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## South Carolina's Inevitable Adoption of the Inevitable Disclosure Doctrine: Balancing Protection of Trade Secrets with Freedom of Employment

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Roberson: South Carolina's Inevitable Adoption of the Inevitable Disclosure

# **SOUTH CAROLINA'S INEVITABLE ADOPTION OF THE INEVITABLE DISCLOSURE DOCTRINE: BALANCING PROTECTION OF TRADE SECRETS WITH FREEDOM OF EMPLOYMENT**

## **I. INTRODUCTION**

Tomorrow's newspaper headline could read, "*ABC Company Obtains Court Order Preventing Former Employee from Working for XYZ Company.*" Such a scenario is possible with the doctrine of inevitable disclosure under South Carolina's trade secret laws, even in the absence of a non-compete agreement or other restrictive covenant.<sup>1</sup> Under the inevitable disclosure doctrine, "a former employee may be restricted in post-employment activities where it is found that he or she will 'inevitably disclose' the trade secrets of the former employer in the new position." Companies constantly fear that their employees will take valuable trade secrets to the competition. However, unbeknownst to many, the South Carolina Trade Secrets Act of 1997<sup>2</sup> (Trade Secrets Act) may be used to prevent those employees from working for a competitor even in limited circumstances.<sup>3</sup> Under the doctrine of inevitable disclosure, this restriction may be possible even in the absence of a restrictive covenant.<sup>4</sup> While many jurisdictions with trade secret statutes similar to South Carolina's have adopted inevitable disclosure, South Carolina courts have yet to publish a decision deciding how injunctive relief for actual or threatened misappropriation should be provided under the Trade Secrets Act.

States that statutorily permit actual or threatened misappropriation to be enjoined are allowing employers to prevent employees from working for competitors in limited circumstances.<sup>5</sup> This Comment examines the issues South Carolina courts should address when an employer-plaintiff attempts to stop, or temporarily delay, a former employee with knowledge of the company's trade secrets from working for a competitor. Specifically, this Comment advocates the adoption of the inevitable disclosure doctrine in South Carolina in limited situations. Part II begins with a summary of trade secret law, including a discussion of the Uniform Trade Secrets Act adopted by various states; provides an overview of the inevitable disclosure doctrine; and

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1. See *infra* note 11.

2. S.C. CODE ANN. §§ 39-8-10 to -130 (Law. Co-op. 1976 & Supp. 1999).

3. See *infra* Part III.A.2.h.

4. Stephen L. Sheinfeld & Jennifer M. Chow, *Protecting Employer Secrets and the "Doctrine of Inevitable Disclosure,"* 581 Practising L. Inst. Litig. Handbook 367, 405 (1998).

5. See generally *infra* notes 35-38 and accompanying text (listing cases from various states enjoining threatened misappropriation by preventing former employees from accepting employment with competitors).

gives a brief history of South Carolina's approach to trade secret protection. Part III argues that South Carolina should adopt the doctrine of inevitable disclosure and make injunctive relief available to employers with trade secrets. After discussing the approach used by various states, this Comment advocates an objective test for deciding when to invoke the doctrine of inevitable disclosure based upon an analysis of other jurisdictions' approaches.

## II. BACKGROUND

### *A. Trade Secrets and Their Protection*

The Trade Secrets Act broadly defines trade secrets as follows:

- (a) information including, but not limited to, a formula, pattern, compilation, program, device, method, technique, product, system, or process, design, prototype, procedure, or code that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any 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.
- (b) A trade secret may consist of a simple fact, item, or procedure, or a series or sequence of items or procedures which, although individually could be perceived as relatively minor or simple, collectively can make a substantial difference in the efficiency of a process or the production of a product, or may be the basis of a marketing or commercial strategy. The collective effect of the items and procedures must be considered in any analysis of whether a trade secret exists and not the general knowledge of each individual item or procedure.<sup>6</sup>

To maintain a competitive edge, a company must protect its secrets.<sup>7</sup> Facility security systems, password protections on computer systems, limited advertisements or public disclosures, and employee and vendor confidentiality

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6. S.C. CODE ANN. § 39-8-20(5) (Law. Co-op. 1976 & Supp. 1999); cf. UNIF. TRADE SECRETS ACT § 1(4) (amended 1985), 14 U.L.A. 438 (1990) [hereinafter UNIFORM ACT] (defining trade secrets very similarly except with fewer categories than part (a) above and not including any of part (b)).

7. See *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501, 505 (Ga. 1998) (enjoining former employee of plaintiff and stating "it had taken [plaintiff] millions of dollars and years of testing and modifications to develop as part of [plaintiff's] plan to acquire a competitive edge over other cable and wire companies such as [defendant company]").

agreements are common means of protection.<sup>8</sup> As many trade secrets simply include information that must be conveyed and used by employees, the security of those trade secrets is jeopardized when those employees leave to work in a similar capacity for a competitor of their former company. In the absence of an enforceable non-disclosure or non-compete agreement with the departing employees, an employer may be forced to resort to the injunctive relief provided in the Trade Secrets Act.<sup>9</sup>

### *B. Overview of the Doctrine of Inevitable Disclosure*

The doctrine of inevitable disclosure is a legal approach courts use when deciding if and how to prevent a former employee with knowledge of an employer's trade secrets from working for a competitor in a capacity where the employee would inevitably disclose those trade secrets.<sup>10</sup> Inevitable disclosure can be used by courts even in the absence of restrictive covenant such as non-disclosure agreements or non-compete agreements.<sup>11</sup> An employer who successfully invokes the inevitable disclosure doctrine may enjoin a former employee from working for a competitor, as if under a non-compete

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8. See generally *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645, 650 (E.D. Mich. 1966) (listing means plaintiff used to protect trade secrets); UNIFORM ACT § 1 cmt., 14 U.L.A. 439 (1990) ("The efforts required to maintain secrecy are those 'reasonable under the circumstances.' The courts do not require that extreme and unduly expensive procedures be taken to protect trade secrets against flagrant industrial espionage.").

9. S.C. CODE ANN. § 39-8-50(A) (Law. Co-op. 1976 & Supp. 1999). A non-disclosure agreement is a contract entered into by an employer and employee prior to or during employment in which the employee promises not to reveal the employer's trade secrets if and when the employee leaves the company. A non-compete agreement is a similar contract but where the employee promises not to work for a competitor in a capacity where the trade secret would be revealed. See, e.g., *Poole v. Incentives Unlimited, Inc.*, 338 S.C. 271, 274, 525 S.E.2d 898, 899 (Ct. App. 1999) (stating that "a covenant not to compete must be supported by valuable consideration" and when an "at-will employment relationship already exists without a covenant not to compete, any future covenant must be based upon new consideration"); see also *infra* notes 150-53 for a discussion on the effect of an employer failing to seek a non-compete agreement.

10. See *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1457 (M.D.N.C. 1996) (granting an injunction "based on a theory of 'inevitable disclosure' [whereby] 'a plaintiff may prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on plaintiff's trade secrets.'" (quoting *PepsiCo., Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995))).

11. See *Merck & Co.*, 941 F. Supp. at 1461 (enjoining employment for one year even though "plaintiffs did not seek a non-competition agreement from [the defendant]"); *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18, 24 (Tex. App. 1998) (enjoining disclosure of trade secrets even though defendant employees "were not required to sign any agreement not to compete or confidentiality agreement").

agreement,<sup>12</sup> or the employer may impose a duty on that employee not to reveal the trade secrets, as in a non-disclosure agreement.<sup>13</sup>

Although no consistent protocol exists for applying the doctrine of inevitable disclosure, the jurisdictions that have adopted the doctrine have considered similar factors when reaching their decisions.<sup>14</sup> All jurisdictions require the employer to prove the existence of a trade secret and that the employee possessed the trade secret in some manner.<sup>15</sup> The employer-plaintiff must also show that it is in direct competition with the new employer.<sup>16</sup> Jurisdictions have disagreed on the required proof necessary to show a “threatened” misappropriation of the trade secret,<sup>17</sup> which often affects a decision concerning whether and how to enjoin the employee. Because this last requirement of proof is often a fact-based determination, decisions among jurisdictions vary dramatically.<sup>18</sup>

### C. History of South Carolina’s Trade Secret Laws

The modern view of trade secret protection in South Carolina was established in 1972 by the state supreme court in *Lowndes Products, Inc. v. Brower*.<sup>19</sup> The *Lowndes* court adopted the original definition of trade secrets from the *Restatement of Torts* and also listed factors to be used to determine whether a trade secret was adequately protected.<sup>20</sup>

12. See *Allis-Chalmers Mfg. Co. v. Cont’l Aviation & Eng’g Corp.*, 255 F. Supp. 645 (E.D. Mich. 1966) (granting preliminary injunction of employee from working for competitor in any capacity pertaining to distributor type fuel injection systems for jet engines); *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501 (Ga. 1998) (enjoining employee knowledgeable of former employer’s computer software trade secrets from working for direct competitor for five years).

13. See *Thomas v. Alloy Fasteners, Inc.*, 664 So. 2d 59, 60 (Fl. Dist. Ct. App. 1995) (granting injunction to stop an employee from using his former employer’s customer lists at his new position but permitting the employee to contact the customers by techniques common to the industry); *T-N-T Motorsports, Inc.*, 965 S.W.2d at 18 (allowing employee to work for a direct competitor but preventing him from using former employer’s trade secret information regarding modifications to high-end sports cars).

14. See generally Part III.A.2 (discussing approaches used by different states).

15. See *infra* notes 35-38 (listing cases from various states which address trade secret misappropriation). Courts focus on the employee’s ability to convey a trade secret, either through tangible means, such as photocopies or copied files, or through intangible means such as memory.

16. See *infra* notes 35-38.

17. See *infra* notes 35-38.

18. See *infra* notes 35-38.

19. 259 S.C. 322, 191 S.E.2d 761 (1972) (declining to grant injunctive relief because former employer had not used reasonable precautions to protect the trade secrets, but permitting plaintiff to recover damages for wrongful acts of employees).

20. *Id.* at 327, 191 S.E.2d at 764 (citing RESTATEMENT OF TORTS § 757 cmt. b (1939) and considering whether employer required restrictive covenant, warned employees of secrecy, reminded terminated employee of secrecy, or implemented adequate security measures); see also *Wilkes v. Pioneer Am. Ins. Co.*, 383 F. Supp. 1135, 1140 (D.S.C. 1974) (expanding the standard definition of trade secret by adding “the fact that part, or even eventually all, of the components

The Uniform Trade Secrets Act (UTSA) was promulgated in 1979<sup>21</sup> but was not adopted by South Carolina until 1992 (SCTSA).<sup>22</sup> The 1996 South Carolina Court of Appeals decision of *Carolina Chemical Equipment Co. v. Muckenfuss*<sup>23</sup> held a broad non-disclosure agreement was invalid based upon the standards of a non-compete agreement.<sup>24</sup> In partial response to this decision, the legislature enacted the Trade Secrets Act the following year.<sup>25</sup> To date, no published South Carolina court decision has considered an injunction for threatened misappropriation of trade secrets. The lack of litigation may be the result of employers' uncertainty over whether the courts will provide injunctive relief, and, if they do, to what extent.<sup>26</sup> Since employee departure and loss of trade secrets can occur very quickly, businesses may try to reach a quick agreement with the employee rather than begin protracted litigation and possibly lose the trade secrets during the interim. Therefore, the courts and the parties must be prepared to quickly address a claim for preliminary injunctive relief when the issue arises.

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of a trade secret are matters of public law or public knowledge does not prohibit a claim of trade secret" and adding "misappropriation" as an element of a trade secret claim).

21. UNIFORM ACT, 14 U.L.A. 433.

22. S.C. CODE ANN. §§ 39-8-1 to -11 (Law. Co-op. 1976 & Supp. 1996) (repealed 1997).

23. 322 S.C. 289, 471 S.E.2d 721 (Ct. App. 1996) (overturning five-year injunction against employees prohibiting them from selling certain products within Charleston County).

24. *Id.* at 294, 471 S.E.2d at 723 (holding contract defined trade secrets so broadly that virtually all information employee acquired during employment would fall within its definition); see generally Cherie W. Blackburn, *Covenants Not To Compete and Other Restrictive Covenants*, S.C. LAB. & EMPLOYMENT L., June 25, 1999, at 21 (discussing South Carolina's "Blue Pencil Rule [which] allows a court to 'blue pencil,' or mark through, the invalid portions of a restrictive covenant and enforce the remaining valid provisions of the covenant"). Blackburn further notes:

The South Carolina courts have made [it] clear [that] its application is limited and will only be used by the court where it is clear that the parties intended the covenant to be divisible or severable. It is also clear that South Carolina courts will not create a new agreement for the parties that they did not voluntarily enter.

*Id.* The inevitable disclosure doctrine would not circumvent this policy as it imposes injunctive relief and not a court-imposed agreement. *Id.*

25. S.C. CODE ANN. §§ 39-8-10 to -130 (Law. Co-op. 1976 & Supp. 1999) (effective May 21, 1997). The new provision of S.C. CODE ANN. § 39-8-30(D) (Law. Co-op 1976 & Supp. 1999) effectively overturns *Carolina Chemical Equipment Co. v. Muckenfuss*, 322 S.C. 289, 471 S.E.2d 721 (Ct. App. 1996) by stating "[a] contractual duty not to disclose or divulge a trade secret, to maintain the secrecy of a trade secret, or to limit the use of a trade secret must not be considered void or unenforceable or against public policy for lack of a durational or geographical limitation." *Id.*

26. See generally David P. Hathaway, *Is the North Carolina Trade Secrets Protection Act Itself a Secret, and Is the Act Worth Protecting?*, 77 N.C. L. REV. 2151, 2210-14 (1999) (listing reasons trade secret statutes are "seldom the subject of published law").

### *D. Availability of Injunctive Relief in South Carolina*

As in every state, injunctive relief is available in South Carolina.<sup>27</sup> In order to prevail in a request for an injunction, the plaintiff must prove two essential conditions:

First, the complaint must allege facts which appear to be sufficient to constitute a cause of action for injunction; and, second, on the entire showing from both sides it must appear, in view of all the circumstances, that the injunction is reasonably necessary to protect the legal rights of the plaintiff pending the litigation.<sup>28</sup>

The provision of the Trade Secrets Act for enjoining “actual or threatened misappropriation”<sup>29</sup> does not specify what elements a plaintiff must prove for an injunction to be granted. It can be implied that the legislature left the requirements to the judiciary. Many jurisdictions that apply the inevitable disclosure doctrine look to the preliminary injunction standards of *Dataphase Systems, Inc. v. C L Systems, Inc.*<sup>30</sup>

## III. ANALYSIS

### *A. South Carolina Should Adopt the Doctrine of Inevitable Disclosure*

#### *1. Growing Popularity of the Inevitable Disclosure Doctrine*

Forty-one states and the District of Columbia<sup>31</sup> have provisions for enjoining threatened misappropriation that are virtually identical to South Carolina’s Trade Secrets Act.<sup>32</sup> The UTSA, or some variation of it, adopted by

27. See *Childs v. City of Columbia*, 87 S.C. 566, 567, 70 S.E. 296, 297 (1911) (listing South Carolina cases involving injunctive relief).

28. *Knohl v. Duke Power Co.*, 260 S.C. 374, 376, 196 S.E.2d 115, 116 (1973) (quoting *Childs v. City of Columbia*, 87 S.C. 566, 567, 70 S.E. 296, 297 (1911)).

29. S.C. CODE ANN. § 39-8-50(A) (Law. Co-op. 1976 & Supp. 1999).

30. 640 F.2d 109, 113 (8th Cir. 1981) (“Whether a preliminary injunction should issue involves consideration of (1) the threat of irreparable harm to the movant; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant; (3) the probability that movant will succeed on the merits; and (4) the public interest.”).

31. D.C. CODE ANN. § 48-502(a) (1981).

32. The states with similar statutes are: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Utah, Vermont, Virginia, Washington, and West Virginia. See ALA. CODE § 8-27-4(1)(a) (1993); ALASKA STAT. § 45.50.910(a) (Michie 1998); ARIZ. REV. STAT. § 44-402(A) (1994); ARK. CODE ANN. § 4-75-604(a) (1996); CAL. CIV.

these states allows injunctive relief for threatened misappropriation of trade secrets.<sup>33</sup> South Carolina's 1997 Trade Secrets Act, while repealing the SCTSA, kept the injunctive relief provision in its entirety.<sup>34</sup>

Fifteen of the states adopting the UTSA have applied, in some fashion, the doctrine of inevitable disclosure in published decisions.<sup>35</sup> California has

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CODE § 3426.2(a) (West 1997); COLO. REV. STAT. § 7-74-103 (2000); CONN. GEN. STAT. § 35-52(a) (1997); DEL. CODE ANN. tit. 6, § 2002(a) (1999); FLA. STAT. ch. 39.688.003(1) (1990); GA. CODE ANN. § 10-1-762(a) (2000); HAW. REV. STAT. § 482B-3(a) (1998); IDAHO CODE § 48-802(1) (1997); 765 ILL. COMP. STAT. 1065/3(a) (1993); IND. CODE § 24-2-3-3(a) (Michie 1996); IOWA CODE § 550.3(1) (1997); KAN. CIV. PROC. CODE ANN. § 60-3321(a) (West Supp. 2000); KY. REV. STAT. ANN. § 365.882(1) (Michie 1996); LA. REV. STAT. ANN. § 51:1432(A) (West 1987); ME. REV. STAT. ANN. tit. 10, § 1543(1) (West 1997); MD. CODE ANN., [COM. LAW I] § 11-1202(a) (2000); MICH. COMP. LAWS § 445.1903(1) (Supp. 2000); MINN. STAT. § 325C.02(a) (1995); MISS. CODE ANN. § 75-26-5(1) (2000); MO. REV. STAT. § 417.455(1) (Supp. 2000); MONT. CODE ANN. § 30-14-403(1) (1999); NEB. REV. STAT. § 87-503(1) (1999); NEV. REV. STAT. § 600A.040(1) (1999); N.H. REV. STAT. ANN. § 350-B:2(I) (1995); N.M. STAT. ANN. § 57-3A-3(A) (West 1978); N.C. GEN. STAT. § 66-154(a) (1999); N.D. CENT. CODE § 47-25.1-02(1) (1999); OHIO REV. CODE ANN. § 1333.62(A) (Anderson Supp. 1999); OKLA. STAT. tit. 78, § 87(A) (1995); OR. REV. STAT. § 646.463(1) (1988); R.I. GEN. LAWS § 6-41-2(a) (1992); S.D. CODIFIED LAWS § 37-29-2(a) (Michie 2000); UTAH CODE ANN. § 13-24-3(1) (1999); VT. STAT. ANN. tit. 9, § 4602(a) (1993); VA. CODE ANN. § 59.1-337(A) (Michie 1998); WASH. REV. CODE § 19.108.020(1) (1999); W. VA. CODE § 47-22-2(a) (1998).

33. UNIFORM ACT § 2(a), 14 U.L.A. 449 (1990).

34. Compare S.C. CODE ANN. § 39-8-2 (Law. Co-op. 1976 & Supp. 1996) (repealed 1997) with S.C. CODE ANN. § 39-8-50 (Law. Co-op. 1976 & Supp. 1999) (adding only a description of reasonable time period for an injunction in (A)).

35. These states include: Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, North Carolina, Ohio, Utah, and Washington. For the cases in these states, see *Cardinal Freight Carriers, Inc. v. J.B. Hunt Transp. Servs., Inc.*, 987 S.W.2d 642 (Ark. 1999) (preventing plaintiff's former employees from working for one year with four particular customers desired by their new employer in the transport industry); *Aetna Ret. Servs., Inc. v. Hug*, 1997 Conn. Super. LEXIS 1781 (June 18, 1997) (modifying a non-compete agreement to prohibit employee from working in a particular position with former employer's competitor, but requiring former employer to compensate the employee during the term); *E.I. duPont de Nemours & Co. v. Am. Potash & Chem. Corp.*, 200 A.2d 428 (Del. Ch. 1964) (granting preliminary injunction against employee knowledgeable of chemical process trade secrets from working for direct competitor); *Am. Totalisator Sys., Inc. v. Automatic Totalistors (U.S.A.) Ltd.*, No. Civ.A.5562, 1978 Del. Ch. LEXIS 529 (Apr. 20, 1978) (granting preliminary injunction against computer systems analyst knowledgeable of plaintiff's trade secrets from working for competitor); *Thomas v. Alloy Fasteners, Inc.*, 664 So. 2d 59 (Fla. Dist. Ct. App. 1995) (granting injunction to stop an employee from using his former employer's customer lists at his new position but permitting the employee to contact the customers by techniques common in the industry); *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501 (Ga. 1998) (enjoining employee knowledgeable of former employer's computer software trade secrets, in the absence of any restrictive covenant, from working for direct competitor for five years); *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995) (preventing former manager knowledgeable of plaintiff's marketing strategy of sports drinks from working for competitor for six months or disclosing trade secrets indefinitely); *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989) (declining to enjoin former employees because plaintiff could not prove telecommunication information was a trade secret); *Ackerman v. Kimball Int., Inc.*, 652 N.E.2d 507 (Ind. 1995) (enjoining employee from working for former employer's competitors in veneer manufacturing for two years); *APAC Teleservices, Inc. v. McRae*, 985 F.



expressly rejected the doctrine of inevitable disclosure.<sup>36</sup> A Virginia court stated that it does not recognize inevitable disclosure, although its statute allows enjoining of threatened misappropriation.<sup>37</sup> Of the eight states without statutory provisions for enjoining threatened misappropriation, six states have utilized some form the doctrine of inevitable disclosure.<sup>38</sup> Whether these

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Supp. 852 (N.D. Iowa 1997) (denying plaintiff's request to enjoin former employee from working with a competing outsource telemarketer, yet enforcing non-disclosure agreement); *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405 (N.D. Iowa 1996) (enjoining employee from working for any competing bagel manufacturer until trial completed); *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645 (E.D. Mich. 1966) (granting preliminary injunction of employee from working for competitor in any capacity pertaining to distributor type fuel injection systems for jet engines); *Superior Consultant Co. v. Bailey*, 2000 U.S. Dist. LEXIS 13051 (E.D. Mich. Aug. 22, 2000) (enjoining consultant of health care computer systems from working for a particular competitor of his former employer); *LEXIS-NEXIS v. Beer*, 41 F. Supp. 2d 950 (D. Minn. 1999) (modifying unenforceable non-compete agreement so that it would be enforceable for one year while finding plaintiff could not prove the existence of trade secrets or inevitable disclosure of that information); *Carboline Co. v. Lebeck*, 990 F. Supp. 762 (E.D. Mo. 1997) (denying injunctive relief to plaintiffs because they failed to prove information consisted of trade secrets); *Baxter Int., Inc. v. Morris*, 976 F.2d 1189 (8th Cir. 1992) (declining to enjoin employee from working for a competitor of former employer, but granting one year injunction to prevent disclosure of trade secrets); *Merck & Co. v. Lyon*, 941 F. Supp. 1443 (M.D.N.C. 1996) (enjoining employee knowledgeable of trade secrets relating to stomach acid antagonist from working for competitor on a particular product line for one year); *B.F. Goodrich Co. v. Wohlgemuth*, 192 N.E.2d 99 (Ohio Ct. App. 1963) (enjoining employee knowledgeable of space-suit technology from disclosing trade secrets to a competitor of former employer); *Proctor & Gamble Co. v. Stoneham*, 2000 Ohio App. LEXIS 4475 (Sept. 29, 2000) (overruling denial of injunctive relief against former employee from working for competing hair care products manufacturers); *Novell Inc. v. Timpanogos Research Group Inc.*, 46 U.S.P.Q.2d (BNA) 1197 (Utah 1998) (enjoining employee possessing trade secrets relating to computer software development from working for any competitor in the industry of his former employer for nine months); *Solutec Corp. v. Agnew*, 88 Wash. App. 1067 (1997) (preventing employees from competing against their former employer in the manufacture of edible apple wax containing a certain ingredient for six years).

36. See *Danjaq LLC v. Sony Corp.*, 50 U.S.P.Q.2d (BNA) 1638 (C.D. Cal. 1999) (denying plaintiff's motion for summary judgment on claim of misappropriation of trade secrets); *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1111 (N.D. Cal. 1999) (declining to enjoin former employee but granting plaintiff periodic discovery of new employer to ensure trade secrets not misappropriated); *Computer Sci. Corp. v. Computer Assoc. Int'l Inc.*, 1999 U.S. Dist. LEXIS 21803 (C.D. Cal. Aug. 13, 1999) (granting defendants' motion for summary judgment); *Electro Optical Indus., Inc. v. White*, 2000 Cal. LEXIS 3526 (Cal. Apr. 12, 2000) (reversing and republishing appellate court opinion recognizing the doctrine of inevitable disclosure).

37. *Gov't Tech. Servs., Inc. v. Intellisys Tech. Corp.*, 51 Va. Cir. 55 (1999) (declining to enjoin threatened misappropriation but stating "employee's actions are clearly actionable as a breach of fiduciary duty"); see *supra* note 32. But see *Dionne v. Southeast Foam Converting & Packaging, Inc.*, 397 S.E.2d 110 (Va. 1990) (enjoining former employee from using trade secret when a non-disclosure agreement existed).

38. Massachusetts, New Jersey, New York, Pennsylvania, Texas, and Wisconsin have all utilized some form of the doctrine. For cases in these states, see *Marcam Corp. v. Orchard*, 885 F. Supp. 294 (D. Mass. 1995) (granting one-year injunction against employee knowledgeable of computer software trade secrets to prevent him from working for his former employer's competitor in any capacity, as stated in his non-compete agreement); *Nat'l Starch & Chem. Corp. v. Parker Chem. Corp.*, 530 A.2d 31 (N.J. Super. Ct. App. Div. 1987) (granting

jurisdictions use common law or statutory support for injunctive relief when crafting a remedy, the courts apply policy reasons substantially similar to the comments to the UTSA.<sup>39</sup> Only Tennessee and Wyoming are without statutory provisions for enjoining misappropriation of trade secrets or case law recognizing the doctrine of inevitable disclosure. In summary, of the fifty other jurisdictions, forty-two have adopted the threatened misappropriation language of the UTSA, fifteen have applied the inevitable disclosure doctrine with the UTSA, eight have used inevitable disclosure without the UTSA, two have expressly declined to adopt the doctrine, and twenty-five have yet to publish a decision pertaining to inevitable disclosure.

## 2. Application of the Doctrine of Inevitable Disclosure

### a. Illinois

The leading case articulating the inevitable disclosure doctrine is *PepsiCo Inc. v. Redmond*,<sup>40</sup> however, the rationale underpinning the doctrine had existed for decades.<sup>41</sup> In *PepsiCo*, defendant Redmond had been a PepsiCo general

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preliminary injunction against employee to prevent him from working for a competitor in any capacity dealing with envelope adhesives); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624 (E.D.N.Y. 1996) (preventing employee knowledgeable of trade secrets relating to exercise equipment from working for a competitor of former employer); *Bus. Intelligence Servs., Inc. v. Hudson*, 580 F. Supp. 1068 (S.D.N.Y. 1984) (upholding one year non-compete restriction to prevent employee from working for any competitor in which she would reveal computer software information); *DoubleClick Inc. v. Henderson*, 1997 N.Y. Misc. LEXIS 577 (N.Y. Sup. Ct. Nov. 5, 1997) (enjoining employees knowledgeable of internet advertising trade secrets from working for any competitor for six months); *Air Prods. & Chems. v. Johnson*, 442 A.2d 1114 (Pa. Super. Ct. 1982) (preventing employee from working with on-site delivery of gas for a competitor for two years to protect his former employer's trade secrets); *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18 (Tex. App. 1998) (allowing employee to work for a direct competitor but preventing him from using former employer's trade secret information regarding modifications to high-end sports cars); *Union Carbide Corp. v. UGI Corp.*, 731 F.2d 1186 (5th Cir. 1984) (enjoining employee from disclosing any of his former employer's trade secrets in the industrial gas industry to any competitor); *La Calhene, Inc. v. Spolyar*, 938 F. Supp. 523 (W.D. Wis. 1996) (granting preliminary injunction of up to one year preventing former employer's marketing manager from working for any competitor).

39. UNIFORM ACT § 2(a) comments, 14 U.L.A. 449 (amended 1985) ("[T]his Act adopts the position of the trend of authority limiting the duration of injunctive relief to the extent of the temporal advantage over good faith competitors gained by a misappropriator.").

40. 54 F.3d 1262 (7th Cir. 1995).

41. See *Union Carbide Corp. v. UGI Corp.*, 731 F.2d 1186 (5th Cir. 1984); *Bus. Intelligence Servs., Inc. v. Hudson*, 580 F. Supp. 1068 (S.D.N.Y. 1984); *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645 (E.D. Mich. 1966); *Am. Totalisator Sys., Inc. v. Automatic Totalistors (U.S.A.) No. Civ.A.5562*, 1978 Del. Ch. LEXIS 529 (Del. Ch. Apr. 20, 1978); *E.I. duPont de Nemours & Co. v. Am. Potash & Chem. Corp.*, 200 A.2d 428 (Del. Ch. 1964); *Eastman Kodak Co. v. Powers Film Prods.*, 179 N.Y.S. 325, 330 (N.Y. App. Div. 1919) (upholding non-compete agreement because employee "would almost necessarily impart [the trade secrets] to some degree;" therefore, the employee was prohibited from working for competitor in the film industry); *B.F. Goodrich Co. v. Wohlgenuth*, 192 N.E.2d 99 (Ohio Ct.

manager with access to high-level business plans and marketing strategies.<sup>42</sup> After Redmond began working for a direct competitor, PepsiCo brought suit seeking to enjoin him from serving in any capacity similar to his former position at PepsiCo.<sup>43</sup> For reasons independent of Redmond's agreement not to disclose PepsiCo's trade secrets, the Seventh Circuit upheld the district court's injunction, stating, "PepsiCo finds itself in the position of a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game."<sup>44</sup> In upholding the injunction, the court analyzed the following five factors: (1) the existence and nature of the trade secrets;<sup>45</sup> (2) employee exposure to those trade secrets;<sup>46</sup> (3) direct competition between the present and former employers;<sup>47</sup> (4) functional equivalency of the new position as compared to the old position;<sup>48</sup> and (5) lack of candor and a willingness to misuse trade secrets by the employee and new employer.<sup>49</sup>

Numerous courts have attempted to articulate and apply these *PepsiCo* factors.<sup>50</sup> The actual test to be applied in a given case varies in some respects. Even if the test were known, it is a factor analysis, which by its nature implies some degree of discretion to the sitting judge. Therefore, practitioners find it difficult to advise a client on the probable outcome. However, the employer-plaintiff must satisfy the requirements for injunctive relief.<sup>51</sup> The jurisdictions are simply not consistent as to what facts are relevant and most probative in the doctrine of inevitable disclosure.

App. 1963).

42. *PepsiCo*, 54 F.3d at 1264.

43. *Id.* at 1269.

44. *Id.* at 1270. Redmond was not accused of stealing any tangible items; he simply had extensive and intimate knowledge of PepsiCo's marketing strategy and pricing architecture. *Id.*

45. *Id.* at 1265-66.

46. *Id.* at 1265.

47. *Id.* at 1266.

48. *PepsiCo*, 54 F.3d at 1266.

49. *Id.* at 1270-71. The Seventh Circuit Court of Appeals did place less emphasis on Redmond's evasiveness with PepsiCo and the competitor's recruitment of PepsiCo employees, but found the district court conclusion on these issues was not an abuse of discretion.

50. See *Maxxim Med., Inc. v. Michelson*, 51 F. Supp. 2d 773, 786 (S.D. Tex. 1999) (quoting D. Peter Harvey, 'Inevitable' Trade Secret Misappropriation after *PepsiCo, Inc. v. Redmond*, 537 PLI/PAT 199, 226[229] (1998)); *APAC Teleservices, Inc. v. McRae*, 985 F. Supp. 852, 860-63 (N.D. Iowa 1997); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1460 (M.D. N.C. 1996). These factors include: "(1) Is the new employer a competitor?; (2) What is the scope of the defendant's new job?; (3) Has the employee been less than candid about his new position?; (4) Has plaintiff clearly identified the trade secrets which are at risk?; (5) Has actual trade secret misappropriation already occurred?; (6) Did the employee sign a non-disclosure and/or non-competition agreement?; (7) Does the new employer have a policy against use of other's trade secrets?; (8) Is it possible to 'sanitize' the employee's new position?"

51. See *Dataphase Sys., Inc. v. C.L. Sys., Inc.*, 640 F.2d 109, 113 (8th Cir. 1981); *LEXIS-NEXIS v. Beer*, 41 F. Supp. 2d 950, 956 (D. Minn. 1999).

*b. Michigan*

In the 1966 case of *Allis-Chalmers Manufacturing Co. v. Continental Aviation & Engineering Corp.*,<sup>52</sup> the Michigan court prevented an engineer from working for his previous employer's competitor because he could not perform to the best of his abilities without disclosing Allis-Chalmers's trade secrets.<sup>53</sup> The court discussed many of the same policy considerations addressed by courts that later adopted the inevitable disclosure doctrine.<sup>54</sup> In finding "an inference that there is an inevitable and imminent danger of disclosure of Allis-Chalmers trade secrets," the court simply considered (1) whether trade secrets existed, (2) whether the former employee knew of the trade secrets, and (3) whether the trade secrets were of "the nature of the type of work" in the new position.<sup>55</sup> The test does not emphasize the parties' actions during the change of employment, but objectively decides whether the trade secret would be disclosed.<sup>56</sup> While granting a preliminary injunction which allowed the former employee to work for the competitor only in positions not involving plaintiff's trade secrets, the court balanced the protection of the plaintiff's valuable trade secrets with the former employee's "right to migrate from one job to another."<sup>57</sup>

*c. New York*

New York recognizes the doctrine of inevitable disclosure, but cautions that "the doctrine should be applied in only the rarest of cases."<sup>58</sup> In *Earthweb v. Schlack*, the Southern District of New York decided not to enjoin the employee, listing the following three "[f]actors to consider in weighing the appropriateness of granting injunctive relief": (1) whether the employers were direct competitors; (2) whether the similarity between the former job and the new job precluded the employee from "fulfill[ing] his new job responsibilities without utilizing the trade secrets;" and (3) the value of the trade secrets to both

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52. 255 F. Supp. 645 (E.D. Mich. 1966).

53. *Id.* at 654 (enjoining former employee only from positions with defendant employer which involved the design and development of distributor type fuel injection pumps).

54. *Id.* at 652-54.

55. *Id.* at 654.

56. *Id.*

57. *Id.*

58. *Earthweb v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999) (denying preliminary injunction because plaintiff could not prove inevitable risk of disclosure because the former employee did not possess plaintiff's trade secrets nor did his new position require use of such trade secrets). The court stated that "in its purest form, the inevitable disclosure doctrine treads an exceedingly narrow path through judicially disfavored territory" of binding employees to implied-in-fact restrictive covenants. *Id.*

employers.<sup>59</sup> The court also indicated that “[o]ther case-specific factors such as the nature of the industry and trade secrets should be considered as well.”<sup>60</sup>

*d. Texas*

Texas provides injunctive relief when a former employer can prove (1) the employee possesses trade secrets of the former employer and (2) the employee is “in a position to use [them] to compete directly with [the former employer].”<sup>61</sup> In *T-N-T Motorsports*, the Texas Court of Appeals did not prevent the employee from working for the competitor, but simply precluded the use of the former employer’s trade secrets in the customization of sports cars.<sup>62</sup>

*e. Georgia*

In *Essex Group, Inc. v. Southwire Co.*<sup>63</sup> the Georgia Supreme Court enjoined an employee from working in a particular department of his former employer’s competitor for five years.<sup>64</sup> In upholding the injunction the court focused on three factors: (1) the existence of a trade secret, (2) direct competition between the employers and the benefit the new employer would receive from the trade secret, and (3) the employee’s knowledge of the trade secret.<sup>65</sup> The court did not analyze the parties’ activities beyond the “reasonable efforts [of the former employer] to maintain the secrecy of its [trade secrets].”<sup>66</sup> The unusually long duration of the injunction, particularly without a non-compete or non-disclosure agreement, was justified by the new employer’s ability to overcome the injunction upon the discovery of the trade secret through independent means.<sup>67</sup>

59. *Id.*

60. *Id.*; see also *DoubleClick Inc. v. Henderson*, 1997 N.Y. Misc. LEXIS 577, \*22-\*24 (N.Y. Sup. Ct. Nov. 5, 1997) (considering the “speed with which the Internet advertising industry apparently changes” when enjoining former employees from working for companies that provide “any advice or information concerning any aspect of advertising on the Internet”).

61. *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18, 24 (Tex. App. 1998).

62. *Id.* at 25. The plaintiff’s trade secrets consisted of information about specifications for upgrades to Dodge Viper and Mitsubishi 3000 GT motor vehicles, lists of customers, and vendors for customized parts. *Id.* at 23.

63. 501 S.E.2d 501 (Ga. 1998).

64. *Id.* at 502. The former employer’s logistical system took over three years to develop, cost over \$2 million, and provided substantial efficiencies in the cable and wire industry. The former employee headed the project team for the former employer and intended to do the same for his new employer. Therefore, the court prohibited him from working in only the logistics department of his new employer. *Id.*

65. *Id.* at 502-05.

66. *Id.* at 505.

67. *Id.* at 506.

*f. North Carolina*

North Carolina recognized the doctrine of inevitable disclosure in 1996.<sup>68</sup> In deciding to enjoin the employee from working for the new employer on a particular product line, the federal court in *Merck* recited the factors listed in *Travenol Laboratories Inc. v. Turner*<sup>69</sup> to consider when ruling on a preliminary injunction: “(1) the circumstances surrounding the termination of employment, (2) the importance of the employee’s job or position, (3) the type of work performed by the employee, and (4) the kind of information sought to be protected and the value of the information or the need of the competitor for it.”<sup>70</sup> The *Merck* court also looked at other court decisions, such as *PepsiCo*,<sup>71</sup> and then applied the following factors: (1) whether the employee has “similar responsibilities” in her position with the direct competitor; (2) “the circumstances surrounding the termination to see where the equities lie;” and (3) “the value of the information to [the new employer] and their ability to produce it either generally or specifically.”<sup>72</sup>

*g. California*

California has repeatedly rejected the doctrine of inevitable disclosure because it has a policy of preventing restraint on employment.<sup>73</sup> Recently, a California District Court of Appeals recognized the inevitable disclosure doctrine,<sup>74</sup> but the California Supreme Court ordered the opinion depublished and reversed the decision without opinion.<sup>75</sup>

California courts use the following statutory language to reject inevitable disclosure: “Every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.”<sup>76</sup> California courts use the 1941 statute, even though the legislature passed the

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68. *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1457 (M.D.N.C. 1996) (enjoining former employee of plaintiff for one year and two years, concurrently, from working with direct competitor on a certain line of stomach acid antagonists; the time periods were for different types of information and the duration governed by how long the information would have competitive value).

69. 228 S.E.2d 478, 483 (N.C. Ct. App. 1976) (declining to enjoin employee from working for competitor of former employer, yet prohibiting him from revealing trade secrets regarding centrifuges made by former employer).

70. *Merck*, 941 F. Supp. at 1459-60.

71. *Id.* at 1460.

72. *Id.* at 1460-61.

73. CAL. BUS. & PROF. CODE § 16600 (West 1990); see also *supra* note 36.

74. *Electro Optical Indus., Inc. v. White*, 90 Cal. Rptr. 2d 680, 684 (Ct. App. 1999); see also Richard L. Stone, *Enjoining Employment Without Evidence of Trade Secret Misappropriation: California Adopts the “Inevitable Disclosure” Doctrine*, 4 CYBERSPACE LAW., No. 11, Feb. 2000, at 9-12.

75. *Electro Optical Indus., Inc. v. White*, 2000 Cal. LEXIS 3526 (Cal. Apr. 12, 2000).

76. CAL. BUS. & PROF. CODE § 16600 (West 1990).

UTSA in 1985 which provided injunctive relief for threatened misappropriation.<sup>77</sup> The courts have reconciled this conflict of statutory policy by “assum[ing] that the Legislature ha[d] existing laws in mind at the time that it enact[ed] a new statute.”<sup>78</sup>

#### *h. South Carolina*

South Carolina does not have a statutory equivalent to California’s prohibition of restraints on professions, trade, or business.<sup>79</sup> The absence of such a statute indicates that a South Carolina court is more likely to apply the doctrine of inevitable disclosure when faced with an appropriate case, assuming the legislature does not enact a statute in conflict with the inevitable disclosure doctrine.<sup>80</sup>

One of the most difficult components of the doctrine of inevitable disclosure is deciding the type of remedy to grant. The injunctive relief the doctrine provides varies greatly. The injunctions can last for a few months, until trial,<sup>81</sup> or for many years.<sup>82</sup> Some of the more common factors used to determine the type of injunctive relief to award are the jurisdiction’s willingness to restrain an employee from subsequent employment with a particular competitor,<sup>83</sup> the type of trade secret and the particular industry,<sup>84</sup> the existence of restrictive covenants,<sup>85</sup> or suspicious actions by the employee.<sup>86</sup>

77. CAL. CIV. CODE § 3426.2(a) (West 1997).

78. *Schmidt v. S. Cal. Rapid Transit Dist.*, 14 Cal. App. 4th 23, 27 (1993) (stating California’s “time-honored rules of statutory construction”).

79. *See supra* note 73.

80. *See generally* *Dionne v. Southeast Foam Converting & Packaging, Inc.*, 397 S.E.2d 110, 114 (Va. 1990) (stating Virginia’s policy that “it is the responsibility of the legislature, not the judiciary, to formulate public policy, to strike the appropriate balance between competing interests, and to devise standards for implementation”).

81. *See* *LEXIS-NEXIS v. Beer*, 41 F. Supp. 2d 950, 960 (D. Minn. 1999) (granting injunction prohibiting disclosure of plaintiff’s customer information for six months; however, the salesman could still work for his new employer); *E.I. duPont de Nemours & Co. v. Am. Potash & Chem. Corp.*, 200 A.2d 428, 430 (Del. Ch. 1964) (granting preliminary injunction against former employee taking new position with competitor).

82. *See* *Solutec Corp. v. Agnew*, 88 Wash. App. 1067 (Wash. Ct. App. 1997) (enjoining employment with competitor for six years).

83. *See* *Earthweb v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999) (stating “New York’s strong public policy against [implied-in-fact restrictive covenants which circumvent] the strict judicial scrutiny they have traditionally required”).

84. *See* *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501, 506 (Ga. 1998) (enjoining the employee for five years because the court held that the “trade secret is entitled to protection until the trade secret holder’s competitors are able to duplicate the system by legitimate, independent research”).

85. *See* *Aetna Ret. Serv., Inc. v. Hug*, 1997 Conn. Super. LEXIS 1781, at \*28-30 (Conn. Super. Ct. June 18, 1997) (upholding noncompetition agreement based upon principles of inevitable disclosure).

86. *See* *Earthweb*, 71 F. Supp. 2d at 310 (declaring “overt theft of trade secrets . . . has long been recognized as an appropriate ground for enjoining the disclosure of trade secrets”).

The injunctive relief is ultimately based upon the judge's discretion regarding the particular case.

As illustrated in these representative cases, courts do not apply a consistent standard when invoking the doctrine of inevitable disclosure. If South Carolina courts adopt the inevitable disclosure doctrine, they will be faced with the difficult decision of how to apply the doctrine, including not only when to apply it, but how to develop a framework for crafting a remedy as well.

### 3. *Public Policy Considerations*

The doctrine of inevitable disclosure directly conflicts with the personal freedom of employment, as the California decisions rejecting inevitable disclosure noted.<sup>87</sup> However, using principles of commercial morality, most other courts have been inclined to protect trade secrets over an employee's freedom to work for a direct competitor.<sup>88</sup> Employers invest considerable money, time, and resources in developing a competitive advantage, and they demand trade secret protection to maintain that advantage.<sup>89</sup> Ensuring protection of trade secrets promotes technical and business innovation only if employers know the work will be protected under law.<sup>90</sup> Because an employer must entrust employees with trade secrets in order for those secrets to be utilized and further developed, businesses have a vested interest in ensuring that those secrets do not leave with the employee.<sup>91</sup>

When deciding what knowledge should limit an employee's freedom of employment, the courts must perform a fine balancing act between the interests of the individual and the interests of the former company. "The right of an individual to follow and pursue the particular occupation for which he is best trained is a most fundamental right."<sup>92</sup> Although an employee cannot "take with him confidential, particularized plans or processes developed by his employer,"

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87. See *supra* note 36.

88. See, e.g., *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645, 652-53 (E.D. Mich. 1966) (considering commercial morality and freedom of employment when deciding to utilize the doctrine of inevitable disclosure).

89. See *supra* note 7; see also UNIFORM ACT § 1 n.1, 14 U.L.A. 443 (1990) (stating the "[p]urpose of Trade Secrets Act is to prevent one person or business from profiting from a trade secret developed by another, because it would thus be acquiring free competitive advantage").

90. See *Allis-Chalmers Mfg. Co.*, 255 F. Supp. at 653 (stating trade secret law seeks "to protect the owner of information obtained through the ingenuity and efforts of its employees, and its expenditures of time and money").

91. See *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1455 (M.D.N.C. 1996) (stating that a company suffers "irreparable harm where a trade secret has been misappropriated").

92. *Carolina Chem. Equip. v. Muckenfuss*, 322 S.C. 289, 294, 471 S.E.2d 721, 724 (Ct. App. 1996); see also *AMP, Inc. v. Fleischhacker*, 823 F.2d 1199, 1202 (7th Cir. 1987); *Millard Maint. Serv. Co. v. Bernero*, 566 N.E.2d 379, 383 (Ill. App. Ct. 1990) (recognizing fundamental right of individual to pursue a particular occupation for which she is trained).



he should be “free to take with him general skills and knowledge acquired during his tenure with his former employer.”<sup>93</sup>

South Carolina employees who know, or reasonably should have known, of their former employer’s trade secrets have “a duty to refrain from using or disclosing the trade secrets without the employer’s permission.”<sup>94</sup> The duty applies “independently of and in addition to any [other agreements].”<sup>95</sup> Although “[r]estraints cannot be lightly placed upon [a person’s] right to compete in the area of his greatest worth,”<sup>96</sup> a breach of the duty to restrain from disclosing trade secrets and the resulting irreparable harm imposed on the employer<sup>97</sup> justifies such restraint. The doctrine of inevitable disclosure is the best tool for balancing the parties’ interests when restraining freedom of employment and protecting trade secrets.

### *B. South Carolina Courts Should Adopt an Objective Inevitable Disclosure Test*

A former employer seeking to protect its trade secrets should be required to prove that: (1) the employee possesses trade secrets of the plaintiff, (2) the new employer is a direct competitor, and (3) it would be impossible for the employee to perform her duties without revealing the trade secrets. If such a situation exists, the judge should grant an injunction. The importance of the trade secret and the responsibilities of the position should govern, within the judge’s discretion, the duration and scope of the injunctive relief. Section 1 below discusses the three proposed elements required for an injunction. Because crafting the remedy is separate from the three part objective test, section 2 discusses considerations a judge might weigh when deciding the parameters of the injunction.

#### *1. Finding Inevitable Disclosure of Trade Secrets*

##### *a. Possession of Trade Secrets*

A plaintiff first must demonstrate that trade secrets exist and that the employee possesses them.<sup>98</sup> The court should apply the statutory language as

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93. *AMP*, 823 F.2d at 1202.

94. S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. 1976 & Supp. 1999).

95. *Id.*

96. *See Carolina Chem. Equip.*, 322 S.C. at 295, 471 S.E.2d at 724.

97. *See Merck & Co.*, 941 F. Supp. at 1455.

98. All inevitable disclosure cases require the plaintiff to prove the employee possesses trade secrets. *See supra* notes 35-38. The inquiry focuses on whether the plaintiff proves the existence of trade secrets. *See supra* notes 35-38; *see also* Carboline Co. v. Lebeck, 990 F. Supp. 762 (E.D. Mo. 1997) (denying injunctive relief to plaintiff because plaintiff failed to prove information consisted of trade secrets).

to what types of information are recognized as trade secrets.<sup>99</sup> When deciding whether or not a trade secret exists, the court must also consider the sophistication of the industry, the economic value of the trade secret to the employer, and the precautions taken by the employer to protect the trade secret.<sup>100</sup> Standard trade secret exceptions should apply, such as whether the information has been “disclosed or discovered by proper means.”<sup>101</sup> The court should afford equal protection to all categories of trade secrets, but protection may be varied with respect to the particular industry and the importance of the trade secret’s contents.

Proof that the employee knows, or has reason to know, of an employer’s trade secrets is also mandatory.<sup>102</sup> An employer cannot restrict an employee who simply learns the skills of a trade while on the job.<sup>103</sup> The employer must show that the employee developed, utilized, or possessed the trade secrets.<sup>104</sup>

### *b. Competition Between Employers*

The second factor the plaintiff must prove is that the new employer is a direct competitor.<sup>105</sup> Proof of direct competition requires more than a showing that the former and future employers operate in the same “industry,” as that term is broadly defined in some statutes.<sup>106</sup> The plaintiff must prove the trade

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99. See S.C. CODE ANN. § 39-8-20(5) (Law. Co-op. 1976 & Supp. 1999); see also *Carolina Chem. Equip. v. Muckenfuss*, 322 S.C. 289, 295-96, 471 S.E.2d 721, 724-25 (Ct. App. 1996).

100. See *Novell Inc. v. Timpanogos Research Group Inc.*, 46 U.S.P.Q.2D (BNA) 1197, 1218 (Utah 1998) (enjoining employee for only nine months while stating, “[t]his is a fluid industry, with new developments coming at light speed”); *Carboline*, 990 F. Supp. at 767 (ruling against plaintiff who “did not present convincing evidence that it took measures to maintain the secrecy of its documents”); *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501, 505 (Ga. 1998) (finding plaintiff “took reasonable efforts to maintain the secrecy of its [trade secrets]”).

101. See S.C. CODE ANN. § 39-8-30(A) (Law. Co-op. 1976 & Supp. 1999).

102. See S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. 1976 & Supp. 1999).

103. See *Carolina Chem. Equip.*, 322 S.C. at 294, 471 S.E.2d at 724.

104. See *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 631 (E.D.N.Y. 1996) (enjoining employee who was “privity to [t]op secret . . . information. He [could not] eradicate [those] trade secrets . . . from his mind”); cf. *Earthweb v. Schlack*, 71 F. Supp. 2d 299, 316 (S.D.N.Y. 1999) (drawing “a distinction between pursuing ‘a general conceptual goal by incorporating specific needs and wants in the form of instructions for a programmer’ and the nuts and bolts of actually designing the software and hardware architecture,” because employee did former, he was not enjoined from new employment).

105. All inevitable disclosure cases require the plaintiff to prove the employee is leaving to work for a competitor. See *supra* notes 35-38; see, e.g., *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501, 502 (Ga. 1998) (finding employers to be direct competitors).

106. See S.C. CODE ANN. § 4-29-10(6) (Law. Co-op. 1987 & Supp. 1999) (“‘Industry’ shall mean any person, firm or corporation engaged in any one or more of the enterprises identified in item (3) of this section or any person, firm or corporation providing facilities constituting a project to be used by any one or more of the enterprises identified in item (3) of this section.” (emphasis added)). S.C. CODE ANN. § 4-29-10(3) provides a very broad definition of “project.” *Id.*; see also S.C. CODE ANN. § 48-3-10(4) (Law. Co-op. 1986) (“‘Industry’ shall mean any person, firm or corporation operating any enterprise or facility for the manufacturing, processing, assembling, distributing or shipping of any type of product, from which operation,

secret is directly applicable to a particular product line or service in which the new employer also competes.<sup>107</sup>

### c. *Inevitable Disclosure*

The plaintiff's third burden of proof is that the employee would inevitably disclose the trade secret during her job performance.<sup>108</sup> A showing that disclosure would be inevitable is imperative because an employee could work for a competitor of her former employer without disclosing trade secrets.<sup>109</sup> The judge should take an objective look at the situation by comparing the trade secrets involved with the responsibilities inherent in the new position.<sup>110</sup> The investigation would not be limited to functionally equivalent positions, but to any position where the employee would be inclined to utilize the trade secret in the course of her job performance.<sup>111</sup> The court should inquire into the activities involved in the particular position.<sup>112</sup> Therefore, a plaintiff must objectively demonstrate that an employee would inevitably reveal the trade secret while performing in her particular capacity, regardless of the employee's intent.<sup>113</sup> If an employer shows that the employee possesses trade secrets that she would inevitably disclose to a competitor, the former employer should be entitled to injunctive relief.<sup>114</sup>

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conditions result which would . . . bring about the pollution of the atmosphere or which would create water pollution problems." (emphasis added)).

107. See *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645, 646-47 (E.D. Mich. 1966); *Essex Group, Inc.*, 501 S.E.2d at 502; *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18, 24 (Tex. App. 1998).

108. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1271 (7th Cir. 1995); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1461 (M.D.N.C. 1996), *Allis-Chalmers*, 255 F. Supp. at 654.

109. See *T-N-T Motorsports*, 965 S.W.2d at 26.

110. See *Allis-Chalmers*, 255 F. Supp. at 654 (stating "[t]he virtual impossibility of [the employee] performing all of his prospective duties for [his new employer] to the best of his ability, without in effect giving it the benefit of [plaintiff's] confidential information, makes a simple injunction against disclosure and use of this information inadequate").

111. *Id.* The *Allis-Chalmers* court found "the nature of the . . . work done by [the former employee] on distributor type fueling pumps at [the former employer, and] the nature of the type of work [the former employee] is to perform at [his new employer] which includes design and development of distributor type fuel injection pumps, [leads] to an inference that there is an inevitable and imminent danger of disclosure of [the former employer's] trade secrets." *Id.*

112. *Id.*

113. *Id.*; see also *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 631 (E.D.N.Y. 1996) (enjoining employee regardless of his assurance "that he did not want to receive or discuss any [of plaintiff's] trade secrets").

114. See generally *Nat'l Starch & Chem. Corp. v. Parker Chem. Corp.*, 530 A.2d 31, 33 (N.J. Super. Ct. App. Div. 1987) ("[D]amages will not be an adequate remedy when the competitor has obtained the secrets. The cat is out of the bag and there is no way of knowing to what extent their use has caused damage or loss.").

## 2. *Crafting an Appropriate Remedy*

The injunctive relief will be discretionary but should depend primarily upon the trade secrets being protected and the employee's new responsibilities. The employee should only be enjoined from positions that the former employer proves will lead to inevitable disclosure of the trade secrets.<sup>115</sup> This will allow the employee to work for the new employer in a different capacity during the injunction, or for a different employer altogether. Because the disclosure must be inevitable for injunctive relief to be considered, the presumption should be to enjoin employment for six months to a year. The majority of injunctions against employment are for a year or less.<sup>116</sup> This duration minimizes the inconvenience to the employee while providing adequate protection to the employer's trade secret.<sup>117</sup> However, some situations justify longer periods of restricted employment.<sup>118</sup> In circumstances where the judge decides enjoining employment is undeserved, the injunctive relief should at least impose a duty not to disclose the trade secrets.<sup>119</sup> The employee's statutory duty to keep trade secrets confidential would justify the injunction.<sup>120</sup> Even when enjoining employment, a judge should also grant an order to not reveal the trade secrets.<sup>121</sup>

The duration of the injunction should depend upon the anticipated life of the trade secret as proven by the plaintiff. A trade secret exists only for as long

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115. See *Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645, 654 (E.D. Mich. 1966) (preventing employee from working with new employer only on projects relating to the design and development of distributor type fuel injection pumps).

116. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1267 (7th Cir. 1995) (enjoining former employee for six months); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1464 (M.D.N.C. 1996) (enjoining employee for one year).

117. See *Novell Inc. v. Timpanogos Research Group Inc.*, 46 U.S.P.Q.2D (BNA) 1197, 1218 (Utah 1998) (balancing plaintiff's product introduction schedule with defendant's freedom of employment).

118. See *Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501, 506 (Ga. 1998) (restricting employment in a particular department of the new employer for five years because of the time and expense of creating plaintiff's logistics system); *Solutec Corp. v. Agnew*, 88 Wash. App. 1067 (1997) (restricting any competition against former employer in the manufacture of edible apple waxes containing a particular ingredient for six years even though the employees could use waxes that were not trade secrets because enforcing an injunction allowing the employees to use other waxes "would be extremely difficult to police, and would be unduly burdensome and expensive, in order to determine whether [plaintiff's] trade secrets were used").

119. See *APAC Teleservices, Inc. v. McRae*, 985 F. Supp. 852, 867 (N.D. Iowa 1997) (finding plaintiff with whom the employee had signed a non-compete agreement would not be irreparably harmed by employee's new job because his job was in a different capacity). Courts typically support this remedy by finding lack of inevitable disclosure. See, e.g., *LEXIS-NEXIS v. Beer*, 41 F. Supp. 2d 950, 959 (D. Minn. 1999) (granting only an order not to disclose trade secrets because plaintiff failed to show employee would inevitably disclose trade secrets).

120. See S.C. CODE ANN. § 39-8-30(B) (Law. Co-op. 1976 & Supp. 1999).

121. See *PepsiCo, Inc.*, 54 F.3d at 1272 (granting order not to work for competitor for one year and order not to ever disclose trade secrets).

as the employer derives commercial advantage from it.<sup>122</sup> The period depends upon the importance of the information composing the trade secret and the speed of innovation of the industry competitors.<sup>123</sup> The possibility of terminating the injunction prematurely if the new employer can obtain the trade secret through legitimate means should always be included.<sup>124</sup> An injunction restricting employment should be accompanied by a prohibition of trade secret disclosure for a longer period than employment was enjoined, so that if the trade secret had not been discovered before the employee returned, the obligation to keep the trade secret confidential would continue.<sup>125</sup> Geographical restrictions may be irrelevant since the disclosure of trade secrets pertains only to certain positions with particular companies, independent of location.<sup>126</sup> Compensation may be provided for in very limited situations when an injunction against employment is granted.<sup>127</sup>

### 3. *Comparison of Test to Other Jurisdictions' Approaches*

The proposed test outlined above combines the approaches used in Texas, Michigan, New York, and Georgia. It diverges from the approaches that

122. See S.C. CODE ANN. § 39-8-50(A) (Law. Co-op. 1976 & Supp. 1999); UNIFORM ACT § 2(a) *supra* note 38.

123. See S.C. CODE ANN. § 39-8-50(A) (Law. Co-op. 1976 & Supp. 1999); *see also* DoubleClick Inc. v. Henderson, 1997 N.Y. Misc. LEXIS 577, \*23 (N.Y. Sup. Ct. Nov. 5, 1997) (rejecting plaintiff's request for a one-year injunction and granting a six-month injunction because "[g]iven the speed with which the Internet advertising industry apparently changes, defendant's knowledge of DoubleClick's operations will likely lose value to such a degree that the purpose of a preliminary injunction will have evaporated before the year is up"); Novell Inc. v. Timpanogos Research Group Inc., 46 U.S.P.Q.2D (BNA) 1197, 1218 (Utah 1998) (stating "[t]he delay of only several months or a year may consign a project to second or third class status 'when enjoining employee for nine months). See generally E.I. duPont de Nemours & Co. v. Am. Potash & Chem. Corp., 200 A.2d 428, 436 (Del. Ch. 1964) (stating "courts are nonetheless entitled to decide or 'predict' the likely consequences arising from a given set of facts and to grant legal remedies on that basis").

124. See S.C. CODE ANN. § 39-8-50(A) (Law. Co-op. 1976 & Supp. 1999); *see also* Essex Group, Inc., 501 S.E.2d at 506 (stating "'an injunction shall be terminated when the trade secret has ceased to exist'" because "a trade secret is entitled to protection until the trade secret holder's competitors are able to duplicate the system by legitimate, independent research").

125. See *supra* note 119.

126. See generally *Bus. Intelligence Servs., Inc. v. Hudson*, 580 F. Supp. 1068, 1073 (S.D.N.Y. 1984) (finding "the world-wide scope of the noncompetition clause not unreasonable, given the international nature of BIS's business"). The injunction should be sought in the jurisdiction the competitor is subject to personal jurisdiction. See *Merck & Co.*, 941 F. Supp. at 1447 (filing suit in North Carolina where the new employer had its principle place of business, even though plaintiff's former employee was a Canadian citizen and had taken a new position in the United Kingdom).

127. See *Aetna Ret. Servs., Inc. v. Hug*, 1997 Conn. Super. LEXIS 1781, \*31 (Conn. Super. Ct. June 18, 1997) (ordering plaintiff to pay employee during the injunction the pro rata portion of his salary in accordance with the non-compete agreement the executive had signed with his former employer).

emphasize the parties' activities surrounding the employee's departure.<sup>128</sup> The proposed test is heavily modeled after the inquiry conducted by Texas in *T-N-T Motorsports*.<sup>129</sup> The Texas Court of Appeals simply inquired whether the employee possessed trade secrets of his former employer and if he would use those secrets to compete against his former employer.<sup>130</sup> The court in *T-N-T Motorsports* actually held that the employee could work for the competitor without using the trade secrets, so the court only granted an injunction against disclosure.<sup>131</sup> New York articulated a similar test in *Earthweb* when it focused on the value of the trade secrets, the level of competition between the employers, and the ability of the employee to fulfill her new job responsibilities without using the trade secrets.<sup>132</sup> Michigan and Georgia also apply analogous tests in *Allis-Chalmers* and *Essex* respectively.<sup>133</sup> These courts placed minimal importance on the employers' and the employees' activities during the job transition which distinguishes those cases from the leading inevitable disclosure cases of *PepsiCo* and *Merck*.<sup>134</sup>

The court in *PepsiCo* discussed at length the candor of the employee and the employee's willingness to use his former employer's trade secrets in his new position.<sup>135</sup> Likewise, one of the factors in *Merck* was an inquiry into the "circumstances surrounding the termination."<sup>136</sup> Although these details of a case may indicate an employee is more likely to disclose the trade secrets, inevitable disclosure can be sufficiently proven without those facts.<sup>137</sup> In some cases the court will actually laud the integrity of the employee while enjoining her from employment.<sup>138</sup> Therefore, the facts surrounding an employee's

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128. *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995) (focusing on the facts surrounding the defendant's departure from the plaintiff's employment).

129. 965 S.W.2d 18, 24 (Tex. App. 1998).

130. *Id.*

131. *Id.* at 26.

132. *Earthweb v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999) (declining to grant injunction in the absence of recognized "trade secrets or tortious conduct on the part of the employee"). The proposed test simply looks for the existence of trade secrets and the employee's possession of them, while using the value of the trade secret as one consideration when crafting the remedy. *See Essex Group, Inc. v. Southwire Co.*, 501 S.E.2d 501, 506 (Ga. 1998) (granting a relatively long injunction of five years because of the time and money the former employer had invested in the trade secrets involved).

133. *See supra* Parts III.A.2.b, III.A.2.e.

134. *See supra* Parts III.A.2.a, III.A.2.f.

135. *PepsiCo*, 54 F.3d at 1270.

136. *Merck*, 941 F. Supp. at 1461 (granting an injunction, in part because if an employee "would misrepresent the truth in order to gain more money through a severance package, he might also find that the temptation to succeed in his career would be too much for him to ignore the confidential information he has about plaintiff's operations").

137. *See Essex Group, Inc.*, 501 S.E.2d at 505; *E.I. duPont de Nemours & Co. v. Am. Potash & Chem. Corp.*, 200 A.2d 428, 436 (Del. Ch. 1964).

138. *See Aetna Ret. Servs., Inc. v. Hug*, 1997 Conn. Super. LEXIS 1781, \*28 (Conn. Super. Ct. June 18, 1997) ("It is unquestionable that [the employee] is a person of unimpeachable integrity whose honesty is widely respected and admired."); *see also Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 631 (E.D.N.Y. 1996) (enjoining employee for six months even though the

termination, which may be enlightening and important in claims of actual misappropriation, are essentially irrelevant.

By proving that the former employee possesses trade secrets which she must reveal in her new job with a competitor, an employer may be able to enjoin such an individual from that position. The extent of injunctive relief will ultimately depend upon the judge's discretion when weighing the trade secrets' importance and the ability of the employee to earn a living.<sup>139</sup>

#### 4. *Benefits of this Objective Test*

An objective test furthers public policy supporting the protection of trade secrets because employers will continue to feel that their innovations are secure if they take adequate measures to protect them.<sup>140</sup> Such assurance will promote increased development and innovation which will indirectly lead to an overall increase in employment opportunities. This, in turn, promotes freedom of employment.<sup>141</sup> The improved job market for everyone may overcome or balance the restrictions that may be placed on a limited number of employees seeking limited positions. The proposed test provides a well-balanced approach to the reconciliation of protecting employers' trade secrets and individuals' freedom of employment.<sup>142</sup> The number of professional opportunities that will be limited is minimized because the former employer has the entire burden of proof to show actual or threatened misappropriation which would apply only to particular positions and employers.<sup>143</sup> The restrictions on an employee's freedom of employment are likely rare since the injunction should apply only to particular competitors or products and to specialized positions. An employee

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court found him "candid" and measures taken by him and his employer to prevent disclosure of trade secrets were "admirable").

139. *See Nat'l Starch & Chem. Corp. v. Parker Chem. Corp.*, 530 A.2d 31, 32 (N.J. Super. Ct. App. Div. 1987) (stating the "delicate balance of equities" governs the granting of a preliminary injunction).

140. *See Allis-Chalmers Mfg. Co. v. Cont'l Aviation & Eng'g Corp.*, 255 F. Supp. 645, 653 (E.D. Mich. 1966) ("[T]he courts seek to enforce increasingly high standards of fairness or commercial morality and to protect the owner of information obtained through the ingenuity and efforts of its employees, and its expenditure of time and money."); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1462 (M.D.N.C. 1996) (explaining the public interest "in encouraging research and development to provide consumers with competitive, quality products by protecting trade secret information"). For more discussion on adequate measures to protect trade secrets, *see supra* note 8 and accompanying text.

141. *See supra* note 7. The plaintiff company's investment of millions of dollars and years of testing, which were protected by trade secret law, gave rise to employment opportunities for the defendant and others; without such protection, such opportunities may never have been realized.

142. *See generally Allis-Chalmers Mfg. Co.*, 255 F. Supp. at 652-53 (discussing the "apparently conflicting principles of law").

143. *See PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1266 (7th Cir. 1995) (focusing analysis on competition with the new employer and the former employee's position with the new employer).

knowledgeable of trade secrets will most likely be skilled in the relevant art, and whether she is a scientist, engineer, or manager, her skills can be utilized in capacities outside the scope of the particular trade secret.<sup>144</sup> Therefore, the injunctive relief available under the proposed test will not make the employee's professional skills obsolete nor unjustly limit her career opportunities.

The test also minimizes the fact-based inquiry undertaken by many of the other jurisdictions.<sup>145</sup> An objective test for deciding when to grant an injunction is preferable because it will result in more consistent holdings, can be applied by employers, employees, and attorneys with more confidence, and will eliminate the investigation of the facts surrounding the employee's departure. The inquiries used by other jurisdictions are inherently subjective as they speculate as to what the particular employee might do.<sup>146</sup> The crafting of the remedy portion of the proposed test does involve minimal subjective inquiries, but the granting of an injunction requires a "delicate balance of equities."<sup>147</sup>

When disputes arise, the structured test will encourage settlement because the parties will be able to better predict the outcome and negotiate accordingly. The current uncertainty surrounding South Carolina's approach to enjoining threatened misappropriation, while not yet leading to appellate level litigation, can lead to agreements which are not the most efficient compromise of trade secret protection and freedom of employment.

Another possible advantage of the proposed test is that court involvement after the granting of injunctive relief is likely minimal as subsequent litigation for actual misappropriation would be available to the former employer.<sup>148</sup> The most likely scenario would occur when a former employer brings a claim because the employee violated the injunction either by working for the competitor or disclosing the trade secrets. The new employer's primary defense would then be an independent discovery of the trade secrets, thereby eliminating the effectiveness of the injunctive relief.<sup>149</sup> Therefore, the recommended test and remedies minimize judicial oversight.

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144. See *Allis-Chalmers Mfg. Co.*, 255 F. Supp. at 654 (granting an injunction "to protect the [trade] secrets without undue restraint on [the employee's] right to pursue his chosen vocation [by allowing the employee] to work [for the new employer] in application engineering without limitation as to the field of activity, and to engage in design and development in all kinds of fuel injection systems and pumps except a distributor type pump").

145. See *PepsiCo, Inc.*, 54 F.3d at 1269-72; *Merck & Co.*, 941 F. Supp. at 1460-62.

146. *PepsiCo, Inc.*, 54 F.3d at 1270.

147. *Nat'l Starch & Chem. Corp. v. Parker Chem. Corp.*, 530 A.2d 31, 32 (N.J. Super. Ct. App. Div. 1987).

148. See *generally Solutec Corp. v. Agnew*, 88 Wash. App. 1067, 1079 (1997) (declaring a narrow injunction allowing the former employees "to make competitive apple waxes would be extremely difficult to police," therefore, the court enjoined the employees from the manufacture of edible apple waxes containing a particular ingredient for a period of six years).

149. See *supra* note 124 and accompanying text.



By not requiring restrictive covenants, it appears that the test removes incentives for employers to create prior agreements with employees.<sup>150</sup> This is not the case. The test simply provides an additional, though less advantageous, remedy to employers. Employers are still encouraged to utilize restrictive covenants. Such agreements would clarify any uncertainty regarding the employee's obligations and would likely preclude the need to invoke relief under the Trade Secrets Act.<sup>151</sup> Employers must draft reasonable and enforceable restrictive covenants, and they should allow for judicial modification in the event that the agreement should be supplemented by the inevitable disclosure doctrine.<sup>152</sup> It is in a company's best interest to impose the most effective restrictive covenant agreements so the company may avoid the expense and uncertainty of litigation and so that each party will better understand permissible post-employment activities.<sup>153</sup>

Finally, courts should be very careful in applying the doctrine of inevitable disclosure because "its application is fraught with hazards."<sup>154</sup> Liberal application of this approach can lead to an "imperceptible shift in bargaining power" between the employer and employee.<sup>155</sup> The threat of litigation against a departing employee "can be a powerful weapon in the hands of an employer."<sup>156</sup> Therefore, this weapon should be eliminated by adhering to all the elements of the doctrine of inevitable disclosure and limiting the remedy to only the extent necessary to protect the trade secret.

### 5. *Summary of Proposed Test*

If South Carolina courts adopt the doctrine of inevitable disclosure, the objective test proposed in this Comment should be considered. The test requires the plaintiff to prove: (1) trade secrets exist which the employee possesses, (2)

150. Some courts consider the failure of an employer to seek a non-compete agreement from the employee an indication "that the type of confidential information which [the employee] possesses has a limited value." *Merck & Co.*, 941 F. Supp. at 1461. Therefore employers should always obtain a reasonable non-compete agreement from employees with knowledge of valuable trade secrets because the lack of such an agreement "weighs heavily against entering an injunction which would prohibit [the employee] from obtaining employment with a competitor." *Id.*

151. See *Earthweb*, 71 F. Supp. 2d at 311 (stating "[t]he absence of specific guideposts [provided by an express non-compete agreement] will only spawn such litigation").

152. See Blackburn, *supra* note 24, at 21; see also Sheinfeld and Chow, *supra* note 4, at 399-402, 430-38 (advising companies on how to maximize trade secret protection). But see *Earthweb*, 71 F. Supp. 2d at 313 (invalidating the non-compete agreement because of its broad restrictions and declining to supplement the agreement with the doctrine of inevitable disclosure).

153. See *Earthweb*, 71 F. Supp. 2d at 311 ("Clearly, a written agreement that contains a non-compete clause is the best way of promoting predictability during the employment relationship and afterwards.").

154. *Id.* at 310.

155. *Id.*

156. *Id.*

the new employer is a direct competitor, and (3) the employee could not possibly perform her duties without revealing the trade secrets. Proof of this irreparable harm will justify the enjoining of future employment or disclosure of trade secrets. The scope and duration of the injunctive relief will depend upon the judge's discretion regarding the length of trade secret protection and the value of the trade secret to the former employer. Adopting a relatively structured and objective test as advocated will enable courts to decide cases consistently, allow disputes to be settled more easily, and clarify what activities are acceptable for employees knowledgeable of trade secrets.

#### IV. CONCLUSION

When the appropriate case does arise, South Carolina courts must quickly decide whether, and to what extent, injunctive relief should be granted for inevitable trade secret misappropriation. South Carolina has the statutory provision to allow injunctive relief for actual or threatened misappropriation and does not have the statutory ban on freedom of contract and employment which can be used to defeat the inevitable disclosure doctrine. When the time comes, South Carolina courts should adopt the doctrine of inevitable disclosure and apply an objective test that balances the protection of trade secrets with the freedom of employment.

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