



THE INEVITABLE DISCLOSURE DOCTRINE IN ILLINOIS:
IS IT AN INEVITABLE MISTAKE?

BY JULIET RUTH OTTEN

ABSTRACT

In several recent decisions, Illinois courts have established that an ex-employee may be restrained from using information from their former employer, that will be "inevitably disclosed", even when no non-competition agreement existed between the employee and the employer. The use of this "inevitable disclosure" doctrine allows Illinois courts to create quasi non-competition agreements even where there has been no actual or threatened misappropriation of an employer's information. This comment proposes that Illinois courts should apply the inevitable disclosure doctrine only when several limiting factors are met and, instead, should encourage employers to use reasonable confidentiality agreements so that neither the employer's nor the ex-employee's rights are infringed.

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INTRODUCTION

Rapid technological innovation in the fast-paced world of commerce has led business entities to become increasingly concerned with protecting their intellectual property rights. In particular, companies want to protect their trade secrets.¹ Trade secrets can be more valuable than gold to businesses because they are often the “secret” to their success.² Businesses struggle to keep their trade secrets concealed after employees leave to work for competitors or to start their own business.³ Both companies and courts recognize that employee knowledge and mobility increases the chances that trade secrets will be misappropriated and, as a result, implement different means of dealing with such situations.⁴

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¹ See generally Matthew K. Miller, Note, *Inevitable Disclosure Where No Non-Competition Agreement Exists: Additional Guidance Needed*, 6 B.U. J. SCI. & TECH. L. 9, § 1 (2000) (discussing the inevitable disclosure doctrine, the case law around the country applying the doctrine, the possible ramifications in allowing courts to implement the doctrine, and the idea that changes need to be made regarding the application of the doctrine). The definition of a trade secret is:

A formula, process, device, or other business information that is kept confidential to maintain an advantage over competitors; information – including a formula, pattern, compilation, program, device, method, technique, or process – that (1) derives independent economic value, actual or potential, from not being generally known or readily ascertainable by other who can obtain economic value from its disclosure and use, and (2) is the subject of reasonable efforts, under the circumstances, to maintain its secrecy.

BLACK’S LAW DICTIONARY 1501 (7th ed. 1999). According to Justice Burger of the United States Supreme Court, “[t]rade secret law promotes the sharing of knowledge, and the efficient operation of industry” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974).

² Anne Marriott, *Companies Gamble on Keeping Secrets*, THE WASHINGTON TIMES, Mar. 20, 1997, at B6. The Coca-Cola Company has kept a copy of their secret soda formula in a bank vault in Atlanta for over one hundred years. *Id.* Coca-Cola has gone through the trouble to do this because keeping a recipe secret could mean for companies, and has meant for Coca-Cola, billions of dollars in profits. *Id.* Another example of a company whose “lifeblood” lies in their trade secrets is Kentucky Fried Chicken. *Id.* Kentucky Fried Chicken keeps their recipe of the Colonel’s eleven herbs and spices in a time capsule that is guarded around the clock in a secret hideaway. *Id.*

³ Stephan L. Sheinfeld & Jennifer M. Chow, *Employees’ Duties and Liabilities: Protecting Employer Confidences*, in WRONGFUL TERMINATION CLAIMS: WHAT PLAINTIFFS & DEFENDANTS HAVE TO KNOW, at 347, 349 (citing PLI Litig. & Admin. Practice Course Handbook Series No. 581, 1998) which states that factors such as employee mobility and increased competition have influenced the increased need for employers to protect their intellectual property.

⁴ Miller, *supra* note 1, at § 1. Companies have used non-competition, or restrictive, covenants to ensure that employees will not use trade secrets and confidential information for a certain time after their employment has ceased. *Id.*; see also *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1271 (7th Cir. 1996) (enjoining the defendant, Redmond, from assuming his responsibilities at Quaker for a

In Illinois, companies have used non-competition agreements to restrain employees from using trade secrets after their employment ceases with that employer.⁵ Illinois courts strictly construe these non-competition agreements.⁶ The Seventh Circuit's decision to use the inevitable disclosure doctrine in the case of *PepsiCo, Inc. v. Redmond*⁷ has made it possible for employers to protect trade secrets without the existence of non-competition agreements. When broadly applied, the inevitable disclosure doctrine operates like a judicially imposed non-competition agreement.⁸ The doctrine allows courts to create quasi non-competition agreements in situations where no agreement originally existed or where there has been no actual or threatened misappropriation.⁹

Part I of this comment provides an overview of the Illinois Trade Secrets Act, the inevitable disclosure doctrine, non-competition agreements, and the *PepsiCo* decision. Part II analyzes various Illinois court cases after *PepsiCo* in order to establish that the courts are implementing "agreements" for which the parties never bargained. Part II also compares the policies underlying inevitable disclosure with the policies of why the courts should not create non-existent agreements. Part III introduces a possible solution that will allow Illinois courts to use the inevitable disclosure doctrine without being accused of creating agreements. The proposal includes the following: 1) encouraging employers to use reasonable confidentiality agreements instead of non-competition agreements, and 2) setting forth specific guidelines for the courts to follow in order to effectively use the inevitable disclosure doctrine. Part IV concludes with the idea that Illinois courts can help companies protect their trade secrets while helping employees protect their rights.

certain time period and forever preventing him from disclosing plaintiff's trade secrets). The court invoked the inevitable disclosure doctrine as a means of restricting Redmond's, the employee, behavior and duties because Redmond's misappropriation of PepsiCo's trade secrets was "inevitable" in his new employment with PepsiCo's competitor, Quaker. *Id.*

⁵ See *PCx Corp. v. Ross*, 522 N.E.2d 1333, 1339 (Ill. App. Ct. 1988) (holding that if a party voluntarily signs a restrictive covenant in exchange for consideration, and the effects of the agreement on the party and the public are reasonable, the court will enforce the covenant).

⁶ *Ross*, 522 N.E.2d at 1339. Courts have found that non-competition agreements sometimes impose restraints on trade, thus the agreements are carefully scrutinized and strictly construed. *Id.* See also *Instrumentalist Co. v. Band, Inc.*, 480 N.E.2d 1273 (Ill. App. 5th 1985); and *Hydroaire, Inc. v. Sager*, 424 N.E.2d 719 (Ill. App. 5th 1981).

⁷ *PepsiCo*, 54 F.3d at 1271.

⁸ See Lawrence F. Carnevale, *Spreading Nationwide? Is the Country Ready for the Inevitable Disclosure Doctrine?*, 12 THE CORPORATE COUNSELOR 11 (May 1998) (discussing how courts around the country have adopted and interpreted the inevitable disclosure doctrine).

⁹ See James Pooley, *Fifty-Seventh Judicial Conference on the Third Circuit: Looking Forward to the Next Millennium: The Top Ten Issues in Trade Secret Law*, 70 TEMP. L. REV. 1181, 1186 (1997) (discussing what the author, in looking to the future of intellectual property law, deems as the ten most important trade secret issues). The extension of trade secret protection by the courts using the inevitable disclosure doctrine is obvious in view of the Illinois Trade Secret Act, which states that only "actual or threatened misappropriation may be enjoined." Ill. Trade Secrets Act 765 ILL. COMP. STAT. § 1065/3 (1988).

I. THE WORDS AND POLICIES OF THE ILLINOIS TRADE SECRETS ACT, THE INEVITABLE DISCLOSURE DOCTRINE, THE NON-COMPETITION AGREEMENTS AND THE *PEPSICO* DECISION.

A. The Illinois Trade Secrets Act

The Illinois legislature has codified its version of the Uniform Trade Secrets Act in the Illinois Trade Secrets Act¹⁰ (hereinafter "ITSA").¹¹ Section 2 of the ITSA defines the terms "misappropriation," and "trade secret."¹² Section 3 outlines the remedies available when misappropriation of trade secrets occurs. In particular, the ITSA permits the courts to preserve the secrecy of trade secrets through injunctions and protective orders.¹³ Illinois courts have used the ITSA to fashion remedies to protect the original employer from loss of its trade secrets in cases where there has

¹⁰ § 1065.

¹¹ Compare 765 ILL. COMP. STAT. § 1065/1-9 (1988) with Unif. Trade Secrets Act 14 U.L.A. 433 (1990) and Unif. Trade Secrets Act 15 U.L.A. 433 (1980). The ITSA was enacted by the Illinois legislature in 1988 and is the law that governs the courts and acts as a set of guidelines in deciding trade secret cases. 2 MELVIN F. JAGER, TRADE SECRETS LAW § 31:1 (Melvin F. Jager ed., 2002).

¹² See 765 ILL. COMP. STAT. § 1065/2 (1988). Section 2 contains definitions of "improper means," "misappropriation," "person," and "trade secret" in order for the courts to determine whether in fact trade secret misappropriation has taken place. *Id.* Precisely, the ITSA defines "misappropriation" as:

- (1) acquisition of a trade secret of a person by another person who knows or has reason to know that the trade secret was acquired by improper means; or
- (2) disclosure or use of a trade secret of a person without express consent or implied consent by another person who:
 - (A) used improper means to acquire knowledge of the trade secret; or
 - (B) at the time of disclosure or use, knew or had reason to know that knowledge of the trade secret was:
 - (I) derived from or through a person who utilized improper means to acquire it;
 - (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
 - (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
 - (C) before a material change of position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

The Act goes on to define a "trade secret" as:

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

Id.

¹³ See *Id.* § 1065/3 (providing: (1) actual or threatened misappropriation to be enjoined; (2) an injunction conditioning future use if it would be unreasonable to prohibit future use due to an overriding public policy; or (3) affirmative acts to protect trade secrets).

been actual or threatened misappropriation.¹⁴

B. The Inevitable Disclosure Doctrine

The inevitable disclosure doctrine is not specifically discussed in the ITSA or any other piece of legislation. The doctrine involves the notion that employees may obtain knowledge and information that is so specialized that future work in the same field, but for a different employer, should be precluded.¹⁵ The theory is that when employees leave their positions to start their own businesses or to work for a competitor, their new duties suggest that they will inevitably disclose the secret information and hurt the former employer.¹⁶ Courts use the doctrine to enjoin an employee from working for a competitor even though the employee never actually used, disclosed, or even threatened to use or disclose the former employer's trade secrets.¹⁷

The first policy supporting the use of the inevitable disclosure doctrine is that Illinois recognizes the concept of "threatened misappropriation."¹⁸ The doctrine is used to establish the existence of a threat of trade secret misappropriation by a former employee's inevitable disclosure to their new employer.¹⁹ This concept makes it easier for employers to show threatened misappropriation rather than actual misappropriation. Secondly, Illinois has a broad definition of trade secrets;²⁰ thus, more businesses are eligible to bring suit against more employees.²¹ This policy

¹⁴ *Id.* (referencing the decisions of some of the Illinois courts and their interpretation of the ITSA).

¹⁵ 1 JAGER, *supra* note 11, § 7:6. Bradford Lyerla states, "[v]ery simply, the doctrine authorizes an injunction as a prophylactic to prevent a future misappropriation of trade secrets by a departing employee who is going to work for a business rival. Under the doctrine, an injunction may be available even if the employee signed no noncompete agreement." Bradford P. Lyerla, *Thirteen Rules For Inevitable Disclosure Trials*, 15 THE COMPUTER LAWYER 10 (1998) (exploring the four inevitable disclosure cases the author was involved in, explaining what the doctrine is, and giving thirteen rules to follow when litigating inevitable disclosure cases).

¹⁶ See 1 JAGER, *supra* note 11, § 7:6. See also Jay L. Koh, *From Hoops to Hard Drives: An Accession Law Approach to the Inevitable Misappropriation of Trade Secrets*, 48 AM. U. L. REV. 271, 276 (1998) (stating that the inevitable disclosure doctrine posits that "an employee who has been exposed to her employer's trade secrets will inevitably disclose or use those secrets in the course of her new employment . . .").

¹⁷ See Pooley, *supra* note 9, at 1186.

¹⁸ See 765 ILL. COMP. STAT. § 1065/2 (1988); see also text accompanying note 12; Johanna L. Edelstein, Note, *Intellectual Slavery?: The Doctrine of Inevitable Disclosure of Trade Secrets*, 26 GOLDEN GATE U.L. REV. 717, 718 (1996) (critiquing the *PepsiCo* case). Edelstein states: "[T]he crucial difference between traditional threatened misappropriation and inevitable disclosure is that the latter may be enjoined without proof of intent to disclose." *Id.* at 725-26 (citing DiBoise & Berger, *Inevitable Disclosure of Trade Secrets*, 20 NEW MATTER 28 (1995)).

¹⁹ Susan Street Whaley, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 837 (1999) (explaining the reasons for the increased utilization of the inevitable disclosure doctrine in courts across America, and describing the uncertainties and negative consequences that go along with using the doctrine to protect employers and their trade secrets).

²⁰ See 765 ILL. COMP. STAT. § 1065/2 (1988); see also text accompanying note 12.

²¹ See Whaley, *supra* note 19, at 838. Due to increased employee mobility and to increased value of intellectual property, employers have been confronted with "the departure of employees who could destroy their business merely by working for a competitor." *Id.*

broadens the blanket of protection given to an employer.²² Finally, the doctrine allows courts to provide employers with extra methods of protection, such as injunctive relief,²³ in a competitive business world that thrives on trade secret protection.²⁴ The policy reasons that support the inevitable disclosure doctrine encourage Illinois courts to implement the doctrine.²⁵

C. Non-Competition Agreements

Simply put, a non-competition agreement is an agreement between an employer and an employee that the employee will not compete with the employer upon completion of his or her employment.²⁶ This type of contract is enforceable if there is a legitimate business purpose, an employment contract, or a protection of a special business interest.²⁷ In Illinois, the non-competition agreement must be subordinate to the contract's main purpose and there must be adequate consideration to support the agreement.²⁸ A non-competition agreement prevents "the promisor from competing with the promisee, either individually or as an employee of a competitor . . ." and purports "to bar the promisor from both activities within a specified geographical area for a given period of time after leaving . . ."²⁹

²² *Id.* (citing James L. Dam, *Employees Kept from Competing Despite Lack of a 'Non-Compete'*, LAW. WKLY. USA, Dec. 15, 1997, at 13). Whaley states that this policy also keeps employers from being "caught off guard" by the expansive definition of trade secrets. *Id.*, at 838.

²³ See 765 ILL. COMP. STAT. § 1065/3 (1988). See also text accompanying note 13.

²⁴ Whaley, *supra* note 19, at 839. The courts strictly construe non-competition agreements, and companies who did not implement such a covenant may be caught off guard by the sudden increase in employee mobility. *Id.* As a result, courts use the doctrine as an alternative to allow competitors to protect their valuable secrets and remain competitive in an increasingly harsh marketplace. *Id.*

²⁵ Miller, *supra* note 1, at § 2. General policies for trade secret protection exist in addition to the policies specifically used in support of the inevitable disclosure doctrine. These general policies include: 1) the incentive for employers and independent business owners to create would lower if innovations were not protected from competition; 2) without trade secret law, businesses would have to spend large amounts of money to prevent theft of trade secrets; and 3) trade secret law is a means of formalizing and protecting industry norms. *Id.*

²⁶ 2 JAGER, *supra* note 11, § 13:4. A non-competition agreement is also known as a restrictive covenant because, by definition, it is a restraint on trade. *Id.* A non-competition agreement is different from a confidentiality agreement. A confidentiality agreement is an instrument used only "to protect and preserve trade secrets and other valuable confidential information." *Id.* § 13:3. With such an agreement, the employee agrees to protect the employer's trade secrets during and after employment in exchange for some consideration. *Id.* A confidentiality agreement lacks the restraint on trade that goes along with a restrictive covenant because it is not an agreement not to compete. *Id.*

²⁷ 2 JAGER, *supra* note 11, § 13.4. Trade secrets are special business interests that need protection. *Id.* Non-competition agreements will be enforced if the restrictions are reasonable under the circumstances. *Id.* The reasonableness factors that courts examine when construing a non-competition agreement include: 1) that a legitimate business purpose exists; 2) that there is a legitimate business interest to protect; and 3) that the time, subject matter, and territory restrictions are reasonable. *Id.*

²⁸ 2 JAGER, *supra* note 11, § 31:23.

²⁹ Terry Morehead Dworkin & Elletta Sangrey Callahan, *Buying Silence*, 36 AM. BUS. L.J. 151, 155 (1998) (discussing the employee/employer relationship when, at the same time employees are encouraged to "blow the whistle" on employers wrongdoings, employers are using confidentiality

There are underlying policies that favor the use of non-competition agreements in employment situations.³⁰ First, the freedom to contract is favored over judicially-created agreements.³¹ Second, the agreement protects the employer during the term of the contract if the employee were to go to work for a competitor during that period.³² Third, non-competition agreements protect employers' customer relationships.³³ Non-competition policies protect all parties involved.

D. PepsiCo, Inc. v. Redmond

In *PepsiCo*, the plaintiff (hereinafter "PepsiCo") sued the defendants William Redmond, Jr. (hereinafter "Redmond") and Quaker Oats Company (hereinafter "Quaker").³⁴ PepsiCo sought a preliminary injunction to enjoin Redmond, a former employee of PepsiCo, from disclosing PepsiCo's trade secrets and confidential information in his new job with Quaker and from assuming any duties at Quaker that related to his former duties.³⁵ The trade secret issues in the case involved PepsiCo's "All Sport," which directly competed with Quaker's "Gatorade," and PepsiCo's venture with Ocean Spray and Lipton, which directly competed with Quaker's "Snapple."³⁶

Redmond worked for PepsiCo from 1984 to 1994.³⁷ Redmond's management

agreements to protect their secrets, and also discussing several factors that should be viewed as relevant to the enforceability of confidentiality agreements against "whistleblowers").

³⁰ *But see* Nathan Hamler, *The Impending Merger of the Inevitable Disclosure Doctrine and Negative Trade Secrets: Is Trade Secret Law Headed in the Right Direction?*, 25 IOWA J. CORP. L. 383, 389 (2000) (depicting the policies against non-competition agreements, which include the following: 1) the free mobility of labor; 2) the employees' livelihood depends on his ability to change jobs and take advantage of other opportunities; 3) the restraint on trade; and 4) an employees' rights are violated if the employer is allowed to use an agreement to monopolize such skill without solid grounds for doing so).

³¹ *See generally* RESTATEMENT (SECOND) OF CONTRACTS introductory note (1981). The freedom to contract allows the parties to bargain for the terms under which they will later be bound by. Farnsworth and Young state that the freedom of contract is the most powerful symbol of the rules of contract law. E. ALLEN FARNSWORTH & WILLIAM F. YOUNG, CONTRACTS CASES AND MATERIALS VI (5th ed. 1995).

³² 2 JAGER, *supra* note 11, § 13:4.

³³ 2 JAGER, *supra* note 11, § 31:24. The employee would not have had contact with the customer but for the employer, and that relationship often involves confidential information; therefore, the non-competition agreement protects the customers' interest. *Id.*

³⁴ *PepsiCo*, 54 F.3d at 1263.

³⁵ *Id.* PepsiCo's case against Redmond and Quaker was not the typical trade secrets case in which an employee knows of a former employers manufacturing process or customer list and, as a result, gives the competitor an unfair advantage by using the former employer's technology or by stealing their customers. *Id.* at 1265. For an example of typical cases see *Glanayre Electronics, Ltd. v. Sandahl*, 830 F. Supp. 1149, (C.D. Ill. 1993) seeking an injunction to prevent trade secret use of paging technology; *Stampede Tool Warehouse, Inc. v. May*, 1995 Ill. App. LEXIS 170 (March 22, 1995) seeking an injunction to prevent use of customer lists.

³⁶ *Id.* at 1264. The facts of the *PepsiCo* case are a great illustration of the fierce competition that exists in the beverage industry. *Id.* at 1263.

³⁷ *PepsiCo*, 54 F.3d at 1264. Redmond was promoted to the General Manager of the Northern California Business Unit in 1993, and in 1994 he was promoted to General Manager of all of California's Business Units. *Id.*

position at PepsiCo required him to sign a confidentiality agreement³⁸ because he had access to confidential information and trade secrets.³⁹

In 1994, Donald Uzzi, a former PepsiCo employee who worked for Quaker, offered Redmond a job.⁴⁰ Redmond kept all of his negotiations with Quaker secret from PepsiCo.⁴¹ Quaker finally offered Redmond a Vice President position, and after some intentional miscommunications with the people at PepsiCo, Redmond became an employee of Quaker.⁴²

PepsiCo brought suit against Redmond, and after showing his intimate knowledge of their secrets, PepsiCo argued that Redmond would inevitably disclose their trade secrets in his new position.⁴³ Quaker responded by arguing that Redmond's primary duties would involve integrating Snapple and Gatorade according to a pre-existing plan and that any knowledge he gained at PepsiCo would be irrelevant to such duties.⁴⁴ Quaker also argued that Redmond had signed a confidentiality agreement with PepsiCo, thus preventing him from disclosing any confidential information.⁴⁵

After reviewing all the arguments, the Seventh Circuit enjoined "Redmond from

³⁸ *Id.* The confidentiality agreement stated in pertinent part that Redmond:

[W]ould not disclose at any time, to anyone other than officers or employees of [PepsiCo], or make use of, confidential information relating to the business of [PepsiCo]. . . obtained while in the employ of [PepsiCo], which shall not be generally known or available to the public or recognized as standard practice.

Id.; see also *supra* note 26 and accompanying text (discussing the differences between non-competition agreements and confidentiality agreements).

³⁹ *PepsiCo*, 54 F.3d at 1264. First, Redmond was privy to PepsiCo's annually revised "Strategic Plan," which included plans to compete, financial goals, strategies for marketing, production, manufacturing, packaging, and distribution. *Id.* at 1265. Second, Redmond knew about a national Annual Operating Plan for a given year, which included financial goals, marketing plans, promotional events, growth expectations, and operational changes. *Id.* Third, Redmond had knowledge of "attack plans" for specific markets, for example, PepsiCo had planned to spend certain amounts of money on supporting its brand against a competitor in a certain market. *Id.* Last, Redmond had knowledge of PepsiCo's secret innovations regarding delivery and selling systems. *Id.* at 1266.

⁴⁰ *Id.* at 1264. Uzzi's original attempts to employ Redmond at Quaker were unsuccessful at first because Redmond was holding out for more money. *Id.*

⁴¹ *Id.*

⁴² *Id.* After having already accepted Quaker's offer, Redmond told many PepsiCo employees, including his supervisor, that he was thinking about accepting the offer and that the offer was for the position of Chief Operating Officer. *Id.*

⁴³ *Id.* at 1266. Redmond's duties at Quaker would require him to give input regarding pricing, costs, margins, distribution systems, products, packaging, and marketing. *Id.* All of these duties related to the job Redmond held with PepsiCo, thus he would give Quaker an unfair advantage in any upcoming conflicts Quaker might encounter with PepsiCo. *Id.*

⁴⁴ *Id.* Redmond's duties pertaining to the integration of Snapple and Gatorade would eventually involve the managing of the distribution, promotions, marketing, and sales of the products. *Id.*

⁴⁵ *Id.* Redmond promised that, pursuant to the confidentiality agreement that he signed with PepsiCo, if a situation arose at Quaker that involved a possible conflict with the information he had about PepsiCo, he would consult Quaker's in-house counsel and refrain from making any final decision about the situation. *Id.* Quaker's Code of Ethics also prohibited Redmond from disclosing any of PepsiCo's confidential information because it required that employees are not allowed to engage in, "illegal or improper acts to acquire a competitor's trade secrets." *Id.* (quoting the Quaker Code of Ethics).

assuming his responsibilities at Quaker through May, 1995, and preventing him forever from disclosing PCNA [PepsiCo's] trade secrets and confidential information."⁴⁶ In reaching this decision, the court first interpreted the ITSA. The plain language of the ITSA permits a court to enjoin the threat of misappropriation,⁴⁷ and the court held that a plaintiff may prove threatened misappropriation by showing that the defendant will inevitably disclose the trade secrets in his new employment.⁴⁸ The court found that Redmond would inevitably rely on the information he gained at PepsiCo in his duties at Quaker,⁴⁹ and this use would ultimately give Quaker a substantially unfair advantage over the competition.⁵⁰

In reaching the decision to use the inevitable disclosure doctrine, the Seventh Circuit also looked at Redmond's behavior towards PepsiCo during and after his negotiations with Quaker.⁵¹ The court found that Redmond's "lack of forthrightness" when dealing with PepsiCo showed that he could not be trusted.⁵²

The court used the fact that PepsiCo offered more proof of the likelihood that Redmond would disclose trade secrets⁵³ to distinguish its holding from other cases in which the court did not issue injunctions.⁵⁴ The Seventh Circuit ultimately concluded that "the district court correctly decided that PepsiCo demonstrated a likelihood of success on its statutory claim of trade secret misappropriation."⁵⁵

⁴⁶ *Id.* at 1272. When a party is seeking an injunction they must prove not only the existence of a trade secret, but also that it was misappropriated. *Id.* at 1268. In so holding, the court was interpreting the language of the ITSA § 1065/3(a) (1988), which provides that a court may enjoin the "actual or threatened misappropriation" of a trade secret.

⁴⁷ See 765 ILL. COMP. STAT. § 1065/3 (1988). See also text accompanying note 13.

⁴⁸ *PepsiCo*, 54 F.3d at 1269. See also 1 JAGER, *supra* note 11, § 7:6 (noting that the allegation is not based on the employee's conscious or unconscious acts, rather it is based on whether the disclosure of the trade secrets is inevitable).

⁴⁹ *PepsiCo*, 54 F.3d at 1270. The Seventh Circuit adopted the district court's ruling that, "unless Redmond possessed an uncanny ability to compartmentalize information, he would necessarily be making decisions about Gatorade and Snapple by relying on his knowledge of PCNA [PepsiCo] trade secrets." *Id.* at 1269.

⁵⁰ *Id.* at 1270. The Seventh Circuit uses the analogy that PepsiCo is in the position of a coach, and Redmond is like a player who left, playbook in hand, to play for the opposing team right before the big game. *Id.*

⁵¹ *Id.*

⁵² *Id.* Redmond lied to PepsiCo in the time between his negotiations with Quaker when he actually accepted the position, and when he informed PepsiCo that he had taken a job with their competitor. *Id.* From this behavior, the court concluded that Redmond "could not be trusted to act with the necessary sensitivity and good faith under the circumstances in which the only practical verification that he was not using plaintiff's secrets would be defendant Redmond's word to that effect." *Id.*

⁵³ *Id.* An example of the extra "proof" the court found PepsiCo offered was the fact that Redmond had lied to PepsiCo employees about the job at Quaker. *Id.*

⁵⁴ See, e.g., *Teradyne, Inc. v. Clear Communications Corp.*, 707 F. Supp. 353, 357 (N.D. Ill. 1989) (dismissing the plaintiff's cause of action and holding that the defendant's acts of working for the plaintiff, knowing the business, leaving the business to work for a competitor, and hiring employees from the plaintiff, were not enough to establish a claim for threatened misappropriation); see also, e.g., *AMP Inc. v. Fleischhacker*, 823 F.2d 1199, 1207 (7th Cir. 1987) (denying the plaintiff a preliminary injunction and holding that the fact that a person takes on a similar position at a competitor, does not, without more, show that trade secrets or confidential information will be inevitably disclosed).

⁵⁵ *PepsiCo*, 54 F.3d at 1271.

II. THE INEVITABLE MISTAKES FOLLOWING *PEPSICO*

Since the *PepsiCo* decision in 1995, the Illinois courts have not had many opportunities to implement the inevitable disclosure doctrine. The following is an analysis of some of the cases involving various Illinois courts and their decisions regarding the inevitable disclosure doctrine in light of *PepsiCo*.

A. *Advent Electronics, Inc. v. Buckman*⁵⁶

In this Seventh Circuit case, the plaintiff, Advent, provided electronic components and services to equipment manufacturers.⁵⁷ Buckman, the defendant, owned Finnigan Electronics, Inc., a company that distributed and manufactured electronic components.⁵⁸ In 1993, Advent bought substantially all of Finnigan Electronics' assets.⁵⁹ The parties entered into a purchase agreement, which included a non-competition agreement⁶⁰ and an employment agreement.⁶¹ In 1994, Advent fired Buckman pursuant to the employment agreement.⁶² After Buckman left Advent, he opened his own business as a distributor of electronic components.⁶³

Advent sought a preliminary injunction to prohibit Buckman from violating the non-competition agreement and they sought a declaratory judgment to determine the enforceability of the non-competition agreement.⁶⁴ Advent claimed that Buckman entered into a business that directly competed with them and that he made sales to Advent's customers in violation of the non-competition agreement.⁶⁵

The court held that under Illinois law, it is improper to enforce a non-competition agreement simply because it exists.⁶⁶ The court remanded the case to the district court to determine if Advent had a legitimate business interest that

⁵⁶ 112 F.3d 267, 274 (7th Cir. 1997) (remanding the case to the district court for them to determine whether the plaintiff had a legitimate business interest i.e. a trade secret that needed to be protected by an injunction that would enjoin the defendant from engaging in conduct that was in competition with the plaintiff).

⁵⁷ *Id.* at 269.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* The non-competition agreement restricted Buckman from working directly or indirectly in a business that competes with Advent and from soliciting orders for products substantially similar to Finnigan's in its territory for two years. *Id.*

⁶¹ *Id.* at 269-70. The employment agreement made Buckman the Missouri branch general manager and restricted Buckman's individual ability to compete for Advent's customers while he was employed by Advent and for two years following the end of that employment. *Id.* at 270.

⁶² *Id.* at 270. The Missouri branch that Buckman was in charge of failed to meet the net sales required in the employment agreement. *Id.*

⁶³ *Id.*

⁶⁴ *Id.* at 271.

⁶⁵ *Id.* at 270.

⁶⁶ *Id.* at 274. In Illinois, non-competition clauses are disfavored and a court will only enforce provisions that are "reasonably necessary to protect a legitimate business interest or to prevent improper and unfair competition." *Id.* (citing *Rao v. Rao*, 718 F.2d 219, 223 (7th Cir. 1983)); see also *infra* note 114 and accompanying text (discussing more factors that courts examine when determining the enforceability of non-competition agreements).

needed protection.⁶⁷ The *Advent* court never analyzed the inevitable disclosure doctrine because a non-competition agreement existed. However, the danger that the freedom to contract will be destroyed under the inevitable disclosure doctrine still exists because the court could have ignored the non-competition agreement and could have implemented a judicially created “agreement” enjoining Buckman in any way the court saw fit.

*B. Strata Marketing, Inc. v. Murphy*⁶⁸

In this case, the plaintiff, Strata, appealed a decision dismissing its complaint,⁶⁹ which sought a preliminary and permanent injunction to prohibit defendant, Murphy, from accepting or continuing employment with Marketing Resources Plus (hereinafter “MRP”) and from disclosing confidential information.⁷⁰ The appellate court reversed and remanded the case because they found Strata’s allegations sufficient to withstand the motion to dismiss.⁷¹

Strata developed software programs,⁷² and its main competitor was MRP, a division of VNU.⁷³ Murphy worked at Strata as a sales representative, a job that required her to service and solicit customers.⁷⁴ In beginning her employment with Strata, Murphy agreed to sign a confidentiality agreement, which restricted her employee mobility upon leaving Strata.⁷⁵ When Murphy left Strata, she accepted a position with MRP as a sales representative.⁷⁶ Strata subsequently brought suit.

The appellate court, in determining if Strata’s allegations were sufficient to withstand a motion to dismiss, examined Strata’s contention that the inevitable disclosure doctrine should be adopted.⁷⁷ The court reviewed the *PepsiCo* decision and stated, “[w]e believe *PepsiCo* correctly interprets Illinois law and agree that inevitable disclosure is a theory upon which a plaintiff in Illinois can proceed under

⁶⁷ *Advent*, 112 F.3d at 274.

⁶⁸ 740 N.E.2d 1166, 1179 (Ill. App. Ct. 2000) (holding that the plaintiff plead the allegations sufficiently to withstand a motion to dismiss and remanding the case for judgment on the merits).

⁶⁹ *Strata*, 740 N.E.2d at 1168.

⁷⁰ *Id.* at 1169. Strata also sought to prohibit MRP from employing Murphy and to obtain further damages as the court deemed appropriate. *Id.*

⁷¹ *Id.* at 1179. The court set forth that they made no comment or judgment on the merits of the case and that Strata would have to prove each element to the trial court. *Id.*

⁷² *Id.* at 1168. Strata maintained “a very unique and small niche” of the software market – they developed software that analyzes and enhances data provided by radio and television rating programs. *Id.*

⁷³ *Id.* VNU was a co-defendant in the case Strata brought against Murphy. *Id.*

⁷⁴ *Id.* Murphy was provided with appointments, sales leads, and prospective and existing customer lists. *Id.*

⁷⁵ *Id.* at 1169. The confidentiality agreement stated in pertinent part:

[D]uring the period of her employment with Strata and for a year following her termination from Strata, . . . she will not render, directly or indirectly, . . . any services of an advisory or consulting nature or as an employee or otherwise to any business which is a competitor of Strata, including but not limited to . . . MMP [subsequently known as MRP].

Id.

⁷⁶ *Id.*

⁷⁷ *Id.* at 1177.

the Act.”⁷⁸ The court reviewed the complaint and determined that it sufficiently alleged inevitable disclosure because it stated that Murphy, in her new job, could not help but use her knowledge of Strata’s pricing structure, of planned product upgrades and enhancements, and of existing customer contacts.⁷⁹

The *Strata* case was remanded and as of yet has not been decided. A confidentiality agreement existed in this case and still the court was willing to explore the notion of inevitable disclosure. On remand, the trial court could entirely wipe out the confidentiality agreement that the parties came up with and implement an injunction on Murphy that might restrict her employee mobility even more than the contract that she willingly agreed to.

*C. Complete Bus. Solutions, Inc. v. Mauro*⁸⁰

The plaintiff, Complete Business Solutions, Inc. (hereinafter “CBSI”), sued defendants, Mauro and Encore Consulting Services, Inc. (hereinafter “ECSI”), to enforce the confidentiality provisions in Mauro’s employment agreement from the time that the court would order the injunction, rather than from the one-year from termination date expressed in the agreement.⁸¹

Mauro worked for CBSI for approximately two years before he resigned on February 18, 2000.⁸² Upon his resignation, Mauro signed a separation agreement, which included confidentiality and non-solicitation clauses.⁸³ In Mauro’s position at ECSI, he solicited some of CBSI’s clients.⁸⁴

The court found that the CBSI information that Mauro obtained was in fact trade secrets, but that CBSI failed to show that Mauro actually used the trade

⁷⁸ *Id.* at 1178.

⁷⁹ *Id.* The court determined that the complaint sufficiently alleged that Murphy could not operate or function without relying on Strata’s alleged trade secrets. *Id.* at 1179.

⁸⁰ 2001 U.S. Dist. LEXIS 3132, *16 (N.D. Ill. March 15, 2001) (holding that defendant’s motion to dismiss was granted in part because plaintiff failed to sufficiently plead that defendant actually misappropriated their trade secrets).

⁸¹ *Mauro*, 2001 U.S. Dist. LEXIS 3132, at *6 n.1. CBSI learned of Mauro’s alleged breach of the agreement months before the confidentiality and non-solicitation provisions were going to expire. *Id.* Essentially, CBSI was requesting that the twelve-month duration period in the agreement begin with the court’s order rather than with the time of Mauro’s termination. *Id.*

⁸² *Id.* at *3.

⁸³ *Id.* at *3-4. The agreement stated, in part:

Employee acknowledges that during the course of Employee’s employment with the Company, Employee may have been exposed to Trade Secrets and Confidential Information of the Company. Employee agrees that Employee will not use or disclose any Trade Secrets or Confidential Information . . . for twelve (12) months following his employment termination date . . . For a period of one (1) year following his employment termination date, Employee will not, directly or indirectly, on Employee’s own behalf or in the service of or on behalf of any other . . . solicit or attempt to divert or solicit any individual or entity to provide services or products . . . that are substantially similar to those provided by the Company, if such individual or entity: (i) is or was a client of Company . . .

Id.

⁸⁴ *Id.* at *5-6. Mauro offered ECSI’s services to Ameritech and Boise Cascade, two of CBSI’s customers. *Id.*

secrets in his solicitation of CBSI's clients.⁸⁵ The court found that Mauro could misuse the information and that they feared that he would.⁸⁶ The court went on to address CBSI's allegation involving the inevitable disclosure doctrine.⁸⁷ While the court held that CBSI failed to properly plead that Mauro would inevitably use the confidential information, it suggested that CBSI should amend their complaint to show that Mauro could not operate without inevitably disclosing the confidential information.⁸⁸ This suggested invocation of the inevitable disclosure doctrine⁸⁹ is unusual because a confidentiality agreement already existed; which does not invoke the clear standards needed for the adoption of the doctrine.

*D. Telular Corp. v. Vox2, Inc.*⁹⁰

The *Telular* case presents a different possible use of the inevitable disclosure doctrine. The plaintiff, Telular, brought a patent infringement action against the defendant, Vox2.⁹¹ While preparing for litigation, the parties executed a protective order⁹² governing any confidential information that was disclosed during discovery.⁹³

⁸⁵ *Id.* at *16. In order to state a claim for misappropriation under the ITSA, a plaintiff must plead that the information was: 1) a trade secret; 2) misappropriated; and 3) used in the defendant's business. *Id.* at *5; see also *Abbott Labs v. Chiron Corp.*, 1997 U.S. Dist. LEXIS 5596, at *8 (N.D. Ill. April 23, 1997) (holding that plaintiff's allegations of trade secret misappropriation were somewhat deficient because essentially the allegation amounted to the fact that defendant could misuse trade secrets and plaintiffs feared that they would).

⁸⁶ *Mauro*, 2001 U.S. Dist. LEXIS 3132, at *16. The complaint alleged that "Mauro has used and/or will necessarily be called upon to use and disclose such information in improperly soliciting Ameritech." *Id.* at *16 n.7. The court determined that this information was not enough to show actual misappropriation. *Id.* at *16. See also, e.g., *Teradyne*, 707 F. Supp. at 357, stating that: "All that is alleged, at bottom, is that defendants could misuse plaintiff's secrets, and plaintiffs fear they will. This is not enough. It may be that little more is needed, but falling a little short is still falling short."

⁸⁷ *Mauro*, 2001 U.S. Dist. LEXIS 3132, at *17-20. The court discussed cases that have applied the inevitable disclosure doctrine and stated that in order for the doctrine to apply, the defendant must not be able to operate without relying on plaintiff's trade secrets. *Id.* at *17.

⁸⁸ *Id.* at *19.

⁸⁹ *Id.* at *19-20; compare *id.* with *Teradyne*, 707 F. Supp. at 356 which states that, "[a]n allegation that the defendants said they would use secrets or disavowed their confidentiality agreements would serve this purpose. An allegation that Clear [defendant] could not operate without Teradyne's [plaintiff's] secrets . . . would suffice . . .".

⁹⁰ 2001 U.S. Dist. LEXIS 7472, *10 (N.D. Ill. May 31, 2001) (holding that a defendant company's unsubstantiated fear that a trial expert, who was made privy to their trade secrets for litigation purposes, may compete with them in the future is not sufficient to demonstrate a risk of inevitable disclosure that outweighs the plaintiff's right to use the expert of its choice).

⁹¹ *Telular*, 2001 U.S. Dist. LEXIS 7472 at *2. The patent at issue in the case belonged to Telular and related to an interface device for standard telephones in order to control the operation of a cellular transceiver. *Id.*

⁹² The definition of a "protective order" is: "[A] court order prohibiting or restricting a party from engaging in a legal procedure (esp. discovery) that unduly annoys or burdens the opposing party or a third-party witness." BLACK'S LAW DICTIONARY 1239 (7th ed. 1999).

⁹³ *Telular*, 2001 U.S. Dist. LEXIS 7472 at *2. The protective order provided that "confidential information may be provided to experts who are independent of and not employed by the parties or a competitor of either party in the field to which the subject matter of this action pertains and who are retained for purposes of this action." *Id.* at *2-3.

O'Brien, Telular's expert, worked as the sales director at Digi-Tel Communications, LLC (hereinafter "Digi-Tel").⁹⁴ As sales director, O'Brien's duties entailed managing sales efforts, developing indirect market channels for different equipment, developing business-to-business Internet based sales channels, and opening new distribution locations.⁹⁵ Vox2 argued that O'Brien would inevitably misuse Vox2's confidential information. More specifically, they argued that Digi-Tel might sell a cellular interface that competes with their product in the future and then O'Brien would be working for a competitor.⁹⁶

In determining whether O'Brien should be privy to the confidential information as Telular's expert, the court weighed Telular's interest in choosing an expert with Vox2's interest in protecting its trade secrets from inevitable disclosure.⁹⁷ The court held that O'Brien was allowed access to Vox2's confidential material only for purposes of the litigation and that he was bound by the protective order.⁹⁸ The court stated that Vox2 had not demonstrated that O'Brien would inevitably use the trade secrets in performing his duties at Digi-Tel, and that Vox2's fear that Digi-Tel may someday become a competitor did not outweigh Telular's right to choose the expert of its choice.⁹⁹ The court in this case had the potential to expand the doctrine of inevitable disclosure to a person outside the scope of the employer/employee relationship.¹⁰⁰ Fortunately, the court denied this request and even hinted at the idea that courts should consider certain factors, like "bad faith"¹⁰¹ and the likelihood of disclosure,¹⁰² when deciding to implement the inevitable disclosure doctrine.

*E. Automed Technologies, Inc. v. Eller et al.*¹⁰³

Plaintiff, Automed, designed automated medical dispensing systems and defendants,¹⁰⁴ Eller and Youngs, were top employees who supervised the research and development of new and existing products.¹⁰⁵ On April 9, 1999, Eller officially

⁹⁴ *Id.* at *3.

⁹⁵ *Id.*

⁹⁶ *Id.* at *4-*5. Vox2 develops, manufactures, and markets through distributors the Vox.Link, a cellular accessory. *Id.* at *5. Digi-Tel distributes cellular phones and accessories manufactured by other companies and also sells the services of companies that provide cellular service plans. *Id.*

⁹⁷ *Id.* at *3.

⁹⁸ *Id.* at *10-11.

⁹⁹ *Id.* at *6. The court mentioned that unlike Redmond in the *PepsiCo* case, whose lack of forthrightness led the court to believe a real threat of disclosure existed, O'Brien readily agreed to be bound by the protective order and to use the information only in context of the pending litigation. *Id.*

¹⁰⁰ The court specifically discussed that O'Brien was not an employee of either Telular or Vox2. *Id.* at *10.

¹⁰¹ *Id.* at *6.

¹⁰² *Id.* at *10.

¹⁰³ 160 F.Supp.2d 915 (N.D. Ill. 2001) (granting in part and denying in part defendant's motion to dismiss; dismissing the common law relating to trade secrets and holding that the complaint was sufficient to withstand a motion to dismiss at that point in the proceedings even though specific trade secrets would have to be made more specific).

¹⁰⁴ The defendants in *Automed* included: Charles Eller, Herb Youngs and Pegg, Inc. d/b/a Sun Designs, Inc. *Id.*

¹⁰⁵ *Id.* at 919. Eller initially worked, pursuant to a non-competition agreement that survived termination of his employment, for Travenol Laboratories, Inc., which was then bought out by

accepted a position with Automed without signing a non-competition agreement, and Youngs signed an employment agreement, which included non-competition and non-disclosure provisions.¹⁰⁶ Automed began developing a new product that Eller, Youngs, and a subcontractor, Sun Designs, all worked on.¹⁰⁷ Due to their positions, all three of the defendants were privy to Automed confidential information and trade secrets.¹⁰⁸

In the meantime, Automed began work on another system, the MegaPharmacy Project, that the defendants worked on with Express Scripts, a mail order pharmaceutical distributor.¹⁰⁹ Early in 2001, Eller and Youngs left Automed to work for Express Scripts, where they were assigned to continue work on the MegaPharmacy and they contracted Sun Designs to perform services similar to those they performed for Automed.¹¹⁰

Automed brought suit against the defendants alleging misappropriation of trade secrets and breach of contract under various legal theories,¹¹¹ including the inevitable disclosure doctrine.¹¹² Automed alleged that the defendants' prior positions with their company made them privy to confidential information and trade secrets, and by the nature of their work with Express Scripts, use of the information could be inferred.¹¹³ The court held that the facts alleged in the complaint, which included that the defendants were assigned to work on the same project they had been developing for Automed, were sufficient to state a claim based on the inevitable disclosure doctrine.¹¹⁴ Again, the court allowed a claim based on the inevitable disclosure doctrine even when non-competition agreements existed.¹¹⁵ Allowing both

Baxter Healthcare Corp. *Id.* Baxter then sold its productivity systems unit, for which Eller worked, to Automed under an agreement that assigned certain of Baxter's intellectual property and trade secret rights to Automed. *Id.* The agreement also assigned Baxter's rights under employee confidentiality agreements to Automed. *Id.*

¹⁰⁶ *Id.* at 919.

¹⁰⁷ *Id.* at 920.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.* at 919. Some of the other legal theories that Automed based their claims on were the Illinois Trade Secrets Act, conversion, corporate opportunity, common law misappropriation, breach of contract and fiduciary duty, breach of covenant of good faith and fair dealings, and conspiracy. *Id.* at n.1.

¹¹² *Id.* at 921. The court stated that to invoke the inevitable disclosure doctrine, "the complaint must do more than make conclusory allegations that the employees will necessarily use trade secrets in their new positions." *Id.* (citing *Mauro*, 2001 U.S. Dist. LEXIS 3132, at *5 n.7).

¹¹³ *Id.*

¹¹⁴ *Id.* The complaint specifically alleged that, "[h]iring the former Vice President and General Manager of Systems Engineering (Eller) and the Director of Research and Development and Software Development (Youngs), who headed the MegaPharmacy Project, and then assigning them to the same project, supports an inference that defendants are using information acquired from plaintiff." *Id.*

¹¹⁵ *Id.* at 923 (discussing the factors that need to be examined when determining the enforceability of restrictive covenant, or non-competition agreement). These factors include the following: 1) the non-competition clauses must be limited in duration and geographic range, 2) the clauses must be reasonable, 3) the employer's interest must be legitimate, 4) and the employee must maintain the ability to earn a living in their field. *Id.* Like non-competition agreements and their negative effect on trade, the inevitable disclosure doctrine has negative effects including restricting employee mobility and destroying the freedom to contract. Therefore, similar factors for

sort of claims leaves room for the deciding court to protect trade secrets in any manner they see fit,¹¹⁶ even if it means dismissing an agreed upon contract and implementing a new contract under the inevitable disclosure doctrine.

The analysis of the case law following the *PepsiCo* decision does not clearly indicate that the Illinois courts are creating previously non-existing agreements. However, the simple fact that the courts can use the inevitable disclosure doctrine without limits to create such agreements should be enough for the people of Illinois to confront the problem before it becomes an inevitable mistake.

III. AVOIDING THE INEVITABLE MISTAKES

The ultimate problem with the inevitable disclosure doctrine is that judicially created agreements destroy the freedom to contract and restrict employee mobility.¹¹⁷ Additionally, the policies supporting the inevitable disclosure doctrine are ultimately the same as those that support non-competition agreements.¹¹⁸ For example, both inevitable disclosure¹¹⁹ and non-competition agreements¹²⁰ seek to protect employers from trade secret misappropriation. Courts, in implementing the inevitable disclosure doctrine, seem to be adopting policy that they have continually denied through striking down non-competition agreements.¹²¹

implementing and enforcing the inevitable disclosure doctrine should be adopted.

¹¹⁶ *Id.* at 923. The court stated, “[a]lthough Illinois views some restrictive covenants suspiciously as restraints on trade, it will enforce them to protect trade secrets.” *Id.* (citing *Lawrence & Allen, Inc. v. Cambridge Human Res. Group, Inc.*, 685 N.E.2d 434, 443 (Ill. App. Ct. 1997)). However, non-competition contracts are not always enforceable because the factors create room for the courts to determine whether or not they should be enforced.

¹¹⁷ As Judge Learned Hand observed:

[I]t has never been thought actionable to take away another’s employee, when the defendant wants to use him in his own business, however much the plaintiff may suffer. It is difficult to see how servants could get the full value of their services on any other terms; time creates no prescriptive right in other men’s labor. If an employer expects so much, he must secure it by [a] contract [not to compete].

Harley & Lund Corp. v. Murray Rubber Co., 31 F.2d 932, 934 (1929). *See also* Whaley, *supra* note 19, at 846.

Although it may be fair to restrict an employee from competing or disclosing information when she has bargained and contracted for those limitations, it is very destructive both to employment relations and to judicial resources to allow employers who have failed to obtain an express agreement to prevent an employee from working for a competitor.

Id.

¹¹⁸ *See infra* part I (discussing the policies supporting both the inevitable disclosure doctrine and non-competition agreements).

¹¹⁹ *See* Whaley, *supra* note 19, at 838.

¹²⁰ *See* 2 JAGER, *supra* note 11, § 13:4.

¹²¹ *See* Hamler, *supra* note 30, at 389 (explaining the policies against the enforcement of non-competition agreements). The policies of free mobility of labor, an employee’s livelihood and violation of rights, and the restraint on trade can also apply in an argument against the adoption of the inevitable disclosure doctrine. *Id.*: *see also* Edelstein, *supra* note 18, at 735.

Although the arguments expressed by proponents of both sides of this dilemma are understandable, an inevitable disclosure theory that allows employers to prevent an employee from working for a competitor in the employee’s area of

With the looming notion that non-competition agreements are strictly construed and often not enforced,¹²² employers should enter into reasonable confidentiality agreements with their employees. Confidentiality agreements are preferred over non-competition agreements. Confidentiality agreements simply keep former employees from disclosing the former employer's trade secrets, they do not impose actual restraints on employee mobility.¹²³ Confidentiality agreements work to the advantage of the employee because he or she maintains mobility in the workforce.¹²⁴ Confidentiality agreements also work to the advantage of the employer because their secrets remain undisclosed, and if the employee breaks the agreement, contract remedies are available.

A confidentiality agreement existed between Redmond and PepsiCo in the *PepsiCo* case.¹²⁵ The court acknowledged that the confidentiality agreement was valid and enforceable,¹²⁶ but it found, in spite of the confidentiality agreement, Redmond's disclosure of PepsiCo's trade secrets was inevitable.¹²⁷ The court held that "inevitable" breaches of contract may be enjoined.¹²⁸

While the ITSA clearly allows a court to enjoin "threatened misappropriation," there is little case law, besides *PepsiCo* and the few cases that followed, that establishes what constitutes threatened or inevitable disclosure.¹²⁹ This lack of guidance allows judicially created contracts, which may include provisions that restrain employee mobility, to be implemented at the various courts' discretions. Since the effects of the inevitable disclosure doctrine can be devastating to former employees and contract principles, the Illinois Supreme Court or the legislature should create guidelines¹³⁰ for the courts to follow when deciding whether to apply the inevitable disclosure doctrine. Guidelines would force the courts to engage in a fact-based inquiry using only critical, precisely defined factors to determine if, in fact, the disclosure of the trade secrets at issue is inevitable.

The following are some suggested guidelines that would help to create

expertise for an unlimited amount of time and without any compensation to the employee is a menacing restriction.

Id.

¹²² See *Ross*, 522 N.E.2d at 1339.

¹²³ See 2 JAGER, *supra* note 11, § 13:3. Court's generally uphold confidentiality agreements where adequate consideration supports the agreement. *Id.*

¹²⁴ *Id.* "Confidentiality agreements are an effective tool in the maintenance of commercial morality and in promoting invention and innovation." *Id.* (citing *Vt. Microsystems, Inc. v. Autodesk Inc.*, 88 F.3d 142 (2d Cir. 1996)).

¹²⁵ *PepsiCo*, 54 F.3d at 1264. For the exact words of the confidentiality agreement see *supra* note 38 and accompanying text.

¹²⁶ *Id.* at 1272 n.10.

¹²⁷ *Id.* at 1272.

¹²⁸ *Id.*

¹²⁹ *Id.* at 1268. For the language of the ITSA, see *supra* note 12 and *supra* note 13 and accompanying text.

¹³⁰ The Federal Circuit established similar guidelines for courts to examine when determining whether a preliminary injunction is appropriate in a patent infringement case. DONALD S. CHISUM ET AL, *PRINCIPLES OF PATENT LAW* 1224 (2d ed. 2001). These guidelines, or factors, include the following: 1) the likelihood that the patentee will succeed on the merits of the case, 2) that the patentee will suffer irreparable harm if an injunction is not awarded, 3) that the balance of hardships tips in the patentee's favor, and 4) the impact on the public, if any. *Id.* The court has also found that factors one and two are the most important. *Id.*

judicial uniformity in using the inevitable disclosure doctrine. The guidelines would also help strike a balance between the employee's right to choose his or her profession and the employer's right to protect its intellectual property.¹³¹ The first factor to analyze is the competitiveness of the former and future employers.¹³² In order for trade secret disclosure to be damaging to the former employer, the future employer, to whom the information would be going, must truly be in competition with the former employer. Being in competition means that both employers are producing the same or similar products or services and the trade secret information that an employee has acquired will benefit the business of the second employer.¹³³

The second factor for the courts to analyze is whether the former employer has had success in an area that the future employer strives for and has the capital to achieve.¹³⁴ The future employer must want the information that the employee would inevitably reveal and he or she must have the means to achieve the success that the trade secret holds.

Third, the court should examine the value of the trade secret.¹³⁵ The value of the trade secret must be so great that protecting it justifies restricting an employee's mobility. The court should inquire about the time and financial resources invested in protecting trade secrets.¹³⁶ Additionally, the court should consider the value of the trade secret/information to the competitor, the time-period that this value is likely to last, the time it took the former employer to gather the information, and the actual information itself.¹³⁷

Fourth, the courts, when implementing the inevitable disclosure doctrine, should carefully look at any similarities between the employee's former and future job positions.¹³⁸ If the employee is moving to a position at a competitor's company that requires different duties than those that made him or her privy to confidential information, inevitable disclosure is unlikely. The new position must be almost identical, entailing the same responsibilities and tasks.¹³⁹ The new position must be one so that it would be nearly impossible for the employee not to use the confidential

¹³¹ According to Miller, *supra* note 1, at § 4, "[e]xplicit guidance is needed, however, in order to ensure this balance is maintained."

¹³² Whaley, *supra* note 19, at 848.

¹³³ *Id.*; see also Victoria A. Cundiff, *Hiring Competitors' Employees: A Trade Secrets Perspective: Simple Rules of Thumb Can Be Misleading*, N.Y.L.J., Nov. 17, 1997, at S2 (stating that while Microsoft and a small software applications development company both make software, there may not be substantial overlap in the companies' products to establish competition).

¹³⁴ See Cundiff, *supra* note 133, § 2 (giving the example that a high-tech employee's move to a company that has little ability to invest in the technology contained in the confidential information poses little risk).

¹³⁵ Whaley, *supra* note 19, at 848.

¹³⁶ See, e.g., *PepsiCo*, 54 F.3d at 1264 (noting that PepsiCo required all management employees, who were privy to confidential information, to sign confidentiality agreements). For more examples of how companies attempt to protect their trade secrets see Marriott, *supra* note 2 and accompanying text.

¹³⁷ Whaley, *supra* note 19, at 848. Whaley also notes that the court should ask if the first to market is a concern for the employers. *Id.*

¹³⁸ *Id.* at 849.

¹³⁹ *Telular* illustrates a good example of a person who was privy to the plaintiff's confidential information but who was not likely to disclose the information in his everyday business as a sales director. *Telular*, 2001 U.S. Dist. LEXIS 7472 at *2.

information that he or she was privy to at his or her previous job.¹⁴⁰

Fifth, the courts should examine the quality and quantity of the employee's actual knowledge of the confidential information.¹⁴¹ The court must look beyond the employee's positions and focus on the actual confidential information at issue.¹⁴² This factor involves an examination of that which the employee actually did at his or her former job and it seeks to determine the amount of knowledge the employee has about the employer's trade secrets.¹⁴³ The court, after determining "how intimately the employee knows the information,"¹⁴⁴ can then make a determination as to whether the doctrine applies.

Sixth, the court should examine all of the employee's employment options. The court should ask whether the employee can get another job or whether this is the only position in which the employee can use his or her skills.¹⁴⁵ If the employee has numerous options in the same job market, inevitable disclosure would not really restrict employee mobility. However, if there are only two companies that make a certain product or offer a certain service, it is not really fair to prohibit the employee from working in the only other job where his or her skills can be used.¹⁴⁶

The seventh and last factor that courts should consider is any bad faith on the part of the employee.¹⁴⁷ When the court in *PepsiCo* examined Redmond's bad faith, they alluded to the idea that more than simple fear of misappropriation was required to invoke the inevitable disclosure doctrine.¹⁴⁸ Dishonesty on the part of the employee and past and present behavior of the employee often indicate a willingness to misappropriate the former employer's trade secrets and a likelihood that misappropriation will occur.¹⁴⁹ Requiring a finding of bad faith on the part of the employee will shield an employee acting in good faith from being restricted in their employment options.

¹⁴⁰ Whaley, *supra* note 19, at 849. Whaley states that, "a court should not grant an injunction on the basis of unavoidable disclosure when an employee leaves a position in strategic planning to work in a divisional sales office with a dissimilar and unrelated job description." *Id.* at n.273.

¹⁴¹ *Id.* at 849.

¹⁴² See *PepsiCo*, 54 F.3d at 1265-66. The court in *PepsiCo* did an extensive inquiry into the information that Redmond acquired in his position at PepsiCo. *Id.*

¹⁴³ *Id.*; see also Cundiff, *supra* note 133, at S7 (suggesting that questions like "[d]oes the employee have high-level or in-depth knowledge of the ex-employer's secrets?" be asked when determining whether the inevitable disclosure doctrine applies).

¹⁴⁴ Whaley, *supra* note 19, at 849-50.

¹⁴⁵ *Id.* at 850. If the answer to this question is that this job is the only job where the employee can use his skills, the inevitable disclosure doctrine would act like a non-compete covenant in that it would restrict the employee's mobility. According to Jager, "Unreasonable covenants that interfere with a person's livelihood are against public policy." 2 JAGER, *supra* note 11, § 13:4.

¹⁴⁶ See Whaley, *supra* note 19, at 850.

¹⁴⁷ Critics argue that the employee's intent should not be a factor because a finding that disclosure will be inevitable is not influenced by the employee's good or bad faith. See Whaley, *supra* note 19, at n.279.

¹⁴⁸ *PepsiCo*, 54 F.3d at 1270. The court found that Redmond's lack of forthrightness and out and out lies were evidence that he could not be trusted to act with the necessary sensitivity and good faith under the circumstances in which the only verification that he was not misappropriating PepsiCo's trade secrets was his word to that effect. *Id.*

¹⁴⁹ See Miller, *supra* note 1, § 5 ("The evidence must indicate that misappropriation is threatened, not simply inevitable.").

IV. CONCLUSION

The inevitable disclosure doctrine has the potential to be a very destructive judicial tool because it could restrain employee mobility and destroy the freedom to contract.¹⁵⁰ However, the previously explained seven factors would give the Illinois courts clear standards to determine whether the employee can perform his or her new job without misappropriating his or her former employer's trade secrets. With these guidelines, the courts will be able to strike a balance between protecting employee mobility and the freedom to contract and protecting employer's trade secret.

¹⁵⁰ See Pooley, *supra* note 9, at 1186.