The DTSA and Inevitable Disclosure

Insights
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With President Obama's signature on the Defend Trade Secrets Act, the doctrine of inevitable disclosure took a timid step toward an early death, at least with respect to federal trade secret law. After years of judicial disagreement about the propriety of the doctrine, it is worth examining how DTSA's supposed rejection of the doctrine could affect trade secret litigation.

Inevitable disclosure is a common law doctrine developed by some courts pursuant to state trade secret laws. The doctrine, which is not uniformly administered throughout the states, generally allows courts to prevent a former employee from working for a competitor where the former employee would "inevitably" rely on her knowledge of her former employer's trade secrets in her work for the competitor.

An illustration may be helpful. In *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995), the seminal case for the inevitable disclosure doctrine, PepsiCo sought an injunction preventing a former high-level manager from going to work in a similar position for Quaker's Gatorade brand. The court of appeals upheld a district court's injunction preventing the manager from taking the position at Quaker because, even though the manager did not take any physical or electronic trade secrets, he would "inevitably" rely on his knowledge of PepsiCo's trade secrets in his new job. 54 F.3d at 1270.

The doctrine has since been unevenly and sporadically applied throughout the states. For instance, courts in Georgia, Louisiana, and California (among others) disavow the doctrine. *See, e.g., Holton v. Physician Oncology Servs., LP*, 292 Ga. 864, 870 (2013); *Tubular Threading, Inc. v. Scandaliato*, 443 So. 2d 712, 715 (La. Ct. App. 1983); *Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443, 1464 (2002). On the other hand, courts in Arkansas, Delaware, North Carolina, and Ohio have adopted the doctrine in some form. *See, e.g., Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc.*, 987 S.W.2d 642, 646 (Ark. 1999); *E.I. duPont deNemours & Co. v. American Potash & Chem. Corp.*, 200 A.2d 428, 431 (Del. Ch. 1964); *Merck & Co. Inc. v. Lyon*, 941 F. Supp. 1443, 1460 (M.D.N.C. 1996); *Procter & Gamble Co. v. Stoneham*, 140 Ohio App. 3d 260, 275, 747 N.E.2d 268, 279 (2000).

While the DTSA will not immediately affect state law regarding inevitable disclosure, it explicitly rejects the inevitable disclosure doctrine under federal law. Though the DTSA allows a court to enjoin against "threatened" misappropriation, it may only do so if 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." In short, courts may not enjoin anyone from taking a job under the

information the person knows." In short, courts may not enjoin anyone from taking a job under the DTSA based solely that person's knowledge of a former employer's trade secrets. Therefore, though federal courts may continue to apply the inevitable disclosure doctrine under applicable state law, the DTSA explicitly rejects a free-standing federal basis for the doctrine.

As a result, the jurisdiction where a trade secret claim is litigate will still matter greatly in terms of the applicability of the inevitable disclosure doctrine. Plaintiffs pursuing trade secret claims against former high-level employees will continue to seek forums where the state or federal courts have upheld the doctrine. In those cases, plaintiffs will seek inevitable disclosure remedies under state law and other trade secret remedies under both state and federal law. The interesting question is whether some federal courts will re-examine their support of the doctrine in light of the new federal policy set forth in the DTSA. After all, the doctrine comes from the 7th Circuit Court of Appeals. Would *PepsiCo v. Redmond* be decided the same way today in a world where Congress has weighed in against the doctrine?

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