

Recommended Reading

2.2 D. Pelletier, Never Out of Style:
Properly Tailored Inevitable
Misappropriation Claims and Contractual
Provisions (July 21, 2022)

Never Out Of Style: Properly Tailored Inevitable Misappropriation Claims And Contractual Provisions

Dean A. Pelletier
July 21, 2022¹

Inevitable trade secret misappropriation is actionable in some, and should be actionable in all, U.S. jurisdictions.² Where factually appropriate, a trade secret owner should assert a threatened misappropriation claim based on inevitable misappropriation and urge courts that currently do not recognize an inevitable misappropriation claim to reconsider and change that position. Indeed, as noncompete agreements (noncompetes) are scrutinized, criticized and limited,³ properly tailored inevitable misappropriation claims and contractual provisions may become more important, more utilized means for timely protecting trade secrets and related interests.⁴

¹ Dean is the Founder of Pelletier Law, LLC and can be reached at dpelletier@pelletier-ip.com and (773) 472-7777. Any views and opinions in this paper are solely the author's personal views and opinions and not necessarily the views or opinions of any past, present or future clients.

² For example, Illinois and Pennsylvania are two of several jurisdictions that recognize inevitable misappropriation as a form of threatened misappropriation and, as such, as a basis for relief. *See, e.g., PepsiCo, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995) and *Certainteed Ceilings Corp. v. Aiken*, Civil Action No. 14-3925, at *4 (E.D. Pa. Jan. 29, 2015). *See also Kinship Partners, Inc. v. Embark Veterinary, Inc.*, 3:21-cv-01631-HZ, at *13 (D. Or. Jan. 3, 2022) (“Several states recognize the inevitable disclosure [*sic*, misappropriation] doctrine under their respective trade secret misappropriation statutes.”) (internal citation omitted); and *id.* (“Seventeen states appear to have adopted the inevitable disclosure [*sic*, misappropriation] doctrine in one form or another.”) (internal citation omitted). California, Colorado, Louisiana, Maryland, Oregon, Virginia and the District of Columbia do not recognize -- and, in some cases, have “specifically rejected” -- inevitable misappropriation as a form of threatened misappropriation and, as such, as a basis for relief. *Certainteed*, at *4; and *Kinship*, at *13 n.3. As to federal law, the consensus is the Defend Trade Secrets Act (DTSA) does not encompass or provide relief for inevitable misappropriation by an individual. *See* 18 U.S.C. § 1836(b)(3)(A)(i)(I), (II).

³ *See, e.g., Kinship*, 3:21-cv-01631-HZ, at *13 (noting a December 27, 2019 reference to “the [Oregon] state legislature’s recent trend of allowing greater freedom of employment” and noting “[t]he Oregon legislature limited the enforceability of noncompetition agreements in 2007 and has evinced a clear concern for the rights of its employees”) (internal citation omitted); Noncompetes-50 State Survey Chart 20220710, prepared by Russell Beck of Beck, Reed Riden LLP and available at <https://www.faircompetitionlaw.com>; and <https://www.businessinsurance.com/article/20220719/NEWS06/912351223/State-curb-on-noncompete-agreements-spread?>

⁴ *Kinship*, 3:21-cv-01631-HZ, at *17 (“A trade secret once lost is, of course, lost forever.”) (internal citation omitted).

Importantly, recognizing inevitable misappropriation as a form of threatened misappropriation furthers a primary policy of trade secret law: commercial ethics.⁵ Further, an inevitable misappropriation claim should succeed against an individual defendant, such as a former employee, only in limited circumstances where, *inter alia*, the individual lacks candor and therefore cannot be trusted. Such limited applicability should alleviate concerns about a conflict between (1) an inevitable misappropriation claim and corresponding injunction and (2) employee mobility. Notably, there may not be any such conflict where an inevitable misappropriation claim is asserted against an entity, such as a new employer, and the entity is enjoined. Indeed, an inevitable misappropriation claim against an entity may be viable and a corresponding injunction may be available even under the federal Defend Trade Secrets Act (DTSA).

Of course, a court may choose not to reconsider or may choose to affirm its position that inevitable misappropriation is not a recognized basis for relief. Because of that possibility, as well as the current scrutiny on, criticism of and limitations on noncompetes, properly tailored contractual provisions are an additional option for timely protecting trade secrets and related interests.

I. An Inevitable Misappropriation Claim Furthers Commercial Ethics

“The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law.”⁶ Stated differently, “[t]rade secret law serves to protect standards of commercial morality and encourage invention and innovation while

⁵ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974); *PepsiCo*, 54 F.3d at 1268. For purposes of this paper, commercial ethics and commercial morality are considered synonymous.

⁶ *Kewanee Oil*, 416 U.S. at 481.

maintaining the public interest in having free and open competition in the manufacture and sale of unpatented goods.”⁷ Commercial ethics include good faith and honest, fair dealing.⁸

Consistent with maintaining standards of commercial ethics, an inevitable misappropriation claim assesses, *inter alia*, a defendant’s candor. Where a defendant’s candor is lacking, commercial ethics are lacking. If trade secret law does not protect a trade secret, its owner and related interests under such circumstances -- *i.e.*, where all inevitable misappropriation claim elements, including a lack of candor, have been pled and proven -- then trade secret law unreasonably fails to maintain standards of commercial ethics.

II. The Basic Elements Of A Misappropriation Claim

A trade secret misappropriation claim often consists of the same or similar elements in every U.S. jurisdiction, whether the claim is asserted under the DTSA or a State’s version of the Uniform Trade Secrets Act (UTSA).⁹ For example, “[t]o state a claim for misappropriation of a trade secret under the [Illinois version of the UTSA, *i.e.*, the Illinois Trade Secrets Act (ITSA)], a plaintiff must show that (1) a trade secret existed, (2) the trade secret was misappropriated, and (3) the trade secret owner was damaged by the misappropriation.”¹⁰

⁷ *PepsiCo*, 54 F.3d at 1268 (internal citation and quotation marks omitted).

⁸ See *Kewanee Oil*, 416 U.S. at 481-82 (“The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world.”) (internal citation omitted).

⁹ The UTSA has been adopted in one form or another by 49 States (the only exception being New York) and by the District of Columbia.

¹⁰ *360 Painting, LLC v. R Sterling Enters.*, 20-cv-4919, at *11 (N.D. Ill. Aug. 13, 2021) (internal citation omitted); and *id.* (“The federal and Illinois claims can be discussed together because the pertinent definitions of the two acts [*i.e.*, DTSA and Illinois Trade Secrets Act (ITSA)] overlap.”) (internal citation omitted).

Notably, “[m]isappropriation can be shown one of three ways-by improper acquisition, unauthorized disclosure, or unauthorized use.”¹¹ Further, injunctive relief is available for actual or threatened misappropriation.¹²

III. The Additional Elements Of An Inevitable Misappropriation Claim

PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1268 (7th Cir. 1995) is one of the most cited inevitable misappropriation cases. To some, *PepsiCo* is the seminal case on inevitable misappropriation.¹³

As part of the analysis in *PepsiCo*, the Seventh Circuit accounted for the “only two cases in th[e] circuit that [at the time] address[ed] the issue” of “what constitutes threatened or inevitable misappropriation[:.]” *Teradyne, Inc. v. Clear Comm. Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989) and *AMP Inc. v. Fleischhacker*, 823 F.2d 1199 (7th Cir. 1987).¹⁴ A careful, chronological assessment of *AMP*, *Teradyne* and *PepsiCo* will more clearly establish the elements of an inevitable misappropriation (alternatively, IM) claim.

In *AMP*, a pre-ITSA case involving a bench trial, the plaintiff alleged inevitable misappropriation as a form of threatened misappropriation.¹⁵ If written as a formula, the IM claim advanced in *AMP* was $IM = A + B + C + D + E$, where:

¹¹ *360 Painting*, 20-cv-4919, at *12 (internal citation omitted). *See also, e.g.*, 18 U.S.C. § 1839(5); UTSA, § 1(2); and 765 ILCS § 1065/2(b).

¹² *See, e.g.*, 18 U.S.C. § 1836(b)(3); UTSA, § 2; and 765 ILCS § 1065/3(a).

¹³ *Kinship*, 3:21-cv-01631-HZ, at *11 (“The seminal case that recognized the inevitable disclosure [*sic*, misappropriation] doctrine as a viable theory for trade secret misappropriation is *PepsiCo*[.]”)

¹⁴ *PepsiCo*, 54 F.3d at 1268.

¹⁵ *See* 765 ILCS § 1065/9 (the ITSA took “effect on January 1, 1988, and does not apply to misappropriation occurring prior to its effective date”) and *AMP Inc. v. Fleischhacker*, 823 F.2d 1199, 1200, 1201 (7th Cir. 1987).

A = individual defendant is plaintiff's former employee,

B = sufficient similarity or relatedness between individual defendant's former and new positions and responsibilities,

C = individual defendant's knowledge of plaintiff's asserted, sufficiently identified trade secrets,

D = defendant (*e.g.*, entity defendant/new employer) and plaintiff are competitors and

E = defendant (*e.g.*, entity defendant/new employer) solicited or hired other former employees of plaintiff.¹⁶

The Seventh Circuit did not address the sufficiency of the *AMP* IM formula because the Seventh Circuit concluded that the information at issue did not constitute protectible trade secrets.¹⁷

In *Teradyne*, an ITSA case addressing a motion to dismiss, the plaintiff likewise alleged inevitable misappropriation as a form of threatened misappropriation.¹⁸ If written as a formula,

¹⁶ As to element A: *AMP*, 823 F.2d at 1200. While an inevitable misappropriation claim often is asserted against (1) one or more of the plaintiff's former employees, (2) his, her or their new employer or (3) both (1) and (2), such a claim potentially could be asserted against another person, such as a contractor, licensee or business partner. As to element B: *AMP*, 823 F.2d at 1200, 1201. Of course, some similarity or relatedness between former and new positions and responsibilities is typical. *See id.* at 1206 ("It is unlikely that [defendant] Mr. Fleischhacker would be of much use to [defendant] Molex in a position wholly unrelated to the duties he performed at [plaintiff] AMP."). As to element C: *AMP*, 823 F.2d at 1203 (the "general confidential information" at issue did not constitute protectible trade secrets). *See also id.* at 1205, 1206, 1207-08. As to element D: *AMP*, 823 F.2d at 1200, 1201. As to element E: *AMP*, 823 F.2d at 1201.

¹⁷ *AMP*, 823 F.2d at 1203. *See also* note 16, *supra*. *But see PepsiCo*, 54 F.3d at 1269 (summarizing *AMP* as: "In rejecting th[e] argument [that defendant Fleishhaker's new position at plaintiff AMP's competitor would inevitably lead him to compromise AMP's trade secrets regarding the manufacture of connectors], we emphasized that the mere fact that a person assumed a similar position at a competitor does not, without more, make it inevitable that he will use or disclose . . . trade secret information so as to demonstrate irreparable injury.") (internal citations and quotation marks omitted).

¹⁸ *See Teradyne, Inc. v. Clear Comm. Corp.*, 707 F. Supp. 353, 355, 356 (N.D. Ill. 1989).

the IM claim advanced in *Teradyne* was $IM = A + B + C + D' + E$, and thus almost identical to the *AMP* IM formula.¹⁹

The only difference between the *Teradyne* IM formula and the *AMP* IM formula is *Teradyne* element D', which is broader than *AMP* element D. That is, the plaintiff in *Teradyne* alleged it was about to enter the sub-market in which the defendants were operating, thereby making element D':

D' = defendants (including, *e.g.*, entity defendant/new employer) and plaintiff are competitors, or defendants are in the same kind of business or field as plaintiff and defendants (including, *e.g.*, entity defendant/new employer) and plaintiff are about to become competitors.²⁰

The court rejected the *Teradyne* IM formula as deficient. In other words, it held the plaintiff did “not state a claim of threatened misappropriation[.]” dismissed the complaint and explained:

- threatened misappropriation sufficiently would be pled by “[a]n allegation that the defendants said they would use secrets or disavowed their confidentiality agreements” and
- threatened misappropriation in the form of inevitable misappropriation sufficiently would be pled by “[a]n allegation that [defendant] Clear could not operate without [plaintiff] Teradyne’s secrets because Teradyne’s secret

¹⁹ As to element A: *Teradyne*, 707 F. Supp. at 354. As to element B: *Teradyne*, 707 F. Supp. at 354-55, 357. As to element C: *Teradyne*, 707 F. Supp. at 356, 357. *See also id.* at 355, 356 (assessing whether the complaint “identif[ies] the trade secrets that might be misappropriated[.]” describing as “inexact” the “broad range of protectible information alleged by [plaintiff] Teradyne” but concluding “[t]here is no reason to require detailed descriptions in the complaint of each of the secrets Teradyne fears will be misused.... Defendants’ argument is really better directed to the question of the nature, order and timing of discovery.”). As to element D’: *See* note 20, *infra*. As to element E: *Teradyne*, 707 F. Supp. at 356.

²⁰ As to element D’: *Teradyne*, 707 F. Supp. at 354, 356, 357.

technology is the only one that will work[,] though more technical facts may be necessarily included in such a pleading.”²¹

Based on that explanation, a sufficient IM formula, *i.e.*, a revised *Teradyne* IM formula, is $IM = A + B + C + D' + E + F$, where elements $A + B + C + D' + E$ are as explained above and additional element F is:

F = defendant could not operate without the trade secrets because the secret technology is the only one that will work.²²

That bring us back to *PepsiCo*, where the Seventh Circuit analyzed the viability and sufficiency of an IM claim under the ITSA.²³ The court performed that analysis in connection with reviewing a district court’s grant of a preliminary injunction.²⁴ The court explained and held:

The ITSA, *Teradyne*, and *AMP* lead to the same conclusion: a plaintiff may prove a claim of trade secret misappropriation by demonstrating that defendant’s new employment will inevitably lead him to rely on the plaintiff’s trade secrets. ... The defendants are incorrect that Illinois law does not allow a court to enjoin the ‘inevitable’ disclosure of trade secrets. Questions remain, however, as to what constitutes inevitable misappropriation and whether *PepsiCo*’s submissions rise above those of the *Teradyne* and *AMP* plaintiffs and meet that standard. We hold that they do.

PepsiCo, 54 F.3d at 1269 (internal citation omitted).

²¹ *Teradyne*, 707 F. Supp. at 357-58. *See also id.* at 356-57 (“All that is alleged, at bottom, is that defendants could misuse plaintiff’s secrets, and plaintiffs [*sic*] fear they will. This is not enough. It may be that little more is needed, but falling a little short is still falling short.”)

²² As to element F: *Teradyne*, 707 F. Supp. at 357-58. *See also* notes 19-20, *supra*. The “more technical facts” qualification is an important reminder to meet applicable pleading standards. *See* note 21, *supra*, and related text.

²³ *PepsiCo*, 54 F.3d at 1267-71.

²⁴ *PepsiCo*, 54 F.3d at 1263. *See also id.* at 1265 (the district court granted the preliminary injunction after conducting a hearing from November 23, 1994 to December 1, 1994).

As to the rationale for that holding, the plaintiff in *PepsiCo* likewise alleged inevitable misappropriation as a form of threatened misappropriation.²⁵ If written as a formula, the IM claim successfully advanced in *PepsiCo* was $IM = A + B + C + D' + E' + F' + G$, where elements $A + B + C + D'$ are as explained above,²⁶ element E' is broader than *AMP/Teradyne* element E , element F' is broader than *Teradyne* element F and element G is additional *PepsiCo* element G :

E' = defendant (*e.g.*, entity defendant/new employer) recruited, solicited, interviewed or hired other former employees of plaintiff,

F' = defendant cannot help but rely on the trade secrets, will be able to anticipate the plaintiff's commercial moves while armed with knowledge of the trade secrets or could not operate without the trade secrets because the secret technology is the only one that will work and

G = defendant (*e.g.*, individual defendant) lacks candor and therefore cannot be trusted.²⁷

²⁵ *PepsiCo*, 54 F.3d at 1266, 1267.

²⁶ As to element A: *PepsiCo*, 54 F.3d at 1263. As to element B: *PepsiCo*, 54 F.3d at 1264. As to element C: *PepsiCo*, 54 F.3d at 1264, 1265-66, 1269. *See also id.* at 1268 (“The defendants’ appeal focuses solely on misappropriation; although the defendants only reluctantly refer to [plaintiff] PepsiCo’s marketing and distribution plans as trade secrets, they do not seriously contest that this information falls under the ITSA.”) (internal citation omitted). As to element D’: *PepsiCo*, 54 F.3d at 1263-64. As to element E’: *See* note 27, *infra*. As to element F’: *See* note 27, *infra*. As to element G: *See* note 27, *infra*.

²⁷ As to element E’: *PepsiCo*, 54 F.3d at 1271. As to element F’: *PepsiCo*, 54 F.3d at 1270. As to element G: *PepsiCo*, 54 F.3d at 1264, 1270-71, 1272. *See also Kinship*, 3:21-cv-01631-HZ, at *16 (addressing defendant’s candor in connection with assessing inevitable misappropriation and citing *PepsiCo* for the proposition that “the defendant’s lack of candor in pursuing and accepting a job with a competitor [is] a factor in determining whether he would threaten misappropriation of the plaintiff’s trade secrets”).

IV. An Inevitable Misappropriation-Based Injunction Does Not Unreasonably Restrict Employee Mobility

A, if not the, primary reason some jurisdictions do not recognize inevitable misappropriation as a form of threatened misappropriation is that an inevitable misappropriation-based injunction is deemed an unreasonable restriction on employee mobility.²⁸ But reaching that conclusion often results from three mistakes: (1) oversimplifying inevitable misappropriation to the point that it is too easy to plead and prove, (2) not accounting for all legitimate interests at stake and (3) assuming that an injunction to prevent inevitable misappropriation forever bars a person from working in his or her field.

Regarding the first mistake, as explained above, a successful IM claim requires more than pleading and proving “simply” (1) a “defendant’s new employment” with “plaintiff’s direct competitor” or (2) a former employee “holding knowledge of those [trade] secrets in [his or her] head while working for a direct competitor.”²⁹ An IM claim successfully can be pled and proven by satisfying the 7-element *PepsiCo* IM formula.

Regarding the second mistake, an injunction to prevent inevitable misappropriation protects more than the trade secret at issue. In other words, a trade secret is competitively valuable

²⁸ *PepsiCo*, 54 F.3d at 1268.

²⁹ *Compare Kinship*, 3:21-cv-01631-HZ, at *11-12 (“The rationale underlying the inevitable disclosure [*sic*, misappropriation] doctrine is that a plaintiff may establish threatened misappropriation simply by the fact that the defendant’s new employment will inevitably lead that defendant to rely on plaintiff’s trade secrets. In *PepsiCo*, the Seventh Circuit held that the inevitability that a former employee would rely on the plaintiff’s trade secrets in his new job with plaintiff’s direct competitor demonstrated a likelihood of success on plaintiff’s trade secret misappropriation claim under the Illinois Trade Secrets Act (ITSA). In other words, a former employee threatens misappropriation of trade secrets simply by holding knowledge of those secrets in their head while working for a direct competitor. The remedy for threatened misappropriation under this theory is to enjoin the former employee from working for the competitor.”) (internal citations and quotation marks omitted) *with id.* at *12 (“The inevitable disclosure [*sic*, misappropriation] doctrine constitutes a narrow avenue for courts to provide injunctive relief for threatened misappropriation of trade secrets.”) *and id.* at *14-16.

information.³⁰ So, an injunction to prevent inevitable misappropriation protects (1) the trade secret, (2) the trade secret owner's operations created, maintained or supported by the trade secret and (3) other legitimate interests, such as the jobs created, maintained or supported by the trade secret and held by the trade secret owner's current employees.³¹ The need to protect those interests may outweigh -- sometimes significantly -- the need to protect a former employee's mobility.

Regarding the third mistake, the assertion that the inevitable misappropriation "doctrine requires a court to recognize and enforce a de facto noncompetition agreement to which the former employee is bound, even where no express agreement exists" goes too far in at least two ways.³²

First, that assertion is "obviously overstated" to the extent it implies a former employee "could never work in the same business" for a new employer.³³

³⁰ See 18 U.S.C. § 1839(3)(B) (a trade secret "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information"); UTSA, § 1(4)(i) (substantially the same as 18 U.S.C. § 1839(3)(B)); and 765 ILCS § 1065/2(d)(1) (a trade secret "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").

³¹ In adjudicating, for example, a motion for a preliminary injunction, the public interest is considered. The public interest should include a defendant/former employee's former colleagues and their livelihoods. Indeed, accounting for those individuals -- *i.e.*, individuals who still work for the former employer -- provides a more complete picture of employee interests. Employee mobility is an interest at stake. See *Kinship*, 3:21-cv-01631-HZ, at *18. But so too is stable, continuing employment for a defendant's former colleagues.

³² *Kinship*, 3:21-cv-01631-HZ, at *12.

³³ *Teradyne*, 707 F. Supp. at 356 ("[Defendant] Clear argues if [plaintiff] Teradyne is right that these facts constitute a threat of misappropriation, then [defendants] Capithorne, Studee and Iyer could never work in the same business because they would always be in a position to use Teradyne's trade secrets. The argument is obviously overstated; presumably after the passage of time these men would no longer possess confidential information of value.") (internal citation omitted). See also *PepsiCo*, 54 F.3d at 1267, 1272 ("While the defendants' arguments are not without some merit, the district court determined that the proposed integration would require [defendant] Redmond to do more than execute a plan someone else had drafted. It also found that Redmond's knowledge of PCNA's [*i.e.*, Pepsi-Cola North America's] trade secrets and confidential information would inevitably shape that integration and that Redmond could not be trusted to avoid that conflict of interest. If the injunction permanently enjoined Redmond from assuming these duties at [defendant] Quaker, the defendants' argument would be stronger. However, the injunction

Second, there is nothing unreasonably “*de facto*” about an inevitable misappropriation claim and corresponding injunction. That claim and remedy are means to prevent unfair competition and protect an asset whose value is based on its relatively fragile secrecy status.³⁴ If an inevitable misappropriation claim is proven, a corresponding injunction reasonably can: (1) delay or condition an individual’s assumption of certain responsibilities and performance of certain duties for a new employer and (2) permanently, *i.e.*, forever, prevent any disclosure or use of the former employer’s trade secrets.³⁵

Notably, the delayed or conditioned assumption and performance uniquely can protect, for example, a trade secret which has a shelf life and on which a defendant cannot help but rely or from which a defendant will be able to anticipate the plaintiff’s commercial moves.³⁶ In appropriate circumstances, such as where a defendant could not operate without a trade secret because the secret technology is the only one that will work, the overall duration of the delay or conditions may be extended from, for example, the shelf life of the trade secret to, for example, a period equal to the independent development period for the trade secret.³⁷

against Redmond’s immediate employment at Quaker extends no further than necessary [*i.e.*, five and a half months] and was well within the district court’s discretion.”)

³⁴ *Kinship*, 3:21-cv-01631-HZ, at *17.

³⁵ *See, e.g., PepsiCo*, 54 F.3d at 1267 (“On December 15, 1994, the district court issued an order enjoining [defendant] Redmond from assuming his position at [defendant] Quaker through May, 1995, and permanently from using or disclosing any PCNA trade secrets or confidential information.”). Of course, under certain circumstances -- *e.g.*, where a trade secret becomes generally or publicly known through no fault of the defendant/former employee -- the trade secret portion of the injunction (*i.e.*, portion (2) above) may terminate, in whole or in part, on its own terms or be terminated, in whole or in part, through a motion.

³⁶ *PepsiCo*, 54 F.3d at 1270. A trade secret with a shelf life could be, for example, a commercial strategy that, once implemented, is generally or publicly known or that loses its value as time passes and market conditions change. *Cf. id.* at 1265-67.

³⁷ *See* Section III, *supra* (discussing *Teradyne* element F and *PepsiCo* element F’).

V. An Inevitable Misappropriation Claim Against An Entity May Be Viable, Even Under The DTSA

The DTSA provides, in pertinent part:

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

(A) grant an injunction—

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

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

(II) otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business[.]

18 U.S.C. § 1836(b)(3)(A)(i)(I), (II) (emphases added).

In light of that statutory language, the consensus is the DTSA does not encompass or provide relief for inevitable misappropriation by an individual.³⁸

Assuming *arguendo* the consensus is correct, the DTSA nevertheless may encompass and provide relief for inevitable misappropriation by an entity.³⁹ For example, suppose a company's new facility was built through actual misappropriation. That is, without authority, the company and its new employees, who are former employees of the trade secret owner, disclosed and used

³⁸ See, e.g., *Kinship*, 3:21-cv-01631-HZ, at *12-13 (“Pursuant to federal law, the DTSA specifically forecloses courts from granting relief based on the inevitable disclosure [*sic*, misappropriation] doctrine *because* such relief restrains employment. Under the DTSA, ‘a court may grant an injunction to prevent any actual or threatened misappropriation . . . *provided the order does not prevent a person from entering into an employment relationship*[.]’ Based on the plain language of the statute, the DTSA provides no avenue for the Court to grant Plaintiff its requested relief.”) (internal citation omitted; emphases in original).

³⁹ State trade secret statutes also may encompass and provide relief for inevitable misappropriation by an entity. See note 9, *supra*.

trade secrets -- *i.e.*, secret specifications -- to build the facility. The facility therefore embodies the trade secrets and cannot operate without further misappropriation of the trade secrets. In other words, further misappropriation by the company is inevitable.

Under those circumstances, a DTSA-based inevitable misappropriation claim against the company may be viable. Further, a DTSA-based injunction preventing the company from operating its facility may be available, provided that the injunction (a) does not “prevent a person from entering into an employment relationship,”⁴⁰ (b) does not place conditions “on such employment”⁴¹ and (c) does not “otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business[.]”⁴²

VI. Contractual Provisions Addressing Inevitable Misappropriation Are An Option

A court may choose not to reconsider or may choose to affirm its position that inevitable misappropriation is not a recognized basis for relief. Because of that possibility, as well as the current scrutiny on, criticism of and limitations on noncompetes,⁴³ properly tailored contractual provisions are an additional option for timely protecting trade secrets and related interests.⁴⁴

⁴⁰ There may not and likely would not be a need for such prevention.

⁴¹ There may not and likely would not be a need for such conditions. Even if there were such a need and conditions were imposed, then, pursuant to the *PepsiCo* IM formula or otherwise, the conditions could “be based on evidence of threatened misappropriation and not merely on the information the person knows[.]” *See* Section III, *supra*; and 18 U.S.C. § 1836(b)(3)(A)(i)(I).

⁴² 18 U.S.C. § 1836(b)(3)(A)(i)(II).

⁴³ *See* note 3, *supra*.

⁴⁴ To be a trade secret, information must be the subject of reasonable protective measures or efforts. 18 U.S.C. § 1839(3)(A); UTSA, § 1(4)(ii); and 765 ILCS § 1065/2(d)(2). A common example of a reasonable protective measure or effort is a contract that limits or prohibits use and disclosure of trade secrets. Examples of such a contract are confidentiality or non-disclosure agreements, proprietary information and invention agreements or assignments, employment agreements and noncompete agreements. *See, e.g., Certainteed*, Civil Action No. 14-3925, at *2 (plaintiff alleging that it “regularly uses employment agreements and noncompete covenants to protect its confidential information and trade secrets”).

For example, an employee's confidentiality agreement might provide, *inter alia*: "I acknowledge I am authorized to access, disclose to other authorized persons and use certain trade secrets to perform my duties and responsibilities as an employee. I further acknowledge I cannot perform my duties and responsibilities as an employee without the trade secrets I access."

Assuming the employer lawfully tracks the employee's access to trade secrets, the above provision and related evidence may support a trade secret misappropriation or breach of contract claim against the employee if he or she subsequently takes a similar position with a competitor. That is, the above provision may be part of the evidence that supports threatened and, indeed, inevitable misappropriation and that justifies certain terms and conditions in an injunction.

The above provision also may provide other benefits. It may motivate the employee not to access a trade secret unless there is a legitimate need to do so. If that motivation actually limits or eliminates illegitimate access by the employee, then other benefits may include: (1) for the employer: a trade secret not accessed by the employee may be better protected (*i.e.*, may be less vulnerable because it is less accessed) and (2) for the employee: the employee may face fewer obstacles if a trade secret or contract dispute later arises in connection with new employment.

VII. Conclusion

The Coca-Cola® formula is a famous trade secret. The *PepsiCo* IM formula is not a trade secret, but it is still valuable. The *PepsiCo* IM formula is a formula for a properly tailored IM claim and all jurisdictions can and should use that formula when assessing an IM claim.