson would inevitably disclose their trade secret information, the court did apply the doctrine in its analysis.<sup>274</sup>

F. UCAR Technology (USA) Inc. v. Yan Li

*UCAR Technology (USA) Inc. v. Yan Li*<sup>275</sup> is the lone case barring application of the inevitable disclosure doctrine under the DTSA. This case concerned the employment relationship between UCAR, one of the largest chauffeured car service providers in China, and the defendant-employees.<sup>276</sup> UCAR set up a United States subsidiary to conduct research and development to advance its technology.<sup>277</sup> Yan Li and the other defendants spent over a year-and-a-half working with UCAR's proprietary information to develop new technologies at the United States subsidiary.<sup>278</sup> Subsequently, the defendants resigned from UCAR via email.<sup>279</sup> UCAR claimed that Yan Li and the other defendants copied UCAR proprietary information to other computers and local drives before leaving the company.<sup>280</sup> UCAR asserted a claim for trade secret misappropriation and a violation of the DTSA.<sup>281</sup>

The Northern District of California refused to apply the inevitable disclosure doctrine in this claim because of California's strong state interest in barring the doctrine.<sup>282</sup> The defendants

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273. *Id.*

274. *Id.*

275. No. 5:17-cv-01704-EJD, 2017 WL 6405620 (N.D. Cal. Dec. 15, 2017).

276. *Id.* at \*1.

277. *Id.*

278. *Id.*

279. *Id.*

280. *Id.*

281. *Id.*

282. *See id.* at \*3 (“California courts have resoundingly rejected claims based on the inevitable disclosure theory.”); *see supra* notes 109–16 and accompanying text (describing California's interest in barring the application of the doctrine to encourage mobility of labor).

argued that UCAR relied on the inevitable disclosure doctrine to demonstrate the alleged trade secret misappropriation.<sup>283</sup> Specifically, UCAR alleged that the defendants “cannot separate out UCAR’s trade secrets and confidential information in starting a competing company in the exact technology space that they worked in for UCAR.”<sup>284</sup> The court struck all “inevitable disclosure” allegations from the complaint.<sup>285</sup> While the court refused to apply the inevitable disclosure doctrine in this claim brought under the DTSA, it appears that it based its decision on the California policy considerations of labor mobility.<sup>286</sup> The court did not focus on the specific injunctive language of the DTSA in reaching its conclusion.

*G. Major Takeaways from the Cases Decided After the  
DTSA’s Passage*

A few common trends surface in the caselaw that discusses the inevitable disclosure doctrine in claims brought under the DTSA. In general, there seems to be a lack of clear textual analysis of the DTSA in these cases.<sup>287</sup> Some of the cases focus too heavily on the state law understanding of trade secret law, rather than treating these claims as claims brought under a separate, federal cause of action.<sup>288</sup> Other courts rely on their states’ policy considerations in accepting or rejecting the inevitable disclosure doctrine.<sup>289</sup>

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283. UCAR Tech. (USA) Inc. v. Yan Li, No. 5:17-cv-01704-EJD, 2017 WL 6405620, at \*3 (N.D. Cal. Dec. 15, 2017).

284. *Id.*

285. *Id.*

286. *See id.* (referring to the inevitable disclosure doctrine as “impermissible” in California).

287. *See* Fres-co Sys. USA, Inc. v. Hawkins, 690 F. App’x. 72, 76 (3d Cir. 2017); Xoran Holdings LLC v. Luick, No. 16-13703, 2017 WL 4039178, at \*6 (E.D. Mich. Sept. 13, 2017); Mickey’s Linen v. Fischer, No. 17 C 2154, 2017 WL 3970593, at \*12 (N.D. Ill. Sept. 8, 2017) (analyzing only 18 U.S.C. § 1836(3)(A)(i) which allows an injunction on the basis of threatened misappropriation, but not looking further to subsection I).

288. *See Mickey’s*, 2017 WL 3970593, at \*12; Molon Motor and Coil Corp. v. Nidec Motor Corp., No.16-C-03545, 2017 US LEXIS 71700, at \*13 (N.D. Ill. May 11, 2017) (looking to Illinois common and statutory law to help decide a claim brought under the DTSA).

289. *See UCAR*, 2017 WL 6405620, at \*3 (considering California’s interest in refusing to recognize the inevitable disclosure doctrine).

First, courts are applying the inevitable disclosure based on the language of subsection 3(A)(i),<sup>290</sup> which allows a court to grant an injunction based on threatened misappropriation.<sup>291</sup> The majority of any textual analysis given to the DTSA centers on this subsection in the cases.<sup>292</sup>

Second, other courts are applying the inevitable disclosure doctrine in DTSA cases because their state trade secret laws endorse the doctrine.<sup>293</sup> Both of the Illinois cases examined in this Note cite Illinois's state law acceptance of the inevitable disclosure doctrine to justify the application of the doctrine in DTSA claims.<sup>294</sup>

Lastly, the one court to refuse to apply the inevitable disclosure doctrine did so because of the prevailing policy concerns in its state, as opposed to relying on the language of the statute.<sup>295</sup> Because California has such a strong interest in labor mobility, its federal courts were unwilling to apply inevitable disclosure.

#### *H. Cases Demonstrate that the Current Interpretation of the Act is Not the Most Reasonable*

A court's correct reading of the current injunctive language of the DTSA should encompass a discussion of both subsections I and II. For example, a court in the Northern District of Illinois, a state that does recognize the inevitable disclosure doctrine, would read

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290. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (b)(3)(A)(i) (Supp. IV 2016)).

291. See *Fres-co*, 690 F. App'x., at 76; *Xoran*, 2017 WL 4039178, at \*6; *Mickey's*, 2017 WL 3970593, at \*12 (finding it appropriate to apply inevitable disclosure because the DTSA permits an injunction granted on the basis of threatened misappropriation).

292. See *supra* Part IV.A (discussing the courts' interpretation of the DTSA's broad grant of authority given in subsection (3)(A)(i)).

293. See *Mickey's*, 2017 WL 3970593, at \*12; *Molon*, 2017 US LEXIS 71700, at \*13 (relying on pre-DTSA Illinois state law that endorsed the inevitable disclosure doctrine).

294. See *Mickey's*, 2017 WL 3970593, at \*12 ("In Illinois, such threatened misappropriation may be addressed by the inevitable disclosure doctrine . . ."); *Molon*, 2017 US LEXIS 71700, \*13 (looking to *PepsiCo* to endorse their application of the inevitable disclosure doctrine).

295. See *UCAR*, 2017 WL 6405620, at \*3 (striking all inevitable disclosure allegations from the complaint because the doctrine is not recognized in the state laws of California).

the broad grant of authority to allow an injunction preventing any actual or threatened trade secret misappropriation, indicating that they could apply the inevitable disclosure doctrine.<sup>296</sup> However, the court would then read subsection I and, depending on a court's specific understanding of the concept of the inevitable disclosure, could reasonably still apply the doctrine under subsection I.<sup>297</sup> If the Illinois court decides that applying the inevitable disclosure doctrine would not violate subsection I, which is reasonable given the plain language, the court would then need to confirm this decision by reading subsection II. Because Illinois State law permits the granting of injunctions based on the inevitable disclosure doctrine, the court's conclusion to apply the inevitable disclosure doctrine would be permissible per subsection II.

Conversely, a state like California could refuse to apply the inevitable disclosure doctrine based on the language of subsection I and California's interpretation that the inevitable disclosure doctrine conditions employment on information the person knows.<sup>298</sup> Furthermore, California courts have the ability to uphold their state laws and continue to bar the application of the inevitable disclosure doctrine per subsection II.

The same statute permitting those disparate results seems absurd. It would appear that the current correct interpretation of the Act is not sufficient to preempt the application of the inevitable disclosure doctrine or to allow for the application of the inevitable disclosure doctrine in all circumstances. This interpretation of the Act is not reasonable. However, given the current language of the Act, it is difficult to argue that this interpretation is impermissible. Congress should amend the DTSA so that the permissible interpretations are both reasonable and responsive to the legislative intent behind the Act.

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296. 18 U.S.C. § 1836(b)(3)(A) (Supp. IV 2016).

297. See Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836(b)(3)(A)(i)(I) (Supp. IV 2016)) (allowing restrictions on employment based on threatened misappropriation and "not merely on information the person knows").

298. See *supra* Part II.C.2 (discussing California's conception of the inevitable disclosure doctrine).

*VI. Problems with Allowing Inevitable Disclosure to Survive  
DTSA*

This Note has established that the language of the DTSA does not sufficiently preempt the application of the inevitable disclosure doctrine. Therefore, it highlights the key problems that result if inevitable disclosure is allowed to live and thrive in federal courts.

*A. Inconsistent Outcomes Arise by Jurisdiction*

The DTSA created a new federal statutory scheme, and with any new scheme there will be difficulties in initial implementation. While Congress gives the courts directions with this statutory scheme, federal courts are left to read, interpret, and apply the statute to individualized situations. From the previous discussion of the cases applying the DTSA, it is obvious that the courts have some “gaps to fill” in the statute.<sup>299</sup> Allowing federal courts to fill in the gaps of a statute provides a set of specific challenges. First, this interpretive exercise can create the issue of lack of uniformity.<sup>300</sup> Second, allowing federal courts to fill in the holes left by Congress produces issues for determining which law to apply to round out the statute.<sup>301</sup> Congress did not draft the DTSA to preempt state law and therefore federal courts can look to the laws of the forum state in determining claims brought under the DTSA.<sup>302</sup> Because state trade secret laws vary, it is impractical to leave it up to the federal courts to correct this incongruity.

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299. See *supra* Part V (analyzing how courts have applied their respective state common law conceptions of the inevitable disclosure doctrine under the DTSA); see also Sandeen & Seaman, *supra* note 29, at 872–73 (“Thus, as with other federal statutes . . . it is likely that federal courts will find both the need and the power to fill gaps in the DTSA.”).

300. See Sandeen & Seaman, *supra* note 29, at 873 (“Because decisions concerning the nature and extent of those gaps, and the law that is used to fill them, may differ among federal courts, . . . the ‘imperfect’ aspects of the DTSA are apt to lead to a lack of uniformity.”).

301. See *id.* (“Assuming the federal competence to fill gaps exists, the second step in the federal common lawmaking process is to determine what law should be used to help fill the gaps.”).

302. See *id.* at 874 (stating that federal courts will consider the law of the forum state first when “filling gaps in the DTSA”).

The DTSA does incorporate state law to some extent to ensure that state law governing instruments will apply in federal court.<sup>303</sup> The DTSA also includes a state law carve out provision in the injunctive language which provides that a court may not grant an injunction under the DTSA that would otherwise violate pertinent state law.<sup>304</sup> However, the DTSA does not directly address the potential choice of law issues that will occur in jurisdictions where the inevitable disclosure doctrine is barred.<sup>305</sup> Additionally, the caselaw since the passage of the DTSA does little to clarify the choice of law issues.<sup>306</sup> The cases thus far have looked to the language of the DTSA and found the application of the inevitable disclosure doctrine either permissible or impermissible on the basis of the state law recognition of the doctrine in the jurisdiction.<sup>307</sup> As more and more federal courts analyze claims brought under the DTSA, the courts will have to fill in certain gaps where Congress did not speak with sufficient specificity. Whether or not to apply the inevitable disclosure doctrine will become one of those areas where courts must fill in the gap given the tension between the doctrine and the language of subsection I.<sup>308</sup>

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303. See Sharon K. Sandeen, *Senate Judiciary Committee Passes Amended Defend Trade Secrets Act. What Changed?* (Guest Blog Post), TECH. & MARKETING L. BLOG (Jan. 28, 2016), <http://blog.ericgoldman.org/archives/2016/01/senate-judiciary-committee-passes-amended-defend-trade-secrets-act-what-changed-guest-blog-post.htm> (last visited Nov. 25, 2018) (“[I]t [the revisions of the DTSA] makes clear that State law governing restrictive covenants will continue to apply as limits on the scope of injunctive relief.”) (on file with the Washington and Lee Law Review).

304. Defend Trade Secrets Act of 2016, 130 Stat. at 376 (codified at 18 U.S.C. § 1836(b)(3)(A)(i)(1)(II) (Supp. IV 2016)); see also *supra* Part IV.C (discussing 18 U.S.C. § 1836(b)(3)(A)(i)(1)(II) in greater detail).

305. See Sandeen, *supra* note 303 (“Issues of choice of law remain, of course.”).

306. See *supra* Part IV.C (discussing the only case to address the choice of law issue under the DTSA).

307. Compare *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16-C-03545, 2017 U.S. Dist. LEXIS 71700 (N.D. Ill. May 11, 2017) (applying Illinois State law recognizing the inevitable disclosure doctrine), with *UCAR Tech. (USA) Inc. v. Yan Li*, No. 5:17-cv-01704-EJD, 2017 WL 6405620 (N.D. Cal. Dec. 15, 2017) (applying California State law barring the application of the inevitable disclosure doctrine).

308. See Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (b)(3)(A)(i)(1)(I) (Supp. IV 2016)) (stating that an injunction cannot be based merely on information the individual knows); see also *supra* Part V.A.1 (discussing the language of subsection I in greater detail).



Because Congress did not directly address the inevitable disclosure doctrine in the DTSA, the application of state law to the issue does not create a uniform result. Congress intended for the DTSA to bring uniformity and consistency to trade secret law in order to support businesses operating all over the United States.<sup>309</sup> However, applying differing state law, especially with regard to what evidence a plaintiff must demonstrate to prove trade secret misappropriation, does not facilitate uniformity and could create choice of law conundrums. Specifically, allowing differing applications of the inevitable disclosure doctrine under the DTSA will create confusion for litigants and lead to forum shopping.

Thus far, the facts of the cases brought under the DTSA have been relatively straightforward, with employers domiciled in one state bringing claims against former employees domiciled in the same state.<sup>310</sup> However as the facts of the cases become increasingly more complicated, issues will arise as to which state law should govern any necessary gap-filling in applying the statute.

The following hypothetical demonstrates how choice of law issues will arise when courts must supplement the DTSA with state trade secret laws. Mrs. Becker works in the California office of an Illinois-headquartered manufacturing business called Perry Industries. Perry Industries is incorporated in Delaware. Mrs. Becker leaves her employment with Perry Industries and goes to work for the California office of a Delaware-incorporated business with its primary place of business in Michigan. Perry Industries wants to sue Mrs. Becker for trade secret misappropriation under the DTSA. Which state law should apply to fill in the gaps and interpret the statute? The law of California, where Mrs. Becker worked and subsequently went to work for a competitor, or the law of Illinois, which seemingly governs the employment relationship between Perry Industries and Mrs. Becker? Or does the law of Delaware apply since both Perry Industries and the competitor are incorporated there? This hypothetical demonstrates that as the

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309. See Hatch & Coons, *supra* note 114 (detailing the importance in developing a federal cause of action for trade secret misappropriation given the interstate nature of modern businesses).

310. See, e.g., *Mickey's Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at \*12 (N.D. Ill. Sept. 8, 2017) (applying Illinois State common law in a claim brought by an Illinois business against a former employee domiciled in Illinois).

facts become increasingly more complicated, the DTSA will fall short of achieving its goal of uniformity and consistency. This leaves both businesses and employees unsure of which state's law will apply with respect to the inevitable disclosure doctrine and unaware of what standards they might have to demonstrate in litigation, which can result in dramatically different results.

### *B. Forum Shopping*

In addition, as employers begin to understand the beneficial implication of bringing a DTSA claim in a state that applies the inevitable disclosure doctrine, plaintiffs will be able to manipulate the jurisdiction to their advantage. Forum shopping will become prevalent and choice of jurisdiction will grow to be outcome determinative, which was one of Congress' initial criticisms of state trade secret laws.<sup>311</sup> The law will incentivize employers to find a tenable connection in order to bring their claim in a state that recognizes the inevitable disclosure doctrine. Additionally, plaintiffs will bring their claims in federal court even in states that do not accept the inevitable disclosure doctrine in order to persuade federal courts to apply a thinly-veiled version of the inevitable disclosure doctrine, even though that application would be invalid in state court.

Further normative arguments support the DTSA's preemption of the inevitable disclosure doctrine. The preservation of labor mobility and protecting the rights of at-will employees are key considerations in why Congress should amend the DTSA to preempt the application of the inevitable disclosure doctrine.<sup>312</sup>

### *C. Labor Mobility*

Cases decided since the passage of the DTSA have interpreted the DTSA to permissibly allow employers to prevent former employees from seeking work in the same field, even when the

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311. See *supra* note 135 and accompanying text (complaining that variations of state trade secret laws can be case-dispositive).

312. See discussion *infra* Part VI.C (detailing the various policy considerations and normative arguments for encouraging the mobility of labor).

former employee has no intention or no demonstrated conduct of trade secret misappropriation.<sup>313</sup> This line of reasoning threatens an individual's livelihood without true cause and implicates the mobility of labor, which can have negative impacts on the economy.<sup>314</sup> The number of cases brought by employers against former employees since the passage of the DTSA demonstrates that the majority of plaintiffs in DTSA claims are disgruntled employers who have an interest in preventing former employees from working for a competitor.<sup>315</sup> Courts should require plaintiffs to demonstrate actual or threatened misappropriation by more than the circumstantial evidence standard offered by the inevitable disclosure doctrine when someone's livelihood is on the line.

Intellectual property law scholars have analogized the inevitable disclosure doctrine as a functional non-compete agreement that is not achieved by contract.<sup>316</sup> Non-compete agreements restrict an employee's post-employment ability to work for a competitor or start a competing company.<sup>317</sup> In the modern labor force, non-compete clauses are nearly universal in

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313. *Fres-co Sys. USA, Inc. v. Hawkins*, 690 F. App'x 72, 76 (3d Cir. 2017); *Molon*, 2017 U.S. Dist. LEXIS 71700, at \*15–17; *Mickey's Linen*, 2017 WL 3970593, at \*16; *Xoran Holdings, LLC v. Luick*, No. 16-13703, 2017 WL 4039178, at \*6 (E.D. Mich. Sept. 13, 2017); *Mid-Am. Bus. Sys. v. Sanderson*, No. 17-3876, 2017 WL 4480107, at \*7 (D. Minn. Oct. 6, 2017).

314. See Orly Lobel, *Companies Compete but Won't Let Their Workers Do the Same*, N.Y. TIMES (May 4, 2017), <https://www.nytimes.com/2017/05/04/opinion/noncompete-agreements-workers.html> (last visited Nov. 25, 2018) (“The liberty to move in the job market not only supports workers’ choice, equality, and wage growth but also creates the competition that catalyzes entrepreneurship, innovation, and overall economic growth.”) (on file with the Washington and Lee Law Review).

315. See David S. Levine & Christopher B. Seaman, *The Defend Trade Secrets Act at One: An Empirical Study of the First Year of Litigation Under the DTSA* 31 (Aug. 25, 2017) (unpublished manuscript) (“Approximately two-thirds of all DTSA disputes involve a current or former [employer] of the alleged trade secret owner.”) (on file with the Washington and Lee Law Review).

316. See Sandeen & Rowe, *supra* note 15 and accompanying text (describing Professors Rowe and Sandeen’s opinion that inevitable disclosure is a way for an employer to impose the restraints of a non-compete agreement in the absence of one).

317. See Orly Lobel, *Intellectual Property and Restrictive Covenants*, in 2 ENCYCLOPEDIA OF LABOR AND EMPLOYMENT LAW AND ECONOMICS 519 (Dau Schmidt, Harris & Lobel eds., 2009) (detailing the widespread use of non-compete agreements).

employment contracts.<sup>318</sup> Orly Lobel, a scholar of law and economics who focuses on the intersection of labor and employment and intellectual property law, conducted research on the effects of non-compete agreements on the mobility of labor.<sup>319</sup> Lobel found that there are many benefits to the areas and regions that encourage the mobility of labor and the “free flow of talent.”<sup>320</sup> Some of the key benefits to the industries and regions that encourage the mobility of labor are “industry growth, consumer choice, innovation, and regional competitiveness.”<sup>321</sup> Additionally, non-compete agreements and restrictions on labor mobility can have negative impacts on human capital.<sup>322</sup>

In her book, Lobel discusses the inevitable disclosure doctrine apart from its analogy to a de facto non-compete agreement.<sup>323</sup> She views the application of the inevitable disclosure doctrine as a “very harsh tool of control of businesses fighting talent wars.”<sup>324</sup> In cases that apply the inevitable disclosure doctrine, the courts more often choose to control the movement of labor rather than encourage its flow.<sup>325</sup> Lobel’s work discusses the main problems with allowing inevitable disclosure to thrive in courts.<sup>326</sup> One major problem with allowing the application of the inevitable disclosure

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318. See Orly Lobel, *By Suppressing Mobility, Noncompete Pacts Suppress Innovation*, N.Y. TIMES, <https://www.nytimes.com/roomfordebate/2014/06/10/should-companies-be-allowed-to-make-workers-sign-noncompete-agreements/by-suppressing-mobility-noncompete-deals-suppresses-innovation> (last updated June 11, 2014) (last visited Nov. 25, 2018) (describing the modern development of non-compete agreements becoming standard employment contracts) (on file with the Washington and Lee Law Review).

319. See generally ORLY LOBEL, *TALENT WANTS TO BE FREE: WHY WE SHOULD LEARN TO LOVE LEAKS, RAIDS, AND FREE-RIDING* (2013).

320. See Lobel, *supra* note 318 (detailing the benefits that California, as a pioneer in rejecting non-compete covenants, has experienced).

321. *Id.*

322. See *id.* (“By restricting talented workers from career prospects, noncompetes can lessen the drive to perform well and invest in one’s own human capital.”).

323. See LOBEL, *supra* note 319, at 112 (“This is the highly controversial doctrine of inevitable disclosure, in which an after-the-fact de facto noncompete is created.”).

324. *Id.*

325. See *id.* at 113 (“The court defaulted to control instead of flow.”).

326. See *id.* (discussing the expansion of the inevitable disclosure doctrine since the *PepsiCo* case).

doctrine is that courts restrict talented members of the workforce from using their knowledge and talents.<sup>327</sup> Additionally, an individual's livelihood can be threatened when he is enjoined from working for a competitor, especially in specialized, niche markets.<sup>328</sup> Furthermore, the application of the inevitable disclosure doctrine "alters the employment relationship without advance consent or compensation."<sup>329</sup> This Note endorses the same concerns that Lobel has about the impact of the inevitable disclosure doctrine on the labor market and innovation.

Jurists also have similar concerns about achieving the appropriate balance between supporting businesses while also encouraging innovation and the mobility of labor. In *SI Handling Systems v. Heisley*,<sup>330</sup> Judge Adams, in his concurring opinion, describes the delicate balance that the courts must strike in protecting the proprietary information of businesses while preserving the mobility of employees.<sup>331</sup> The decision notes that as employees' skills and knowledge become intertwined with employers' proprietary information, "the legal questions confronting the court necessarily become bound up in the competing public policies."<sup>332</sup> Judge Adams argues that courts should be reluctant to favor the economic considerations of businesses over the livelihoods of individuals.<sup>333</sup> His ultimate conclusion is that if the balance between an employer's competitive advantage and an individual's mobility of labor should be tipped in

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327. *See id.* ("Key talent is prevented from putting to use its knowledge and skills . . .").

328. *See id.* at 114 (remarking that individuals can be barred from employment with a competitor all together).

329. *Id.*

330. 753 F.2d 1244 (3d Cir. 1985).

331. *See id.* at 1266–67 (Adams, J., concurring) ("[In deciding equitable issues with regard to a trade secret injunction,] a court cannot act as pure engineer or scientist, assessing the technical importance of the information . . . [T]he court on occasion must apply the elements of sociology.").

332. *Id.* at 1267 (Adams, J., concurring).

333. *See id.* (Adams, J., concurring)

In light of the highly mobile nature of our society, and as the economy becomes increasingly comprised of highly skilled or high-tech jobs, the individual's economic interests will more and more be buffeted by the employers' perceived needs to maintain their competitive advantage. Courts must be cautious not to strike a balance that unduly disadvantages the individual worker.

either direction, it should favor the public policy implications of maintaining the mobility of skilled laborers.<sup>334</sup>

### *VII. A Proposed Solution: The Labor Mobility Protection Act*

The current injunctive language of the DTSA is not sufficient to preempt the application of the inevitable disclosure doctrine. The congressional intent behind the Act<sup>335</sup> and the over-reaching legal and policy issues<sup>336</sup> indicate that the DTSA should preempt the inevitable disclosure doctrine. Congress should amend the Remedies section of the Act because of the legal and normative issues that exist when the inevitable disclosure doctrine thrives in claims brought under the DTSA. Congress should amend the DTSA to add a provision that encourages the preservation of the mobility of labor and adequately responds to Congress's original intent in creating the Act. The amendment would address the issues that have arisen with the application of the inevitable disclosure doctrine in the cases decided since the passage of the DTSA. For example, the proposed amendment would help bring uniformity to application of the DTSA and encourage innovation by supporting the mobility of labor.

In response to these concerns, this Note proposes a Labor Mobility Protection Act to modify the current version of the DTSA.<sup>337</sup> The Labor Mobility Protection Act would serve to ensure that limitations on labor mobility are governed by employment contracts, not inconsistent common law doctrines. The text of the Act would clearly provide enough detail to cover any court's definition or understanding of the inevitable disclosure doctrine.

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334. See *id.* (Adams, J., concurring) ("Trade secrets are not . . . so important to society that the interests of employees, competitors, and competition should automatically be relegated to a lower position whenever trade secrets are proved to exist." (quoting Thornton Robison, *The Confidence Game: An Approach to the Law About Trade Secrets*, 25 ARIZ. L. REV. 347, 382 (1983))).

335. See *supra* Part III (describing Congress's intent to establish a uniform federal cause of action for trade secret misappropriation that encourages innovation).

336. See *supra* Part VI (detailing the major issues that occur if inevitable disclosure is applied in DTSA claims).

337. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified at 18 U.S.C. § 1836 (Supp. IV 2016)).

This Act would establish a minimum threshold for the preservation of the mobility of labor in every state with relation to trade secret misappropriation laws. It would also preempt the application of the inevitable disclosure doctrine in claims brought under the DTSA, even in the states that allow for the application of the doctrine in state law governed trade secret misappropriation claims. This proposed Act is patterned after the Whistleblower provision of the DTSA, which provides protection to whistleblowers who disclose trade secret information to law enforcement to report potential violations of law.<sup>338</sup> For example, the Whistleblower provision preempts any contrary state and federal law.<sup>339</sup> Even if this amendment is considered more controversial than the Whistleblower provision, it is necessary to achieve the congressional goals of this legislation and to promote innovation.

The text of the Labor Mobility Protection Act should state:

(1) In a civil action brought under 18 U.S.C. § 1836 with respect to the misappropriation of a trade secret, a court may

(A) grant an injunction—

(i) to prevent trade secret misappropriation on such terms the court deems reasonable, provided the order does not—

(I) restrict or prevent a person from entering into an employment relationship based on threatened trade secret misappropriation, unless such threatened misappropriation is demonstrated by clear and convincing evidence; and

(II) restrict or prevent a person from entering into an employment relationship based solely on information the person merely knows in the absence of an employment agreement to the contrary; and

(III) restrict or prevent a person from entering into an employment relationship based solely on the similarities between the new employment and the former employment; and

(IV) restrict or prevent a person from entering into an employment relationship based solely on the level of competition between the old employer and new employer

(2) This provision preempts any state law that would authorize an injunction by State statutory or common law trade secret

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338. 18 U.S.C. § 1833(b)(1)(A) (Supp. IV 2016).

339. *Id.* § 1833(b)(1)(A)(i).

misappropriation that conflicts with Subsection 1 of this provision.

Subsection I requires that plaintiffs demonstrate threatened misappropriation by a greater evidentiary standard than pure circumstantial evidence. This subsection still allows courts to grant injunctions that limit employment relationships on the basis of threatened misappropriation, however it removes the possibility that courts can find threatened misappropriation solely on the basis of circumstantial evidence. This language is necessary because some courts understand the inevitable disclosure doctrine to mean that they may grant an injunction based on an inference supported only by circumstantial evidence.<sup>340</sup>

Subsection II addresses yet another way that courts justify applying the inevitable disclosure doctrine. Including language that restricts an injunction based merely on information the person knows attempts to be responsive to the Seventh Circuit's understanding of the inevitable disclosure doctrine as articulated in *PepsiCo*.<sup>341</sup> However, the language of subsection II still allows an injunction based on a violation of an employment agreement to remain valid.

Subsection III restricts an injunction based solely on the similarities between the new employer and former employer. This similarity was an element in some states inevitable disclosure analysis.<sup>342</sup> However, it is highly restrictive on the mobility of highly-skilled workers to restrict an individual's employment solely because they are working in the same field or type of industry, especially when employees have industry-specific skills and experience.

Subsection IV addresses another element of an inevitable disclosure doctrine application that should be restricted. Some

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340. See *supra* note 108 and accompanying text (discussing the circumstantial evidence definition of inevitable disclosure).

341. See discussion of the *PepsiCo* definition of the inevitable disclosure doctrine. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995) (determining that because Redmond could not compartmentalize the knowledge, he would inevitably disclose trade secret information).

342. See *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No.16-C-03545, 2017 U.S. Dist. LEXIS 71700, at \*17 (N.D. Ill. May 11, 2017) (“[T]he allegations on the employment breadth and similarity of Desai’s work at the two companies are enough to trigger the circumstantial inference that the trade secrets inevitably would be disclosed by Desai to Nidec.”).



states inquire into the level of competition between the new employer and former employer in an inevitable disclosure analysis.<sup>343</sup> However, Congress should prohibit an injunction based on the level of competition alone. In highly technical, specialized markets there could potentially be only two businesses in the country that do the same type of work. Therefore, courts must require plaintiffs to demonstrate something further than mere competition for an injunction to be appropriate.

Finally, subsection 2 preempts any conflicting state laws that would authorize an injunction for trade secret misappropriation in state law trade secret misappropriation claims. This preemption acts to achieve Congress' goals of a uniform federal trade secret misappropriation cause of action.<sup>344</sup> The application of separate "applicable state laws" under the DTSA will continue to cause issues of confusion and continuity, and therefore, should be preempted.<sup>345</sup>

The Labor Mobility Protection Act is responsive to the key issues discussed in this Note. First, this Act helps bring the DTSA more in line with Congress' initial intent in creating a federal cause of action for trade secret misappropriation. The language of the Labor Mobility Protection Act encourages innovation and establishes a uniform application of federal trade secret law in the way that Congress intended the current version of the DTSA to. Secondly, preempting the application of the inevitable disclosure doctrine curtails the existence of this highly restrictive doctrine in federal courts and better serves the interests of American businesses and employees.

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343. See *Mickey's Linen v. Fischer*, No 17 C 2154, 2017 WL 3970593, at \*12 (N.D. Ill. Sept. 8, 2017) (stating that one factor in the inevitable disclosure analysis is how comparable the position the defendant holds with his new employer is to the position he held with his former employer).

344. See *Hatch & Coons*, *supra* note 114 (describing that Congress intended the DTSA to provide uniformity for businesses to litigate trade secret misappropriation).

345. See discussion *supra* Part IV.C (demonstrating the ambiguity of the language "applicable state law" in the DTSA (quoting 18 U.S.C. § 1836(b)(3)(A)(i)(II) (Supp. IV (2016))); see also discussion *supra* Part VI.A (detailing the inconsistency that arises when states apply their own trade secret laws under the statute).

*VIII. Conclusion*

This Note tells the story of three parties and their considerations in protecting trade secret information and maintaining the mobility of labor necessary for a developed economy. Employers and employees can have conflicting interests at times, and Congress attempted to protect the employment interests of employees and the proprietary information of American companies with the passage of the DTSA. However, Congress fell short in adequately protecting the interests of the employees with the current version of the DTSA. The sheer volume of lawsuits brought by employers against employees since the passage of the DTSA indicates that the DTSA should be amended to better protect the employment interests and labor mobility of employees. Furthermore, the DTSA in its current form is not responsive to Congress's intent in passing the legislation. An amendment to the DTSA would bring the Act more in line with Congress's original vision for what this law might achieve: protection of proprietary information that would encourage innovation.

This Note proposes that Congress amend the DTSA with the passage of a labor protection mobility law that would better serve the interest of the employees without being overly burdensome to employers. In passing this Amendment, Congress would effectively preempt the application of the inevitable disclosure doctrine in federal court, which is what many assumed Congress had done in the first place. The inevitable disclosure doctrine has no place in a developed economy that requires innovation and collaboration, and Congress should refuse to give it life in federal courts.