

THE INEVITABLE EVOLUTION: ANALYZING THE CONFUSING EVOLUTION SURROUNDING THE INEVITABLE DISCLOSURE DOCTRINE

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Abstract

There can be no doubt—the inevitable disclosure continues to be relevant theory that employers rely on to prevent former employees from joining a future employer. Yet, there is little consensus on how and if the doctrine should apply. Some states apply the doctrine, while others do not. Still others apply the doctrine but in a much-limited sense. Regardless, courts are generally inconsistent in their holdings and reasonings when they do invoke it. Then, in 2016 the Federal Government passed the Defend Trade Secrets Act (DTSA). While on its face it appeared that the DTSA would do away with the inevitable disclosure doctrine—at least at the federal level—the opposite occurred. This has created more inconsistency in the area of trade secret law—something the DTSA was attempting to account for.

In the pursuit of clarifying the inevitable disclosure doctrine, this article is written with the goal of addressing some of the more confusing aspects surrounding the inevitable disclosure doctrine. To that end, the comment will attempt to clarify the inevitable disclosure doctrine by examining the history of the doctrine, the evolution of the doctrine, and the recent events that have (or have not) affected the inevitable disclosure doctrine. Finally, I propose a path forward that is consistent with the plain language of the DTSA.

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Introduction

You're an employer in the semiconductor business dealing with high-voltage power conversion. Your business is thriving and widely considered the most trusted in the field of high-voltage power conversion. But where you see prosperity, others see an opportunity to compete. Yet, you know that you have the smartest people in the business and therefore are not worried by your competitors' trifle attempts at upending your reputation as the leading innovator in semiconductor technologies. But something goes afloat. In a shocking turn of events, your top engineers leave your company for a competitor. As you see it, these former employees are utilizing information garnered from your company and employing that same information with an up-and-coming competitor of yours. To make matters worse, these departing engineers are inducing other engineers to similarly depart. Surely there must be some remedy to this injustice! Thankfully, you require all employees to sign a non-solicitation and a non-compete agreement prior to joining your enterprise. You decide to bring suit for breach of contract. After consulting with an attorney, you learn that some jurisdictions are much more business friendly than others when it comes to non-compete agreements. Thankfully, there is specific language in the employees Employment Agreement which states that any disputes will be resolved by Philippine law.¹ However, the defendants fight this provision and after much time, money, and effort is expended, the court agrees with the defendants and concludes that the dispute will be resolved in California,² which does not bode well for you—California prohibits non-compete agreements.³ Yet, there is one final avenue you can pursue. The former employees, by undertaking this new

¹ Meer Meer & Meer Attorneys At Law, *Non-Compete Clause* (Philippine Law allows for employers to contain non-compete clauses.).

² Natalia Asbill, *Are Non-Compete Agreements Enforceable in California?*, PERKINS ASBILL (June 4, 2021) <https://www.perkinsasbill.com/are-non-compete-agreements-enforceable-in-california/>

³ *Id.*

position, will inevitably disclose trade secrets that they learned while employed at your company. This theory is premised on the inevitable disclosure doctrine. If a court finds that the employee will inevitably disclose trade secrets with the new employer, they may grant an injunction, thus precluding the employee from joining your competitor. Again, you consult with your attorney and hear the unfortunate news that California does not recognize this doctrine.⁴ Despite your best efforts, your former employees whom you trained, will now use that training to work for a company that is in direct competition with you. The law provides no remedy.

But it's not just the employers that may feel this way. Departing employees could also find themselves in an unfortunate series of events had the scenario above played out in a different jurisdiction. For purposes of comparison, instead of placing yourself in the employers shoes, now consider that you're an employee for GE working in California and looking for new opportunities. You find a Chicago-based startup company called Uptake Technologies that has lots of growth potential in the data analytics market. Thus, you leave GE to pursue a new venture. But alas a problem arises. GE is not happy that you left. Afterall, you are one of their top employees, and if you leave, what is to stop others from doing the same. Therefore, GE pursues legal action against you because they are afraid you will misappropriate trade secrets. But to your relief you never signed a non-compete agreement. This doesn't stop GE. They, along with their well-compensated attorneys, try to find a workaround. The attorneys recognize that GE can incorporate the inevitable disclosure doctrine against you so long as they can convince the court to apply Illinois law over California law.⁵ This would in effect preclude you from

⁴ Story is based off of *Power Integrations, Inc. v. De Lara*, No. 20-CV-410-MMA, 2020 WL 1467406 (S.D. Cal. Mar. 26, 2020).

⁵ Megan Kokontis, *Illinois Imposes New Limits on Non-Competes Effective January 1*, JDSUPRA (December 6, 2021) <https://www.jdsupra.com/legalnews/illinois-imposes-new-limits-on-non-1014524/> (The Illinois legislature recently

joining Uptake Technologies. Yet, you are not domiciled in Illinois and the alleged misappropriation did not occur in Illinois. But through a seemingly convoluted process, the court applies Illinois law which recognizes the inevitable disclosure doctrine. If the court rules in their favor, the court could file a preliminary injunction against you which would prevent you from joining Uptake Technologies despite never having signed a non-compete agreement.⁶

As you can readily see, the fight in each scenario was not so much whether a trade secret was misappropriated, but rather what choice of law would be applied. California does not recognize the inevitable disclosure doctrine, nor do they allow non-compete agreements.⁷ Illinois, on the other hand, is a strong proponent of the inevitable disclosure doctrine and of non-compete agreements.⁸ The scenarios laid out above depict the potential injustice that could occur in either jurisdiction. In the first fact pattern, a California company was concerned with employees leaving and subsequently disclosing their trade secrets.⁹ Thus, they had their employees sign non-compete agreements as a condition of their employment.¹⁰ Yet, through it all, no relief was afforded them.¹¹ In the second fact pattern, an employee who did not sign a non-compete agreement and was domiciled in California, was nevertheless found subject to Illinois choice of law.¹² In effect, because of Illinois's strong support of the inevitable disclosure doctrine, he could be prevented from joining his new employer despite never having signed a

passed an amendment to Illinois law governing such agreements. The new law places restrictions on such agreements, but in no means restricts them like California does.)

⁶ Case comes from *Gen. Elec. Co. v. Uptake Techs., Inc.*, 394 F. Supp. 3d 815 (N.D. Ill. 2019).

⁷ *Edwards v. Arthur Andersen LLP*, 945, 189 P.3d 285, 290 (Cal. 2008) ("Today in California, covenants not to compete are void. . .").

⁸ *Loc. Access, LLC v. Peerless Network, Inc.*, 222 F. Supp. 3d 1113, 1116 (M.D. Fla. 2016) ("Illinois courts . . . have historically enforced noncompetition agreements in a wide range of business dealings . . .").

⁹ See *Power Integrations, Inc. v. De Lara*, No. 20-CV-410-MMA, 2020 WL 1467406, *12 (S.D. Cal. Mar. 26, 2020) (While not explicitly stated, it is reasonable to infer that this was the reason for the non-compete agreement.)

¹⁰ *Id.*

¹¹ *Id.* at *17, *20 (dismissing the breach of contract claim as well as the trade secret misappropriation claim).

¹² *Gen. Elec. Co. v. Uptake Techs., Inc.*, 394 F. Supp. 3d 815, 830 (N.D. Ill. 2019)

non-compete agreement. One might expect that the Defend Trade Secrets Act (DTSA) which created a federal cause of action for trade secret misappropriation, would have fixed this disparity.¹³ Yet, to the surprise of many, the opposite has occurred.¹⁴ Notably the two scenarios laid out above were based on real life events in which both gave rise to a DTSA cause of action.¹⁵ And yet, two very different outcomes arose.

This article attempts to explain why the above scenarios had two completely different outcomes. Furthermore, it is my goal to find a solution that would rectify the disparity between the two jurisdictions. To that end, Part I examines the essence of what a trade secret is. Without the understanding of what constitutes a trade secret, one cannot properly understand the inevitable disclosure doctrine. The inevitable disclosure doctrine is a means (at least in some states) by which a court will grant a preliminary injunction thus preventing a former employee from pursuing employment with a new employer.¹⁶ Part II examines the history and recent development surrounding the inevitable disclosure doctrine. Part III introduces the Defend Trade Secrets Act (DTSA) as well as its impact on the inevitable disclosure doctrine. Part IV addresses the jurisdictional battle that has ensued as a result of the inconsistent application of the DTSA. Finally, part V addresses the future of the inevitable disclosure doctrine and possible solutions going forward.

¹³ 18 U.S.C. § 1836.

¹⁴ Sharon K. Sandeen & Elizabeth A. Rowe, *Debating Employee Non-Competes and Trade Secrets*, 33 Santa Clare High Tech.L.J. 438, 450-51 (2017) (“[T]he DTSA strikes a blow to states that recognize the inevitable disclosure doctrine by making that doctrine inapplicable in DTSA actions.”). See also Edward T. Kang & Kandis Kovalsky, *Have the Courts Made Room for Inevitability Under the Defend Trade Secrets Act*, KANG HAGGERTY (Nov. 29, 2018), <https://www.khflaw.com/news/have-the-courts-made-room-for-inevitability-under-the-defend-trade-secrets-act/>.

¹⁵ *Power Integrations*, 2020 WL 1467406, at *17; *Gen. Elec. Co.* 394 F. Supp. 3d at 830.

¹⁶ Jeffery S. Klein et al., *The Inevitable Disclosure of Trade Secrets: The Rebirth of a Controversial Doctrine and Where the Courts Stand*, BLOOMBERG LAW REPORTS (2010), https://www.weil.com/~media/files/pdfs/inevitable_disclosure#:~:text=The%20principle%20underlying%20the%20inevitable,prevent%20the%20disclosure%20from%20occurring.

Part I: What is a Trade Secret?

To understand the inevitable disclosure doctrine, it is helpful to understand what a trade secret is and what it is not. The essence of a trade secret is something that has an economic value because it is not “generally known or easily discovered by observation or examination and for which reasonable efforts to maintain secrecy have been made.”¹⁷ The more widely used definition comes from the Uniform Trade Secrets Act (UTSA).¹⁸ There 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 person 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.¹⁹

But, a showing that a trade secret exists is not enough to succeed in a trade secret misappropriation case. The petitioner must also show the trade secret was in fact misappropriated and such misappropriation caused harm.²⁰ Thus, in order to bring a claim of trade secret misappropriation, the petitioner must show that (1) the petitioner owned a trade secret (as defined above); (2) the defendant misappropriated the trade secret; and (3) the actions by the defendant damaged the plaintiff.²¹ In proving the defendant misappropriated the trade secret, the petitioner must show that the defendant acquired the trade secret by “improper means.”²²

¹⁷ *Trade Secret*, MERRIAM-WEBSTER DICTIONARY (11th ed. 2020).

¹⁸ See CORNELL LAW SCHOOL, https://www.law.cornell.edu/wex/trade_secret (last visited Feb. 2, 2022) (noting that forty-seven states have adopted the UTSA and its definition of a trade secret).

¹⁹ U.T.S.A. § 1(4) (UNIF. L. COMM’N 1985).

²⁰ ELIZABETH A. ROWE & SHARON K. SANDEEN, *TRADE SECRET LAW CASES AND MATERIALS* 253 (3rd ed. 2020).

²¹ See *id.*

²² *Basics of a Trade Secret Claim*, DIGITAL MEDIA LAW, dmlp.org/legal-guide/basics-trade-secret-claim (last visited Feb. 25, 2022)

“‘Improper means’ include theft, fraud, bribery, industrial espionage, breaching a contractual duty to keep something confidential, or inducing others to breach that duty.’”²³ Only after the petitioner has met the stringent requirements will the petitioner be afforded some type of remedy.²⁴

Generally speaking, there are two available remedy’s: (1) injunctive relief, and (2) damages.²⁵ However, courts have expanded the available remedy’s by issuing preliminary injunctions on the basis that a former employee will *inevitably disclosure* trade secrets in their new employment.²⁶ While not the only theory available to a petitioner seeking to enjoin a former employee from working with a future employer, the remedy is an oft cited remedy.²⁷ This next part takes a look at the inevitable disclosure doctrine: its history, relevance, and impact in the area of trade secret law.

Part II: The Inevitable Disclosure Doctrine

The fundamental purpose of the inevitable disclosure doctrine is to prevent a former employee from using trade secrets they either obtained or created while working for their former employer in their new job.²⁸ The doctrine is based on the fact that the former employee, in their

²³ *Id.* (The article discusses a second manner in which to prove misappropriation of a trade secret. This occurs if you publish “information acquired through improper means.”); Sharon K. Sandeen, *Article: The Evolution of Trade Secret Law And Why Courts Commit Error When They Do Not Follow The Uniform Trade Secrets Act*, 33 Hamline L. Rev. 493, 529 (2010) (discussing the importance of addressing the existence of a trade secret and any subsequent misappropriation separately).

²⁴ David Kline, David Kappos Introduction to Intellectual Property, p.181 (discussing various remedies available including injunctive relief, damages award, and attorney fees); ROWE & SANDEEN, *supra* note 20 at, 488-91 (noting several different remedy’s available).

²⁵ ROWE & SANDEEN, *supra* note 20 at, 488-89.

²⁶ M. Claire Flowers, Note: Facing the Inevitable: The Inevitable Disclosure Doctrine and the Defend Trade Secrets Act of 2016, 75 Wash & Lee L. Rev. 2207, 2217.

²⁷ See Daniel Hegner, *Comment: Steering Clear of the Inevitable Disclosure Doctrine: Placing the Burden Where it Belongs*, U. DET. MERCY L. REV. 611, 634; Randall E. Kahnke et al., *Doctrine of Inevitable Disclosure*, 3 (Sep. 2008) <https://ipo.org/wp-content/uploads/2013/04/DoctrineofinevitableDisclosure.pdf> (noting that the *PepsiCo* decision makes it easier to prove threatened misappropriation verses actual misappropriation).

²⁸ Flowers, *supra* note 26 at 2217

new job, will inevitably disclose information that is protected as a trade secret.²⁹ Therefore, the court should enjoin the employee from working for the employer's competitor.³⁰ Noteworthy, the inevitable disclosure doctrine is nowhere explicitly mentioned in the UTSA.³¹ However, the doctrine according to one attorney, is at least implicitly available.³²

The Inevitable Disclosure Doctrine itself goes back to 1919 in the case of *Eastman Kodak Co. v. Powers Film Products, Inc.*³³ However, prior to the seminal case of *PepsiCo, Inc. v. Redmond*, courts applied the doctrine using varied language.³⁴ Notably, the doctrine was only applied to technical information, but the courts in recent years have expanded the doctrine to include "financial, manufacturing, production and marketing information."³⁵ The oft cited case involving the inevitable disclosure doctrine is *PepsiCo, Inc. v. Redmond*.³⁶ This was so because the recognition of the doctrine by the seventh circuit gave the "argument a legitimacy that sparked a sharp increase in its use."³⁷

A. PepsiCo. v. Redmond

Understanding *PepsiCo* is foundational to a proper understanding of the inevitable disclosure doctrine. The seventh circuit held in *PepsiCo* that a former employee of PepsiCo would temporarily be enjoined from joining the Quaker Oats Company because it was inevitable that the employee would rely on trade secret information obtained while employed by PepsiCo.³⁸

²⁹ *Id.*

³⁰ *Id.*

³¹ Eric Wood, Trade Secret Protection Under State vs. Federal Law

³² *Id.*

³³ Kahnke, *supra* note 27 at 3; Hegner, *supra* note 27 at 628 (discussing the first case in Michigan that recognized the inevitable disclosure doctrine in 1966)

³⁴ Fair Competition Law, Inevitable Disclosure Doctrine – A Brief History and Summary (noting that early cases restrained from using the label "inevitable disclosure").

³⁵ Kahnke, *supra* note 27, at 2.

³⁶ *Id.*

³⁷ Jennifer L. Saulino, Locating Inevitable Disclosure's Place in Trade Secret Analysis, 100 Mich. L. Rev. 1184, 1186; Wiesner *supra* note **Error! Bookmark not defined.** at

³⁸ *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995).

The crux of the case deals with sports drinks and Quaker Company’s attempt to poach Redmond from PepsiCo.³⁹ Prior to Redmond leaving PepsiCo, the company planned on “increase[ing] its market presence” in the sports drink market.⁴⁰ At the time, Quaker owned both Snapple and Gatorade products—drinks that were in competition to Pepsi’s sports drink.⁴¹ Redmond was a relatively high official with PepsiCo and as such had access to marketing strategies.⁴² Upon informing PepsiCo that he would accept the offer from Quaker, PepsiCo sought a preliminary injunction to enjoin Redmond from taking the new position with Quaker.⁴³ During the preliminary hearing, evidence was offered that showed that Redmond had obtained PepsiCo’s strategic plans which included financial goals and marketing strategies.⁴⁴ PepsiCo argued that in the course of Redmond’s duties at Quaker, it was *inevitable* that any strategic plans Redmond was involved with—specifically those dealing Gatorade products—PepsiCo’s own strategic plans would be in mind in order to best advance Quaker’s own strategies at the expense of PepsiCo.⁴⁵

The seventh circuit upheld the trial court's preliminary injunction.⁴⁶ In doing so, the court noted the tension between allowing workers to pursue their livelihood when pursuing new jobs and encouraging innovation without fear that such information will not be stolen or used elsewhere.⁴⁷ This, as the court points out, is exacerbated when dealing with threatened

³⁹ *Id.* at 1264.

⁴⁰ *Id.* Pepsi introduced its sports drink called “All Sport” in 1994 but sales were lagging. *Id.* Thus, in 1995 they planned on various market strategies that would help boost sales. *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *PepsiCo*. 54 F.3d at 1265.

⁴⁴ *Id.* at 1265-66.

⁴⁵ *Id.* at 1266.

⁴⁶ *Id.* at 1263.

⁴⁷ *Id.* at 1268.

misappropriation (as opposed to actual misappropriation).⁴⁸ In concluding that under Illinois law a court may “enjoin the ‘inevitable’ disclosure of trade secrets,” the court reasoned that PepsiCo had presented enough evidence to sustain an preliminary injunction against Redmond.⁴⁹

The significance of *PepsiCo* lies in the fact that PepsiCo was not seeking a preliminary injunction dealing with technology or customer lists (as had been the case with trade secrets cases in the past),⁵⁰ but with the fact that the information is strategy based.⁵¹ Yet, as the court points out, “the danger of misappropriation in the present case is ... [that PepsiCo] will be able to anticipate its distribution, packaging, pricing, and marketing moves.”⁵²

It is important to understand that the doctrine itself is not a contract based-based remedy.⁵³ Rather, it allows an employer to argue that a departing employee should be enjoined from joining a prospective employer—even in the absence of a restrictive covenant—because they will inevitably disclose secret information.⁵⁴ Such was the case in *PepsiCo*. However, the presence of a restrictive covenant is a factor courts will consider in determining whether to apply the inevitable disclosure doctrine.⁵⁵ Courts are often more reluctant to apply the inevitable disclosure doctrine when no such restrictive covenant was in place because by doing so you

⁴⁸ *Id.* The difference between actual misappropriation and threatened misappropriation is “one of timing.” Kline & Kappos *supra* note 24, at 178. Actual misappropriation occurs when trade secrets have already been misappropriated. *Id.*

⁴⁹ *PepsiCo.*, 54 F.3d at 1269.

⁵⁰ Kahnke, Bundy, & Liebman *supra* note 33 at 2 (citing Eleanore R. Godfrey, Inevitable Disclosure of Trade Secrets: Employee Mobility v. Employer’s Rights, 3 J. High Tech. L. 161, 166 (2004)

⁵¹ *PepsiCo.*, 54 F.3d at 1270.

⁵² *Id.*

⁵³ Norman D. Bishara & Michelle Westermann-Behaylo, *The Law and Ethics of Restrictions on an Employee’s Past-Employment Mobility*, 49 Am. Bus. L.J. 1, 24 (2012)

⁵⁴ *Id.* at 22.

⁵⁵ Kahnke, *supra* note 27, at 7-8. The author mentions several additional factors that courts may consider in determining whether to apply the inevitable disclosure doctrine in any given case. *Id.* What factors a court will take into account largely depends on the jurisdiction. *Id.* These factors include: (1) the degree of competition between the former employer and the new employer; (2) bad faith behavior by either the departing employee or the new employer; (3) the type of knowledge possessed by the former employee; (4) any policy considerations; (5) the new employer’s efforts to safeguard the trade secrets; (6) the similarity between the old and new job; how valuable the trade secrets are to both employers. *Id.*

impose a non-compete agreement when none was agreed upon by the employer and employee.⁵⁶ Nonetheless, in jurisdictions such as Illinois,⁵⁷ the courts have effectively imposed a non-compete agreement upon an employee despite the absence of any restrictive covenant.⁵⁸

Despite *PepsiCo*'s continued relevance among the circuits, not all circuits apply the same approach to the inevitable disclosure doctrine. Not only do courts apply the doctrine inconsistently, but courts also vary with how they view the inevitable disclosure doctrine in relation to threatened misappropriation. This next section details this inconsistent application of the inevitable disclosure doctrine.

B. The Different Approaches to the Inevitable Disclosure Doctrine

Perhaps the biggest cause for concern surrounding the inevitable disclosure doctrine is how inconsistent courts have been in applying the doctrine. While most scholars agree that courts have endorsed the doctrine,⁵⁹ they further note that they have not applied the doctrine consistently.⁶⁰ To demonstrate, there are at least four general ways courts apply the inevitable disclosure doctrine.⁶¹ First, is the general fact-intensive approach, second, is the focus on bad faith approach, third, some courts have required technical information, and fourth, some courts look at

⁵⁶ See e.g., *Del Monte Fresh Produce Co. v. Dole Food Co.*, 148 F. Supp. 2d 1326, 1337 (S.D. Fla. 2001)

⁵⁷ See e.g., *Gen. Elec. Co. v. Uptake Techs., Inc.*, 394 F. Supp. 3d 815 (N.D. Ill. 2019).

⁵⁸ David Prang & Ari B. Lukoff, *Inevitable disclosure and the DTSA*, INTELL. PROP. MAG., APR. 2017, at 68, 68.

⁵⁹ Flowers, *supra* note 26 at 2221 citing Kahnke, *supra* note 27 at 14; Joseph J. Mahady, *Issues in the Third Circuit: Burying the Inevitable Disclosure Doctrine in the Nooks and Crannies: The Third Circuit's Liberal Standard for Trade Secret Misappropriation in Bimbo Bakeries USA, Inc. v. Botticella*, 56 Vill. L. Rev. 699, 711 (2012) ("Despite its adoption by a large majority of jurisdictions around the country, some jurisdictions remain opposes to the inevitable disclosure doctrine.")

⁶⁰ Flowers, *supra* note 21 at 2221 citing Kahnke, *supra* note 27 at 14.

⁶¹ Jay L. Koh, *Article: From Hoops to Hard Drives: An Accession Law Approach to the Inevitable Misappropriation of Trade Secrets*, 48 Am. U.L. Rev. 271, 274 (1998); Kerry L. Bundy & Randall E. Kahnke, *Consistently Inconsistent: How Courts Assess the Inevitable Disclosure Doctrine*, FAEGRE DRINKER (Sept. 15, 2008) <https://www.faegredrinker.com/en/insights/publications/2008/9/consistently-inconsistent-how-courts-assess-the-inevitable-disclosure-doctrine> (noting the four approaches to the inevitable disclosure doctrine).

the degree of competition and similarity of the position. These different approaches are explored in further detail.

1. General fact-intensive

Under this approach, a court takes a fact-intensive approach that looks at, among other things, the nature of the trade secret, and whether the secrets would have to be used in the employee's new job.⁶² However, the courts that have applied this methodology have not specified a set list of facts to rely on in coming to their conclusions.⁶³ But, as noted above, there is a set of factors that courts will typically rely on, albeit to some varying degree.⁶⁴ While this approach has the benefit of giving the courts flexibility, it also has a significant side effect—that is inconsistent rule making.⁶⁵ This in turns creates frustration and increased costs for litigators.⁶⁶

2. Focus on bad faith

Under this approach, the court looks to any evidence of bad faith on the part of the employee.⁶⁷ If there is any evidence of bad faith, the court will be more likely to grant an injunction based off the theory of inevitable disclosure.⁶⁸ There are some notable advantages to an approach such as this. First, it provides some protection to the employee and second it provides a better standard than the fact-intensive approach, which could reduce litigations.⁶⁹ However, this approach has some drawbacks as well. For starters, employers could simply care less whether there was bad faith or not.⁷⁰ Trade secrets were disclosed—the fact that there was

⁶² Kahnke, *supra* note 27, 55 at 7-8.

⁶³ Koh, *supra* note 61, at 286-87.

⁶⁴ Kahnke, *supra* note 27, 55 at 7-8; Bundy & Kahnke, *supra* note 61 (recognizing that the several factors are applied to varying degrees).

⁶⁵ Koh, *supra* note 61, at 287.

⁶⁶ *See id.*

⁶⁷ *Id.* at 288.

⁶⁸ *Id.* at 289.

⁶⁹ *Id.* at 288-89.

⁷⁰ *Id.* at 290.

no bad faith is of little consequence to the former employer.⁷¹ Another side effect is the standard itself.⁷² A bad faith standard can be difficult to prove, thus affording victims of trade secret theft less avenues for protection.⁷³ So while the bad faith standard provides better protection for the employee, it does so at the expense of the employer.

3. Requirement of technical information

The third common approach is that of only applying the doctrine when technical information will be used or required in the employee's new employment.⁷⁴ This approach, while simplistic in nature, "ignores the growth of trade secrets law in other areas as well as the increasing importance of non-technical, but strategic information."⁷⁵

4. Analysis of competition and similarity of position

The fourth and final approach is the one utilized in the *PepsiCo* opinion.⁷⁶ There the court focused on the similarities between the new and old positions.⁷⁷ Through this approach courts employ four different factors in determining whether to grant an injunction based off of inevitable misappropriation: "(1) the degree of competition in the industry; (2) new employer's efforts in safeguarding the secrets of the old employer; (3) the forthrightness of the employee; and (4) the degree of similarity of the new and old employment."⁷⁸

⁷¹ Koh, *supra* note 61, at 290.

⁷² *Id.* at 289-90.

⁷³ *Id.* at 289.

⁷⁴ *Id.* at 291; *International Paper Co. v. Suwyn*, 966 F. Supp. 246, 258-59 (S.D.N.Y. 1997) (holding that the inevitable disclosure doctrine does not apply because the departing employee was employed in a non-technical field).

⁷⁵ *Id.* at 292. This was the common approach prior to the *PepsiCo* decision. See Kahnke, *supra* note 27 at 2.

⁷⁶ *Id.* at 294.

⁷⁷ Koh, *supra* note 61, at 294.

⁷⁸ *Id.* Different jurisdictions use slightly different facts. Compare *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995) with *Sunbelt Rentals, Inc. v. McAndrews*, No. 3:21cv774, 2021 U.S. Dist. WL 3417958, at 22-23* (D. Conn. Aug. 5, 2021).

If you are still not convinced that courts are inconsistent in their application of the inevitable disclosure doctrine, consider how the courts have applied the doctrine in relation to threatened misappropriation. Some courts view threatened misappropriation and inevitable disclosure doctrine as one and the same,⁷⁹ while other states view threatened misappropriation and inevitable disclosure doctrine as separate theories. Still, a third group views the inevitable disclosure doctrine as a method by which a court applies threatened misappropriation.⁸⁰

In sum, courts are first divided on whether the doctrine should apply at all,⁸¹ second, they are divided on how it should be applied,⁸² and third, they are divided on whether the doctrine is a separate doctrine from threatened misappropriation or whether they are one and the same.⁸³

It seemed clear that this uncertainty among the jurisdictions would not work in the long term. There needed to be more uniformity in the area of trade secret law.⁸⁴ Many had assumed that the passage of the DTSA would bring about this uniformity.⁸⁵ In fact, it was believed that the inevitable disclosure doctrine was no longer an available remedy (at least under the DTSA). Yet, this has not been the case. In fact, the opposite has occurred. Not only is there more uncertainty surrounding the doctrine, but litigation costs have increased as well. So what led people to believe that the inevitable disclosure doctrine was no longer an available remedy? Simple—the plain language of the DTSA. This next part examines the history of the DTSA, what

⁷⁹ Kahnke et al., *supra* note 27, at 5; Flowers, *supra* note 21, at 2221-22.

⁸⁰ Kahnke et al., *supra* note 27, at 5.

⁸¹ Compare Pellerin v. Honerywell Int'l, Inc., 877 F. Supp. 2d 983, 989 (S.D. Cal. 2012), with PepsiCo, Inc. v. Redmond, 54F.3d 1262, 1269 (7th Cir. 1995).

⁸² Kahnke et al., *supra* note 27, at 5; Godfrey, *supra* note 50 at 167.

⁸³ Elizabeth A. Rowe, When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine, 7 Tul. J. Tech. & Intell. Prop. 167, 181 (Spring, 2005).

⁸⁴ There needed to be more uniformity with Trade Secrets generally. While the inevitable disclosure doctrine was not given any direct attention with the enactment of the DTSA, the doctrine certainly contributed to an underlying concern for trade secrets—lack of consistency.

⁸⁵ See *supra* note 14.

the DTSA says that led people to believe that the inevitable disclosure doctrine was not an available remedy and finally how the DTSA has been applied.

Part III: Defend Trade Secrets Act

The creation of the DTSA in one respect did not change anything governing trade secrets. Yet, in another respect, it changed everything. Prior to the enactment of the DTSA a petitioner had one avenue: the law of the state that had subject matter jurisdiction to hear the case. In some occasions a petitioner was allowed to bring their claim to a federal court via diversity jurisdiction. However, that claim would still be based on state law. With the DTSA, a petitioner could rely on 28 U.S.C. § 1331 to bring their claim to federal court, thus precluding the requirements set forth in 28 U.S.C. § 1332. This section addresses the DTSA and its impact on the inevitable disclosure doctrine. The following discussion first examines the events that led to the creation of the DTSA, second, it examines the black letter law of the DTSA, and third, we look at how the DTSA has been applied in several federal district courts.

A. Events leading up to the DTSA

The driving factor that led to the creation of the DTSA was the need to create uniformity in trade secret law.⁸⁶ Congress was aware of serious economic concerns related to trade secrets.⁸⁷ American business were severely impacted by trade secret theft.⁸⁸ The loss in the American economy due to Trade Secret Theft was due in large part to jurisdictional differences from one state to the next.⁸⁹ There was a lack of uniformity which in turn drastically increased litigation costs.⁹⁰ The thought was that by bringing the Trade Secret Law under the jurisdiction of the

⁸⁶ Flowers, *supra* note 26, at 2228.

⁸⁷ *Id.*

⁸⁸ *Id.* It was estimated that the American economy lost over \$300 billion solely because of trade secret theft. *Id.*

⁸⁹ *Id.* at 2229.

⁹⁰ *Id.*

Federal Courts, trade secret owners would have a more streamlined access to protect those trade secrets.⁹¹ However, the evidence suggests that Congress did not achieve the desired result.⁹² In fact, the evidence suggests that the opposite has occurred.⁹³ Since the passage of the DTSA and subsequent availability of a federal claim, litigation costs have increased.⁹⁴

These increased in costs might be due in part to Congress not preempting state law.⁹⁵ Quite to the contrary, the statute was explicit, “a court may grant an injunction...provided the order does not otherwise conflict with state law.”⁹⁶ And as noted by one intellectual property litigator, much of the “[k]ey definitions (e.g., “trade secret,” “misappropriation,” and “improper means”) in the DTSA and UTSA are substantively similar.”⁹⁷ These substantially similar definitions have in large part been the driving factor that’s led to federal district courts applying state law.⁹⁸ Yet, one important change ensured between the DTSA and UTSA—an injunction may not “prevent a person from entering into an employment relationship.”⁹⁹ This next section explores the implications of this language and how it effects the inevitable disclosure doctrine.

B. The Black Letter Law of the DTSA

While the black letter law of the DTSA seemed to make clear that the inevitable disclosure doctrine is not an available remedy, such has not been the case. Both the DTSA and

⁹¹ *Id.* at n13.

⁹² Danielle A. Duszczyszyn, *Three Years Later: How the Defend Trade Secrets Act Complicated the Law Instead of Making It More Uniform*, FINNEGAN (July 2019), <https://www.finnegan.com/en/insights/articles/three-years-later-how-the-defend-trade-secrets-act-complicated-the-law-instead-of-making-it-more-uniform.html>.

⁹³ *Id.*

⁹⁴ *Id.* First, parties must keep up on two different bodies of law, second, procedural and substantive disputes will increase, and third, parallel claims will increase the amount of paperwork. *Id.*

⁹⁵ *Id.*

⁹⁶ 18 U.S.C. § 1836

⁹⁷ Duszczyszyn, *supra* note 92

⁹⁸ See discussion *infra* Part III.C.

⁹⁹ 18 U.S.C. § 1836(3)(A)(i)(I).

the UTSA never explicitly mention the inevitable disclosure doctrine.¹⁰⁰ Rather, it is a common law remedy that the *Pepsi Co* decision developed into a more recognized doctrine. As one attorney notes, “The ‘inevitable disclosure doctrine’ arises out of UTSA language that empowers courts to enjoin ‘actual or threatened misappropriation’ of trade secrets.”¹⁰¹ In this respect, both the DTSA and UTSA are similar. But this is where an important difference between the DTSA and UTSA comes in. For under the DTSA, the inevitable disclosure doctrine is rejected—or at least in theory.¹⁰² The pertinent language of the DTSA involving the inevitable disclosure doctrine reads in part:

(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 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 profession, trade, or business.¹⁰³

At the outset, it makes clear that a court may grant an injunction so long as the order does not prevent a person from entering into an employment relationship.¹⁰⁴ However, § 1836 also makes clear that a court may grant an injunction to prevent threatened misappropriation. These

¹⁰⁰ Eric Wood, *Trade Secret Protection Under State vs. Federal Law*, BROWN FOX (Aug. 5, 2018), <https://brownfoxlaw.com/trade-secret-protection-under-state-vs-federal-law/>.

¹⁰¹ Gregory S. Bombard, *Fifth Circuit Decision adds to Growing Body of Case Law on the Scope of Uniform Trade Secrets Act Preemption*, DUANE MORRIS (Dec. 13, 2018), <https://www.mondaq.com/unitedstates/trade-secrets/765014/fifth-circuit-decision-adds-to-growing-body-of-case-law-on-the-scope-of-uniform-trade-secrets-act-preemption>.

¹⁰² Wood, *supra* note 100.

¹⁰³ 18 U.S.C.S. § 1836(3)

¹⁰⁴ 18 U.S.C.S. § 1836(3)(A)(i)(I)

seemingly harmless phrases have caused considerable confusion for the courts.¹⁰⁵ On the one hand under a court may grant an injunction based off of threatened misappropriation.¹⁰⁶ Yet, on the other, a court may not do so if the order is preventing a person from entering into an employment relationship.¹⁰⁷ Regardless, if a court does enforce an injunction against a former employee—be it for actual or threatened misappropriation—such an injunction may not “prevent [that] person from entering into an employment relationship.” Not everyone holds this belief however.

One commentator suggests a problem with the language that allows the inevitable disclosure doctrine to survive the clear mandate of the DTSA. While observing that courts have generally misapplied the DTSA altogether, the author suggests that even if courts were applying a correct interpretation of the DTSA, there would continue to be conflicting results.¹⁰⁸ Thus, she argues for an amendment to the DTSA.¹⁰⁹ While an amendment seems reasonable and quite possibly the easiest route considering the unanimous vote in favor of the DTSA, it also seems unlikely now that six years have passed since the DTSA was passed.

Regardless of what will or will not happen,¹¹⁰ employers and employees alike should recognize how courts have approached the doctrine since the passage of the DTSA. The DTSA has now been enacted for six years giving us at least a handful of caselaw to examine. As you will see, courts typically apply state law when interpreting the DTSA and as a result it has created more uncertainty in trade secret law—something the DTSA was supposed to address.

¹⁰⁵ See discussion *infra* Part III.C.

¹⁰⁶ 18 U.S.C.S. § 1836(3)(A)(i)

¹⁰⁷ 18 U.S.C.S. § 1836(3)(A)(i)(I)

¹⁰⁸ Flowers, *supra* note 26 at 2250-51.

¹⁰⁹ *Id.* at 2261

¹¹⁰ See *infra* Part IV.

C. State by State Analysis

Prior to the enactment of the DTSA, courts took varying approaches to how they apply the inevitable disclosure doctrine.¹¹¹ One would think that the courts would have no wiggle room to maintain this same degree of variation when a party brings an inevitable disclosure case using the DTSA as the foundation for subject matter jurisdiction. Yet, nearly six years have passed since the passage of the DTSA, and courts continue to vary on how and if the inevitable disclosure doctrine applies. As you'll see, courts continue to apply their states law regarding inevitable disclosure doctrine.¹¹²

a. Illinois

Illinois is the leader when it comes to the inevitable disclosure doctrine.¹¹³ After all, it was the seventh circuit court of appeals that brought the doctrine to the forefront of trade secret law.¹¹⁴ It should come as no surprise that not much has changed since the DTSA was enacted (Cite DTSA Illinois case law).¹¹⁵ Rather the courts have become more resolved in their advancement of the inevitable disclosure doctrine.¹¹⁶ Instead of focusing on the language of the DTSA that states that courts may not grant an injunction that would prevent a person from entering into an employment relationship, the courts in Illinois have zeroed in on the language that permits a court to grant an injunction for any *threatened misappropriation*.¹¹⁷

¹¹¹ See *supra* Part II.B.

¹¹² I have not attempted to explain every states position on the inevitable disclosure doctrine. Rather the goal is to give a well-rounded explanation of the approach jurisdictions have taken since the passage of the DTSA.

¹¹³ See Caroline Kane & Michael Warner Jr., *A Not So Sweet Deal for Employers Seeking to Protect Trade Secrets Under the Inevitable Disclosure Doctrine*, JDSUPRA (FEB. 13, 2020), [HTTPS://WWW.JDSUPRA.COM/LEGALNEWS/A-NOT-SO-SWEET-DEAL-FOR-EMPLOYERS-62473/](https://www.jdsupra.com/legalnews/a-not-so-sweet-deal-for-employers-62473/).

¹¹⁴ See *supra* Part II.A

¹¹⁵ See, e.g., *GE v. Uptake Techs., Inc.*, 394 F. Supp. 3d 815, 833 (N.D. Ill. 2019); *Packaging Corp. of Am., Inc. v. Croner*, 419 F. Supp. 3d 1059, 1069 (N.D. Ill. 2020). *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16 C 03545, 2017 LEXIS 71700, at *6-7 (N.D. Ill. May 11, 2017).

¹¹⁶ See *supra* note 115.

¹¹⁷ See *supra* note 115.

In *Aon PLC v. Infinite Equity, Inc.*,¹¹⁸ the court noted that it is often the case that the DTSA and the Illinois Trade Secret Act (ITSA) are often analyzed together because the definitions overlap.¹¹⁹ Three months later that same court declared, “[The inevitable disclosure] doctrine, which the ITSA and DTSA recognize, provides that a court may enjoin *threatened misappropriation* where a defendant's ‘new employment will inevitably lead him to rely on the plaintiff's trade secrets.’”¹²⁰ And here is wherein the problem lies. While the pertinent definitions of the two acts do in fact overlap,¹²¹ the enforcement sections (§ 1836 for the DTSA and 1065/3 for ITSA) do not. So while the DTSA and ISTA both allow for an injunction for threatened misappropriation, the DTSA further declares that such an injunction shall not prevent a person from entering into an employment relationship.¹²² Under the ITSA no such requirement exists.¹²³

Therefore, if you are an employer attempting at using the inevitable disclosure doctrine to prevent trade secret misappropriation, caselaw is on your side. And to ensure success, while also utilizing the more efficient federal court system, you can bring a DTSA claim alongside a ITSA claim by using supplemental jurisdiction.¹²⁴ An Illinois Federal District Court in this scenario would then do what they have been doing for the past six years—analyze the claims together by applying state law. The court will utilize the factors first discovered in *PepsiCo.* to determine whether they will grant a preliminary injunction based off of the inevitable disclosure doctrine.

¹¹⁸ *Aon PLC v. Infinite Equity, Inc.*, No. 19-cv-07504, 2021 LEXIS 167765 (N.D. Ill. Sep. 3, 2021).

¹¹⁹ *Id.* at 30-31.

¹²⁰ *Westrock Co. v. Dillon*, No. 21-CV-05388, 2021 LEXIS 245227, at *39 (N.D. Ill. Dec. 22, 2021) quoting *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995).

¹²¹ Compare ITSA 1065/2(a)-(b), (d), with 18 U.S.C. § 1839(3), (5), (6).

¹²² 18 U.S.C.S. § 1836(b)(3)(A)(i)(I).

¹²³ Cf. 765 ILCS 1065/3

¹²⁴ 28 U.S.C. § 1367

b. Connecticut

It is not altogether clear whether Connecticut allows for the inevitable disclosure doctrine.¹²⁵ In *Sunbelt Rentals*, the plaintiff was in the business of renting and selling equipment and tools.¹²⁶ Sunbelt Rentals eventually purchased a company that provided ground protection services.¹²⁷ Along with the purchase, Sunbelt rentals also acquired all the employees which included the defendant.¹²⁸ The defendant's new position made him the National Account Manager.¹²⁹ As noted by the court, the defendant received confidential information and was also a key player in developing strategy for Sunbelt.¹³⁰ As a condition of employment, the defendant was required to sign a non-compete agreement.¹³¹ Subsequently, the defendant left his employment with Sunbelt and pursued employment with Riggs Distler as a general manager.¹³²

Sunbelt brought suit claiming *inter alia* breach of contract and trade secret misappropriation.¹³³ The court first looked at the validity of the non-competition agreement and concluded that it was unenforceable.¹³⁴ Next, the court evaluated the trade secret misappropriation claim.¹³⁵ Front and center was whether "disclosure of trade secret was inevitable because of defendants' new position with Riggs Distler."¹³⁶ The court seemed to follow suit with other jurisdictions in their approach to the inevitable disclosure doctrine under the DTSA.¹³⁷ The court observed that Connecticut courts have rarely invoked the inevitable disclosure doctrine.¹³⁸ Indeed, towards the end of the opinion the court notes that the

¹²⁵ See *Sunbelt Rentals Inc., v. McAndrews*, No. 3:21cv774, 2021 WL 3417958, at *9 (D. Conn. Aug. 5, 2021).

¹²⁶ *Id.* at *1.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Sunbelt Rentals Inc.*, 2021 WL 3417958, at *1.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.* at *3-8

¹³⁵ *Id.* at *8.

¹³⁶ *Id.*

¹³⁷ *Sunbelt Rentals Inc.*, 2021 WL 3417958, at *8 ("Since there is no judicial consensus on whether the DTSA permits application of the inevitable disclosure doctrine, many federal courts look to state law for guidance.")

¹³⁸ *Id.*

doctrine is disfavored.¹³⁹ Regardless, the court goes into an analysis of the *PepsiCo* decision only to conclude that the facts at hand are much different than those given in *PepsiCo*.¹⁴⁰ The biggest reason for concern to the court was that despite Sunbelt and Riggs Distler being competitors to each other, they perform services in different contexts.¹⁴¹ This, along with the disfavored nature of the inevitable disclosure doctrine, were reasons enough to preclude the plaintiff from succeeding in their trade secret misappropriation claim.¹⁴² However, it is unclear whether the result would have been different had the facts more closely aligned with *PepsiCo*. Given this, the door is at least partially open for an inevitable disclosure claim should the right circumstances arise.

c. Florida

Florida has not adopted the inevitable disclosure doctrine despite at least one opportunity to do so.¹⁴³ The 11th circuit court of appeals admitted the seemingly unclear thought surrounding the doctrine when it noted that,

It is unclear under Florida law when confidential information will justify a broad restriction that prevents an employee from working for a competitor. There are two potentially conflicting strands of authority on this issue. Under the approach adopted by the district court, such covenants should be enforced where an employee is in a position at her new employer to use her former's employer's confidential information. Other authorities suggest a second, slightly different standard that would enforce such covenants where it is established that disclosure of the confidential information by the employee would be inevitable in the employee's new position.¹⁴⁴

More recently the Florida Southern District Court declared that Florida Courts have not adopted the doctrine.¹⁴⁵ In doing so the court also declared that the DTSA does not permit any type of injunctive relief that would “prevent a person from entering into an employment

¹³⁹ *Id.* at *9.

¹⁴⁰ *Id.* at *8

¹⁴¹ *Id.* at *9

¹⁴² *Id.*

¹⁴³ See *Future Metals LLC v. Ruggiero*, No. 21-CIV-60114, 2021 WL 1701568 (S.D. Fla. Apr. 13, 2021).

¹⁴⁴ *Proudfoot Consulting Co. v. Gordon*, 576 F.3d 1223, 1246 n.12 (11th Cir. 2009).

¹⁴⁵ *Future Metals LLC*, 2021 WL 1701568, at *20.

relationship”.¹⁴⁶ Yet, (and as will be seen as a common theme throughout), the court refused to wrestle with the ambiguity surrounding the language of the DTSA. Instead, the court merely echoes the sentiment found in California, that any type of relief that would prevent someone from working with a competitor is not allowed. However, the court fails to mention applicability of the DTSA where it permits a court to prevent a person any threatened misappropriation despite admitting that there quite clearly is threatened misappropriation in play.¹⁴⁷ The court proceeds with an in-depth analysis on whether the court should grant a preliminary injunction to enjoin a former employee from taking a job with a new employer.¹⁴⁸ Having gone through a series of factors (whether the plaintiff will suffer irreparable harm if the preliminary injunction is not granted, whether the threatened injury is greater than the potential damage to the defendant, and third whether the injunction would or would not be adverse to the public) the court concludes by noting that the evidence weighed in favor of not granting the motion to enjoin the defendant’s new employment.¹⁴⁹ Yet, the court further observes the following, “Furthermore...injunctive relief that prohibits Defendant from working for the Competitor or direct competitors of Plaintiff is not available under federal law and does not appear justified under Florida law.”¹⁵⁰ It is not clear why the court went out of its way to analyze whether to grant a preliminary injunctive based upon the inevitable disclosure doctrine, only to conclude by noting that injunctive relief is not available under either the DTSA or Florida law. Regardless, the court at the very least appears to have got it right with respect to the DTSA.

¹⁴⁶ *Id.* quoting 18 U.S.C. § 1836(b)(3)(A)(i)(I).

¹⁴⁷ *Id.* at *18 (“I find that Plaintiff has shown a strong likelihood of prevailing on its claims of trade secret misappropriation under the DTSA . . .”). *See infra* note 167 and accompanying text.

¹⁴⁸ *Id.* at *18-20.

¹⁴⁹ *Id.* at *20.

¹⁵⁰ *Id.*

d. New Jersey

New Jersey recognizes the inevitable disclosure doctrine.¹⁵¹ And according to the New Jersey Federal District Court, so too does the DTSA.¹⁵² Without so much as recognizing the split in jurisdictions regarding the applicability of the inevitable disclosure doctrine to the DTSA, the court declares that “Under [the inevitable disclosure] doctrine, an employer may meet its burdens under the DTSA and NJTSA [New Jersey Trade Secret Act] by ‘demonstrat[ing] that there is a sufficient likelihood of inevitable disclosure of its trade secrets to a competitor.’”¹⁵³ It should come as no surprise then that federal district courts in New Jersey have molded the analysis of a DTSA claim and NJTSA claim into a single analysis.¹⁵⁴

e. Oregon

Oregon has not adopted the inevitable disclosure doctrine.¹⁵⁵ In *Kinship Partners*, a plaintiff brought a trade secret misappropriation claim under both the DTSA and Oregon Uniform Trade Secret Act (OUTSA).¹⁵⁶ The facts are what you would expect from trade secret misappropriation case. The defendant worked for a DNA testing service but was poached by a competitor.¹⁵⁷ The defendant joined the competitor, and the employer subsequently brought

¹⁵¹ Corp. Synergies Grp., LLC v. Andrews, No. 18-13381, 2019 U.S. Dist. WL 3780098 at *16

¹⁵² Sunbelt Rentals, Inc. v. Love, No. 20-17611, 2021 U.S. Dist. WL 82370 at *68 (D.N.J. Jan. 11, 2021). As an aside, the plaintiff in this case (Sunbelt Rentals) is the same plaintiff as in the Connecticut case noted above. *See supra* note 125. There, Sunbelt lost on its inevitable disclosure doctrine claim because of the disfavored nature of the doctrine in Connecticut. *Id.* Here, however, Sunbelt succeeds on its inevitable disclosure doctrine claim. *Sunbelt Rentals, Inc.* WL 82370, at *70-71. This shows the importance of winning the choice of law debate—for it very well could be the deciding factor in the case. *See infra* Part IV.

¹⁵³ *Sunbelt Rentals, Inc.* WL 82370 quoting *Corp. Synergies*, WL 3780098, at *7.

¹⁵⁴ *See* *Acteon, Inc. v. Harms*, No. 1:20-CV-14851-NLH-AMD, 2020 U.S. Dist. LEXIS 210932 at 23; *Bramshill Inv. LLC v. Pullen*, No. 19-18288, 2020 U.S. Dist. WL 4581827 at *8; *Austar Int’l Ltd. V. AustarPharma LLC*, 425 F. Supp. 3d 336, 355 (D.N.J. 2019)

¹⁵⁵ *Kinship Partners, Inc. v. Embark Veterinary, Inc.*, No. 3:21-cv-01631-HZ, 2022 U.S. Dist. LEXIS 2804, at *21 (D. Or. Jan. 3, 2022)

¹⁵⁶ *Id.* at *9.

¹⁵⁷ *Id.* at *4-5.

suit.¹⁵⁸ The employer sought a preliminary injunction where *inter alia* the defendant would be enjoined from joining the competitor.¹⁵⁹ In beginning the analysis, the court emphatically declared that “the DTSA provides no avenue for the Court to grant Plaintiff its requested relief.”¹⁶⁰ The court points to the language of the DTSA that states that any injunctive relief may not prohibit “a person from entering into an employment relationship.”¹⁶¹

Having dispelled any chance of succeeding under the DTSA, the court continues by noting that several states allow for the application of the inevitable disclosure doctrine under state law.¹⁶² However, the court points out that this is not the case in Oregon.¹⁶³ In coming to this conclusion, the court observed that the legislator's recent trend was to afford more protection for freedom of employment.¹⁶⁴ Despite this, the court performs a lengthy inevitable disclosure doctrine analysis to show that even if the court were to apply the doctrine, the plaintiff would still not succeed.¹⁶⁵

The case is yet another example where a court precludes the application of the inevitable disclosure doctrine because of the pertinent language found in § 1836(b)(3)(A)(i)(I). But in doing so the court fails to address the language under the DTSA that allows a court to issue an injunction for threatened misappropriation.¹⁶⁶ While the court came to the correct conclusion, the correct analysis would have been to first recognize that a court may grant an injunction for

¹⁵⁸ *Id.* at *9.

¹⁵⁹ *Id.* at *10.

¹⁶⁰ *Id.* at *19.

¹⁶¹ *Kinship Partners*, LEXIS 2804, at *19 (quoting U.S.C. § 1836(b)(3)(A)(i)(I)).

¹⁶² *Id.*

¹⁶³ *Id.* at *20.

¹⁶⁴ *Id.* at *21.

¹⁶⁵ *Id.* at *21-24.

¹⁶⁶ 18 U.S.C. § 1836(b)(3)(A)(i).

threatened misappropriation so long as the injunction does not prevent a person from “entering into an employment relationship.”¹⁶⁷

f. Ohio

Ohio recognizes the inevitable disclosure doctrine.¹⁶⁸ In at least two instances the Federal District Court in Ohio has ruled on the inevitable disclosure doctrine since the passage of the DTSA.¹⁶⁹ However, neither case addresses the disparity surrounding the inevitable disclosure doctrine and whether it is available in a DTSA case. Rather, in both instances, the court dismisses the claims because the moving party did not support its inevitable disclosure argument.¹⁷⁰ In both cases, the plaintiff failed to provide enough evidence to support a claim for injunctive relief.¹⁷¹ But at no point does the court address whether the inevitable disclosure doctrine apply in DTSA cases. Instead, the court seems to echo what other courts by applying state trade secret law and any applicable case precedent to both the state claim and federal claim.¹⁷²

Interestingly enough, the court in *Millennium Health v. Roberts* discusses the elements of both a Ohio trade secret claim and a federal claim.¹⁷³ Even when discussing actual misappropriation,¹⁷⁴ the court looked at what both Ohio requires and what the DTSA requires.

¹⁶⁷ 18 U.S.C. § 1836(b)(3)(A)(i)(I).

¹⁶⁸ *PUI Audio, Inc. v. Van Den Broek*, No. 3:21-cv-284, 2021 WL 4905461, at *6 (S.D. Ohio Nov. 4, 2021).

¹⁶⁹ *See Adams v. Stealthbits Techs. Inc.*, No. 2:19-CV-4970, 2022 LEXIS 15; *Millennium Health, LLC v. Roberts*, No. 1:19CV2381, 2020 LEXIS 93942 (N.D. Ohio Mar. 4, 2020).

¹⁷⁰ *Adams*, LEXIS 15, at *32-33; *Millennium Health*, Lexis 93942, at *52-53.

¹⁷¹ *Adams*, LEXIS 15, at *32-33; *Millennium Health*, Lexis 93942, at *52-53.

¹⁷² *Adams*, LEXIS 15, at *31-32; *Millennium Health*, Lexis 93942, at *52-53. *See supra* note 167 and accompanying text.

¹⁷³ *Millennium Health*, Lexis 93942, at *48-49. “Under Ohio law, in order to prevail on a misappropriation of trade secrets claim, Millennium must prove: ‘(1) the existence of a trade secret; (2) the acquisition of a trade secret as a result of a confidential relationship; and (3) the unauthorized use of a trade secret.’” *Id.* at 48 quoting *Transtar Indus., LLC v. Lester*, No. 1:19CV1230, 2019 WL 3458456, at *1 (N.D. Ohio July 31, 2019). “To state a federal DTSA claim for injunctive relief, Millennium is required to show: ‘(1) the existence of a protectable trade secret; and (2) misappropriation of the trade secret by defendant.’” *Id.* at 49 quoting *C-Ville Fabricating, Inc. v. Tartar*, No. 5:18CV379, 2019 WL 1368621, at *12.

¹⁷⁴ *Id.* at 51. The plaintiff was seeking relief for both actual and threatened misappropriation. *Id.*

¹⁷⁵ Yet, when the court comes to the discussion of threatened misappropriation and the inevitable disclosure doctrine, the court fails to mention the noteworthy differences between Ohio Trade Secret Law and the DTSA. Instead, the court does what the majority of other jurisdictions have done—apply state law. ¹⁷⁶

As one can see, the DTSA has not clarified the inevitable disclosure doctrine. What has been the effect of the discrepancy? It's shifted the litigation battle from the underlying claim of trade secret misappropriation to a procedural battle. Attorneys recognize that if they can win the jurisdictional battle, they substantially increase their chances of success. This next section takes a brief look at the impact this has had.

Part IV. The Jurisdictional Battle

Because of the disparity surrounding trade secret law—despite the enactment of the DTSA—businesses and their attorneys are seeking for ways to find consistency. This would undoubtedly be true for transactional lawyers and litigation lawyers alike. Transactional attorneys might fashion a choice-of-law provision in an employment contract that would enable a jurisdiction that is favorable to the inevitable disclosure doctrine to hear a dispute regarding one's employment status. ¹⁷⁷ Litigation attorneys would then seek to enforce that choice-of-law

¹⁷⁵ *Id.* The court notes that Ohio “requires proof of ‘the unauthorized use of a trade secret.’” *Id.* (quoting *Transtar Indus.*, 2019 U.S. Dist. 2019 WL 3458456, at *1). The court then points out that “the federal claim requires proof of an ‘uncontested disclosure or use of a trade secret.’” *Id.* (quoting *Ford Motor Co. v. Launch Tech Co.*, No. 17-12906, 2018 WL 1089276, at *16 (E.D. Mich. Feb. 26, 2018)).

¹⁷⁶ *Id.* at 52.

¹⁷⁷ See Mahady, *supra* note 59 at 722 citing Jason C. Schwartz et al., 2010 Trade Secrets Litigation Round-Up, 81 Pat. Trademark & Copyright J. (BNA) No. 354, at 3 (2011) (noting several ways an employer can protect trade secrets).

provision.¹⁷⁸ The following discussion will address the following: (1) what is a choice of law provision, and (2) how are choice of law provisions enforced?

A. What is a Choice of Law Provision?

At a boiler plate level, Choice-of Law simply means, “The question of which jurisdiction’s law should apply in a given case.”¹⁷⁹ Typically, an employer will require that if a conflict arises it will be disputed in a jurisdiction of the employers choosing. This is enforced through a “choice-of-law clause”¹⁸⁰ that can be found in an employment contract.¹⁸¹

To be clear, a choice of law provision does not affect procedural law—that is the procedural requirements in any given jurisdiction will remain the same.¹⁸² What will be altered is the substantive law.¹⁸³ Substantive law dictates what a party’s rights are; procedural rights, on the other hand, deal with implementing those substantive rights.¹⁸⁴ Thus, a crucial part of the agreement is outlaying what substantive rights are covered by the choice-of-law provision. Does the choice-of-law provision only deal with the Agreement itself or does it also cover tort claims? Of course, this will depend on the breadth and scope of the contract itself.¹⁸⁵ A generic choice-

¹⁷⁸ See Jordan Porter, *Determining Choice of Law in Civil Litigation*, JD PORTER LLC, <https://www.jdporterlaw.com/285-2/determining-choice-law-civil-litigation/> (last visited Feb. 1, 2022).

¹⁷⁹ *Choice-of-Law*, BLACK’S LAW DICTIONARY (11th ed. 2019).

¹⁸⁰ *Choice-of-Law Clause*, BLACK’S LAW DICTIONARY (11th ed. 2019) (“A contractual provision by which the parties designate the jurisdiction whose law will govern any disputes that may arise between the parties.”).

¹⁸¹ See Article: *Interjurisdictional Competition in Enforcing Noncompetition Agreements: Regulatory Risk Management and the Race to the Bottom*, 65 WASH & LEE L. REV. 1381, 1384 (2008).; See *infra* notes 185-188 for examples of what a choice-of-law clause might look like.

¹⁸² Choice of law clause: everything you need to know

¹⁸³ Larry Kramer, *The Institute of Judicial Administration research Conference on Class actions: class Actions and Jurisdictional Boundaries: Choice of Law in Complex Litigation*, 71 N.Y.U.L. Rev. 547, 569 (1996).

¹⁸⁴ *Id.*

¹⁸⁵ See generally *Facility Wizard Software, Inc. v. Se. Tech. Servs., LLC*, 647 F. Supp. 2d 938, 943 (N.D. Ill. 2009).

of-law clause¹⁸⁶ may or may not apply to claims that deal in tort.¹⁸⁷ On the other hand, one could create a choice-of-law provision that is “broad enough to cover any and all claims – including tort and statutory claims – that may arise out of a particular contract.”¹⁸⁸ These issues are addressed in the next section.

B. How Are Choice of Law Provisions Enforced?

There are two important aspects to understand in how courts enforce choice-of-law provisions. First, it is important to understand the difference between a trade misappropriation claim in tort verses in contract. Second, it is useful to understand that some states generally disfavor choice-of-law provisions altogether.

1. Tort or Contract

A contract provision that contains a choice-of-law provision can be written up in a number of ways. Typically, the provision will be written up in one of two ways—it will either be very broad and thus encompass claims in contract *and* tort or generic, in which case whether it will apply to a tort claim will largely depend on the jurisdiction that is deciding the breadth of the choice-of-law provision.¹⁸⁹

¹⁸⁶ A generic choice-of-law clause might be constructed like this, “This agreement shall be governed by and construed in accordance with the laws of the State of New York.” John F. Coyle, *Article: The Canons of Construction For Choice-Of-Law Clauses*, 92 Wash. L. Rev. 631, 666 (2017) (citing *JPMORGAN CHASE BANK V. TRAFFIC STREAM (BVI) INFRASTRUCTURE LTD.*, 536 U.S. 88, 90 (2002)).

¹⁸⁷ *Id.* Whether and to what extent a generic choice-of-law clause applies to claims in tort largely depends on the jurisdiction. *Id.* at 667-672 (referencing several different jurisdictions that take varying approaches to choice-of-law provisions).

¹⁸⁸ *Id.* A contract in this sense may be constructed in the following manner, “Any and all claims, controversies, and causes of action arising out of or relating to this Agreement, whether sounding in contract, tort, or statute, shall be governed by the laws of the State of Illinois.” *Id.*; *Compare Facility Wizard*, 647 F. Supp. 2d at 943 (holding that the choice-of-law provision applied to tort claims because the contract specified that “[a]ll claims arising out of or relating to [the] Agreement” will be governed by Illinois law), *with Precision Screen Machs. v. Elexon, Inc.*, No. 95 C 1730, 1996 U.S. Dist. WL 495564 (N.D. Ill. Aug. 26, 1996) (holding that New Jersey law does not apply to the tort claim of trade secret misappropriation because the parties did not make clear that they “inten[ded] to apply New Jersey law to all disputes between them”).

¹⁸⁹ See *supra* notes 186-188 and accompanying text. See also 1 Corbin on Contracts § 83.04 (2021).

An example may prove useful. Consider the scenario you read above in the Introduction. In *Gen. Elec. Co. v. Uptake Techs, Inc.*, The defendants argued that Illinois law should *not* apply to the trade secret misappropriation claim.¹⁹⁰ Rather, they argued that New York law should apply because there is a New York choice-of-law provision in their Confidentiality Agreement.¹⁹¹ However, the court sided with the plaintiffs because the choice-of-law provision only pertained to the Agreement.¹⁹² Because trade secret misappropriation is a claim in tort the choice-of-law provision did not apply.¹⁹³ The *GE* case also posed a breach of contract claim.¹⁹⁴ With respect to the Confidentiality Agreement, the court held it was of no consequence what choice-of-law provision was applied because the jurisdictions (California and New York) in question all allow for Confidentiality Agreements.¹⁹⁵ While not explicitly stated, it is at least implied that if the jurisdictions had different laws regarding Confidentiality Agreements, the outcome may have been different. Notably, the court was at least open to applying the choice-of-law provision regarding the breach of contract claim, but the same was not true for the trade secret misappropriation claim.

Had this decision been rendered in a different jurisdiction, the court may have applied the clause to the trade secret misappropriation claim. However, typically a court will only do apply the clause “so long as [the] claims relate to the contract claims in some way.”¹⁹⁶ The differing

¹⁹⁰ *Gen. Elec. Co. v. Uptake Techs, Inc.*, 394 F. Supp. 3d 815, 830 (N.D. Ill. 2019).

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *Id.*; Michael L. Rustad, *The Negligent Enablement of Trade Secret Misappropriation*, 22 Santa Clara Computer & High tech. L. J. 455, 505 (2006). It is true that a claim for trade secret misappropriation can arise under a tort theory or contract theory. 3 Milgrim on Trade Secrets § 13.03 (2021). Thus, when suing for trade secret misappropriation, it is important to define your theory of relief. *Id.* Typically, when a trade secret action is brought, it is brought in conjunction with a breach of contract claim. See *e.g.*, *Prime Therapeutics LLC v. Beatty*, 354 F. Supp. 3d 957 (D. Minn. 2018).

¹⁹⁴ *Gen. Elec. Co.*, 394 F. Supp. 3d at 824. *GE* brought two breach of contract claims—one for breach of the Non-Solicitation Agreement and one for breach of Confidentiality Agreement. *Id.*

¹⁹⁵ *Id.* at 828-30.

¹⁹⁶ Coyle, *supra* note 186, at 667.

views among the courts is not the subject of this paper but understanding how a given court will apply a generic choice-of-law provision is vitally important for any party litigating in the matter.¹⁹⁷

2. Public Policy as a Reason to Reject a Choice-of-Law Provision

As noted previously, several states have rejected the inevitable disclosure doctrine because of a strong public policy of favoring employee mobility.¹⁹⁸ Choice-of-law provisions can provide a level of predictability in the unpredictable world of trade secret misappropriation.¹⁹⁹ However, this does not mean that choice-of-law provisions are themselves predictable. Courts have taken varying approaches in determining whether to uphold a choice-of-law clause.²⁰⁰

Typically, choice-of-law provisions will be enforced.²⁰¹ However, courts will invalidate a choice of law provisions if there is no relationship to the controlling state or if it would contravene public policy.²⁰² This leads to the question of how non-compete agreements, and more importantly, the inevitable disclosure doctrine, would apply when there is a choice of law provision. At least in California, courts have not applied a choice-of-law provision when it dealt

¹⁹⁷ As an aside, a transactional attorney might want to consider including broad language in their choice-of-law provisions. *Id.* at 697-98. This would have the benefit of bringing tort claims within the coverage of the choice-of-law provision. *Id.* at 671-72, 697-98. (“One [attorney] remarked that ‘I always ask[ed] to add “arising out of language” to my NY docs to get the tort & statutory claims coverage.’ . . . Another attorney remarked on the importance of having a unified choice-of-law when dealing with issues relating to trade secret protection.”)

¹⁹⁸ See *supra* note 59, at 712 (noting that California, Louisiana, and Maryland do not apply the inevitable disclosure doctrine).

¹⁹⁹ See *supra* note 186, at n.6.

²⁰⁰ *Blalock v. Perfect Subscription Co.*, 458 F. Supp. 123, 127 (S.D. Ala. 1978), *aff'd*, 599 F.2d 743 (5th Cir. 1979). See also RESTATEMENT (SECOND) OF CONFLICTS OF LAW § 187 (AM. L. INST. 1971). The majority of states have taken the restatement approach. *Id.*

²⁰¹ See, e.g., *Paul Bus. Sys., Inc. v. Canon U.S.A., Inc.*, 476 F.3d 594, 597 (8th Cir. 2007); William Woodward, Jr., *Contractual Choice of Law: Legislative Choice in an Era of Party Autonomy*, 54 SMU L. Rev. 697, 716 (2001) (“Choice of law clauses are rarely invalidated.”).

²⁰² RESTATEMENT (SECOND) OF CONFLICTS OF LAW § 187 (AM. L. INST. 1971).

with a non-compete agreement.²⁰³ The same applies even when there is no non-compete agreement and a party is attempting to invoke the inevitable disclosure doctrine.²⁰⁴ This, because California has a “strong public policy in favor of employee mobility.”²⁰⁵ Other states that also favor employee mobility have done the same in invalidating covenants not to compete because they violate fundamental public policy.²⁰⁶

You can see then that a choice-of-law clause in an employment contract does not automatically remove all of the uncertainty surrounding trade secret law. There are two reasons for this. First, it's easy to fall in the trap of not drafting a clause broad enough to include tort claims. Second, even with a broad enough clause, a court that has a fundamental policy against restriction on employee mobility will likely not enforce the choice-of-law clause.²⁰⁷

Why does this matter you might wonder? Because whether you win or lose a trade secret misappropriation claim could very well come down to the jurisdiction that hears the case. If the plaintiff is able to succeed in enforcing a choice-of-law provision, this very well could be the deciding factor. The same can be said in the alternative.

The fight has seemingly moved away from trade secret law and into a jurisdictional battle—one that could be outcome determinative. Truth be told, this was never the drafters

²⁰³ See e.g., *Philo v. Giftango LLC*, No. 13cv0094, 2013 U.S. Dist. Lexis 192574, at *9-10 (S.D. Cal. Feb. 7, 2013) (noting that enforcing the choice-law-provision would contravene public policy because California disfavors non-compete agreements).

²⁰⁴ *GlobeSpan, Inc. v. O’Neil*, 151 F. Supp. 2d 1229, 1234 (C.D. Cal. 2001). The plaintiff attempted to argue that Section 1660 (dealing with non-compete agreements in California) does not apply because they were arguing the inevitable disclosure doctrine. *Id.* However, the court would not bite. Instead, the court declared that the “theory of inevitable disclosure” relied on by Plaintiff “creates a de facto covenant not to compete [and] run[s] counter to the strong public policy in California favoring employee mobility.” *Id.* (quoting *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F.Supp.2d 1111, 1120 (N.D.Cal.1999) (brackets in original)).

²⁰⁵ *Id.* (citing 72 Cal. Rptr. 2d 73, 85 (Cal. Ct. App. 1998)).

²⁰⁶ See, e.g., *DJR Assocs., LLC v. Hammonds*, 241 F. Supp. 3d 1208, 1230 (N.D. Ala. 2017).

²⁰⁷ See, e.g., *Power Integrations, Inc. v. De Lara*, No. 20-cv-410-MMA, 2020 WL 1467406 (S.D. Cal. Mar. 26, 2020).

intention when the DTSA was being introduced.²⁰⁸ It was their goal to bring uniformity in the area of trade secret law. Unfortunately, the opposite has occurred.

Thus far we have seen that the DTSA has not clarified trade secret law. Instead, it's created a rather convoluted battle around which laws of a given state will apply. This, despite being a federal law, that should in all respect be applied uniformly. This begs the question—what's next?

Part V: What's Next?

Both Congress and the Courts are part to blame for the inconsistency surrounding the DTSA. For Congress's part, they ought to have to know that inconsistency would continue to abound given that the DTSA was not to preempt state law. For the Court's part, they ought to interpret the DTSA as written and not according to state law.

I do not believe the problem lies with Congress.²⁰⁹ While a bill or statute could always be clearer than written, there is no possible way to lend complete clarity to a law. So where then does the answer lie? There are essentially two schools of thought. The first is that Congress should amend the DTSA to make it “absolutely clear” that the inevitable disclosure doctrine is not an available remedy under the DTSA.²¹⁰ There are two ways that Congress could go about this.²¹¹ First, you could amend the DTSA to outright reject the inevitable disclosure doctrine, second, you could amend the DTSA to preempt state trade secret law. The second line of thought is that the DTSA is perfectly clear—the inevitable disclosure doctrine is not an available remedy

²⁰⁸ Flowers, *supra* note 26, at 2255.

²⁰⁹ Sandeen & Rowe, *supra* note 14, at 450-51.

²¹⁰ Brittany S. Bruns, *Trade Secret: Criticism of the Defend Trade Secrets Act of 2016: Failure to Preempt*, 32 Berkeley Tech. L.J. 469, 488-89 (2017); Flowers, *supra* note 26, at 2213-14.

²¹¹ See *infra* notes 216, 225 and accompanying text.

under the DTSA.²¹² This note argues that the later of the two options is the correct interpretation and likely to yield the best results moving forward.

The best way to “fix” the statute, is to realize there is no problem in the first place. Many courts have failed to even recognize certain aspects of the DTSA.²¹³ As with any written document, there are problems. One only need to look to the second amendment to realize this.²¹⁴ However, interpreting a document written over two hundred years ago is a different matter than interpreting a statute written all but six years ago. And it is my belief that the DTSA, while not perfectly constructed, provides adequate—indeed quite adequate—clarity to the applicability of the inevitable disclosure doctrine. I will demonstrate how this in the case. To that end, I will first address why amending the DTSA is not the best option. Second, I will discuss why courts are already well equipped to interpret the DTSA as having done away with the inevitable disclosure doctrine.

A. Option 1: Amend the DTSA

Soon after it was realized that courts were continuing to apply the inevitable disclosure doctrine, scholars began to argue that an amendment was needed to clarify that the inevitable disclosure doctrine was not an available remedy.²¹⁵ There are two different arguments on how this might be done. One author argues that the DTSA should be amended to clarify that the inevitable disclosure doctrine is not an available remedy. Another author argues that the DTSA should be amended to preempt state law. Each are discussed in turn.

²¹² Jacqueline R. Mancini, *Note: Nothing is Inevitable: A Rejection of the Inevitable Disclosure Doctrine Under the Defend Trade Secrets Act*, 94 St. John’s L. Rev. 205, 216 (2020).

²¹³ See *supra* Part III.C (Most notably, courts fail to read the language in the DTSA that states that an injunction shall not “prevent a person from entering into an employment relationship.”).

²¹⁴ A good example of this comes *District of Columbia v. Heller*, 554 U.S. 570 (2008). There, the majority interpreted the second amendment (an amendment with only 27 words) quite differently from the dissent. It illustrates how words mean different things to people. *Id.*

²¹⁵ Bruns, *supra* note 210, at 491; Flowers, *supra* note 26, at 2213-14.

First, it's argued that § 1836(b)(3)(A)(i)(I) does not automatically preempt the application of the inevitable disclosure doctrine.²¹⁶ Because § 1836(b)(3)(A)(i) allows for a court to grant an injunction based off of “threatened misappropriation, subsection I should act as a limit on that authority. The application of the doctrine then turns on how a court interprets the inevitable disclosure doctrine.²¹⁷ As noted above, courts have used the term “inevitable disclosure’ to mean “threatened misappropriation.” Other courts have used the term as a *means* to enforce threatened misappropriation.²¹⁸ Yet, however, a court interprets the inevitable disclosure doctrine (whether it be a means to enforce threatened misappropriation or threatened misappropriation itself) the resulting outcome should be the same—that any injunction may not “prevent a person from entering into an employment relationship.”²¹⁹

Along these lines, the author also points to the language of § 1836 (b)(3)(A)(i)(I) which states, “conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows.”²²⁰ It is argued then that courts can still apply the inevitable disclosure doctrine by “stating that the injunction is based on ‘threatened misappropriation’ rather than on the former employee’s knowledge.”²²¹ However, from the plain reading of subsection (I) this is simply not the case. § 1836(b)(3)(A)(i) grants the court the authority to grant an injunction based on threatened misappropriation.²²² Subsection I

²¹⁶ Flowers, *see supra* note 26, at 2234-35.

²¹⁷ *Id.*; *See supra* Part II.B.

²¹⁸ Kinship Partners, Inc. v. Embark Veterinary, Inc., No. 3:21-cv-01631-HZ, 2022 U.S. Dist. LEXIS 2804 (D. Or. Jan. 3, 2022).

²¹⁹ 18 U.S.C. § 1836 (b)(3)(A)(i)(I). *See* Bret A. Cohen et al., *Defend Trade Secrets Act and Other Legal Claims and Recourse to Protect Employers’ Confidential Information and Trade Secrets*, LEXISNEXIS, [HTTPS://WWW.NELSONMULLINS.COM/STORAGE/E2D205B78E9069B9939A332BB77B77FB.PDF](https://www.nelsonmullins.com/storage/e2d205b78e9069b9939a332bb77b77fb.pdf) (last visited Feb. 25, 2022) (“Inevitable disclosure is a common law doctrine by which a court can prevent a former employee from working for a competitor of his or her former employer. . . .”).

²²⁰ Flowers, *supra* note 26, at 2235.

²²¹ *Id.* at 2236.

²²² 18 U.S.C. § 1836(b)(3)(A)(i)

then explains that an injunction may 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.”²²³ The statute should not be read as to allow courts to apply the inevitable disclosure doctrine by simply claiming it’s based off of “threatened misappropriation” and not “merely on the information the person knows.”²²⁴ This in effect would go against the first part of subsection I and make it inoperable.

Second, it is argues that the DTSA should be amended to preempt state law.²²⁵ § 1838 explicitly states that “this chapter shall not be construed to preempt or displace any other remedies . . . provided by . . . State . . . law for the misappropriation of a trade secret.”²²⁶ The author mentions several repercussions from the failure to preempt state law.²²⁷ These include: “decreasing legal uniformity, increasing forum shopping, increasing employee uncertainty, undercutting state law policies, and potentially resuscitating previously extinct common law claims.”²²⁸ Having come this far, it is easy to ascertain that these problems do indeed exist.²²⁹ There is a lack of uniformity even when the DTSA was supposed to bring exactly that. There is

²²³ 18 U.S.C. § 1836(b)(3)(A)(i)(I) (emphasis added)

²²⁴ *Id.*

²²⁵ Bruns, *see supra* note 210, at 491. The author does not argue that the DTSA should be amended to preempt the inevitable disclosure doctrine, rather that the DTSA should be amended to preempt state law. *Contra* Mancini, *see supra* note 212, at 216 (stating that Bruns argued to amend the DTSA to preempt the application of the inevitable disclosure doctrine). Rather, Bruns seems to agree that the inevitable disclosure theory is not an available remedy for an injunction. Bruns, *supra* note 210 at 488. However, Bruns does note that it is an open question as to whether the doctrine may be used to “impose monetary damages.” *Id.* *See also* Victoria Lee, Rajiv Dharnidharka & Katherine Cheung, *Obama Signs Federal Trade Secrets Bill into Law: Key Points for IP*, DLA PIPER (11 May 2016), <https://www.dlapiper.com/en/us/insights/publications/2016/05/obama-signs-federal-trade-secret-bill-into-law/> (noting that it is “clear that the DTSA does not allow an employer to seek injunctive relief based on the inevitable disclosure doctrine” it is unclear whether the inevitable disclosure doctrine is available as a basis for monetary damages.).

²²⁶ 18 U.S.C.S. § 1838.

²²⁷ Bruns, *supra* note 210, at 492

²²⁸ *Id.*

²²⁹ *See supra* Part IV.

increased forum shopping in the form of choice-of-law clauses. Certainly, preempting state law would create uniformity in the area of trade secret law. So, would the proposal solve some of these problems?

The author notes that preempting state law would decrease choice of law disputes.²³⁰ However, it's also observed that choice of law disputes would not be eliminated because "trade secret law is intertwined with the law governing contractual and employment relationships"²³¹ While at first glance this might make sense, a deeper analysis lends different results. We already know that this would not be the case. Federal courts across the United States have applied the inevitable disclosure doctrine in a most inconsistent manner.²³² This, despite the DTSA being clear that the inevitable disclosure doctrine is not an available remedy.²³³ Even if the DTSA did preempt state law, it's unclear whether a federal court would continue to apply state law to determine the outcome.²³⁴ Regardless, Congress should have foreseen that inconsistency would continue to abound because they determined not to preempt state law. Yet, it may not have mattered given that Federal Courts have determined to apply the DTSA in accordance with state law interpretation. The true problem then lies with the courts and their interpretation of the DTSA. We turn to this next.

B. Option 2: Interpret the DTSA as rejecting the inevitable disclosure doctrine

The second argument is that the courts should interpret the DTSA as having rejected the inevitable disclosure doctrine. This argument—while it has its flaws—is the best way to solve the problem. And while it is unlikely that the federal district courts will undo the inconsistency

²³⁰ Bruns, *supra* note 210, at 499-500.

²³¹ *Id.*

²³² See *supra* Part III.C.

²³³ See *infra* Part V.B.

²³⁴ Courts apply state law because the definitions are the same.

revolving the inevitable disclosure doctrine, the Circuit Court of Appeal, and possibly the Supreme Court may be inclined to resolve the disparity. If this were the case they should interpret the DTSA to have rejected the inevitable disclosure doctrine.²³⁵ This is so because the text of the statute precludes any application of the inevitable disclosure doctrine.²³⁶

The text of the DTSA supports a rejection of the inevitable disclosure doctrine.²³⁷ There are four reasons why this is the case.²³⁸ The first is how misappropriation is defined under the DTSA.²³⁹ A careful reading of the definition and you will see that “inevitable disclosure” is not covered by the definition.²⁴⁰ The second reason is found within the definition of “improper means.”²⁴¹ The third reason is based off of the requirements of an ex parte procedure.²⁴² The fourth reason is the most compelling. It is also the reason why at least a few courts have refused to adopt the inevitable disclosure doctrine in DTSA claims.²⁴³ Any injunction based off of trade secret misappropriation may not “prevent a person from entering into an employment relationship.”²⁴⁴

Unfortunately, several district courts continue to apply the doctrine.²⁴⁵ A complete reading of the statute, however, forecloses the doctrine altogether. As mentioned earlier some

²³⁵ Mancini, *supra* note 212, at 216-17.

²³⁶ *Id.* (The following arguments are not my own, rather I support the authors interpretation of the DTSA. I refrain from explaining each argument in full).

²³⁷ *Id.*

²³⁸ *Id.* at 217-22.

²³⁹ 18 U.S.C. § 1839(5)

²⁴⁰ Mancini, *supra* note 212, at 217-20.

²⁴¹ *Id.* at 220-21 (citing 18 U.S.C. § 1839(6)). The basic premise of the argument is that the “inevitable disclosure doctrine does not require improper means.” *Id.* Rather, courts look to several factors to determine whether the former employer will inevitably disclose trade secrets. *See supra* Part II.

²⁴² *Id.* at 221 (citing U.S.C. § 1836(b)(2)) (noting that an ex parte procedure must be based off of actual misappropriation and not the “mere possibility of misappropriation.”).

²⁴³ *See, e.g.,* Future Metals LLC v. Ruggiero, No. 21-CIV-60114, 2021 WL 1701568 (S.D. Fla. Apr. 13, 2021); Kinship Partners, Inc. v. Embark Veterinary, Inc., No. 3:21-cv-01631-HZ, 2022 U.S. Dist. LEXIS 2804 (D. Or. Jan. 3, 2022). Most courts have just not applied the inevitable disclosure doctrine because their state does not recognize it. *See supra* Part III.C.

²⁴⁴ Mancini, *supra* note 212, at 222 (quoting U.S.C. § 1836(b)(3)).

²⁴⁵ *See supra* Part III.C.

courts have caught on. While a couple of the courts interpreted the DTSA as not embracing the inevitable disclosure doctrine,²⁴⁶ many of the courts have simply not applied the doctrine for reasons of state law.²⁴⁷ Whether a court applies the inevitable disclosure doctrine, or whether the court does not based off of state law—both are getting it wrong. The correct interpretation should not depend on state law under any circumstance.

What would be the result of a federal district court refusing to apply the inevitable disclosure doctrine? In all cases thus far, when a plaintiff brings a trade secret misappropriation claim under the DTSA, they also bring a state law claim. The Federal Court hears both cases pursuant to § 1331 and § 1367 (supplemental jurisdiction). If the only federal claim was based upon the inevitable disclosure doctrine, the court would likely dismiss the case for lack of jurisdiction. No longer would they have supplemental jurisdiction over the state law claim. This would force the plaintiff to refile their claim in state court where the court would be free to apply its state law. In essence, it would force plaintiffs to choose between bringing a state law claim verses a federal claim when there is no diversity of jurisdiction under § 1332.

If courts were to interpret the DTSA accordingly, several advantages would envelop. Costs of litigation would go down. There would be more consistency throughout the federal courts. Choice of law provisions would still permeate any litigation, but such is the case in a nation founded on federalism. The only way to adequately deal with choice of law disputes would be to amend the DTSA to preempt state trade secret law which is unlikely given the current climate in Congress (of course this assumes that Federal Courts would apply the DTSA uniformly). Yet, aside from any potential benefits this would bring, a court is bound to interpret a constitutionally enacted statute as written. They are bound by the words of the statute they are

²⁴⁶ See *supra* note 243.

²⁴⁷ See *supra* Part III.C.

interpreting—not by state statute (or even state common law for that matter). If problems persist, and indeed it's likely given that federal trade secret law does not preempt state law, it would be up to Congress to find common ground and make any needed changes.

Conclusion

The inevitable disclosure doctrine has evolved into a de-facto non-compete agreement. It provides an avenue for employers to seek a preliminary injunction to enjoin a former employee from pursuing a career with a new employer. However, a handful of states have resisted the idea of the inevitable disclosure doctrine. Such states consider themselves to be proponents of employee mobility. It created widespread disagreements among the states regarding trade secret misappropriation. Then, in 2016, Congress passed the DTSA in an attempt to unify the area of trade secret law.

Some had assumed that the inevitable disclosure doctrine was not an available remedy under the DTSA. Yet, this has not been the case. Instead, Federal Courts continued to apply the doctrine consistent with their state law. This paper explored why this was the case and where the Courts have gone wrong. Those who had assumed that the inevitable disclosure doctrine was done away with were correct in their *interpretation*, albeit incorrect in their *assumption*.

Congress might have known that disparity would continue when they decided to not preempt state law. However, case law has shown that even if they had preempted state law, it is questionable whether the Federal Courts would have applied the inevitable disclosure doctrine consistently. As was seen, Federal Courts were content on interpreting the DTSA in accordance with state law. Congress might be forgiven for their absent mindedness. The courts on the other hand, well not so much. And as such, it'll be up to the courts to resolve the issue. It wouldn't be

difficult. They would merely have to interpret the DTSA as it is written—that an injunction may not “prevent a person from entering into an employment relationship.”