INEVITABLE CONFLICT?: CALIFORNIA'S POLICY OF WORKER MOBILITY AND THE DOCTRINE OF "INEVITABLE DISCLOSURE"

DAVID LINCICUM*

I. INTRODUCTION

In today's economy, trade secrets are of growing importance.[1] As a result, companies are increasingly concerned with departing employees who might disclose them to competitors.[2] One legal development that has helped employers restrict their employees' mobility is the resurgence of the inevitable disclosure doctrine in trade secret law.[3] This doctrine allows employers to prevent employees from working for competitors when their new positions would inevitably lead to the disclosure of trade secrets, even if they did not sign a contractual noncompete agreement.[4] This doctrine has not received universal acceptance, and many commentators argue that it represents an unreasonable restriction on worker mobility.[5]

* University of Southern California School of Law, Class of 2002. The author would like to thank Professor Dan Klerman for his helpful comments about this Note.

1. *See* John H. Matheson, *Employee Beware: The Irreparable Damage of the Inevitable Disclosure Doctrine*, 10 LOY. CONSUMER L. REV. 145, 145 (1998).

2. D. Peter Harvey, *"Inevitable" Trade Secret Misappropriation after* PepsiCo, Inc. v. Redmond, *in* LITIGATING COPYRIGHT, TRADEMARK & UNFAIR COMPETITION CASES FOR THE EXPERIENCED PRACTITIONER, 1998, at 199, 203 (PLI Patents, Copyrights, Trademarks, & Literary Prop. Course, Handbook Series No. 537, 1998).

3. *See id*.

4. Matheson, *supra* note 1, at 159.

5. *See id.* at 161.

Trade secrets are of special importance in California, where high technology firms in the computer and biotechnology industries flourish.[6] California employers are currently attempting to use the inevitable disclosure doctrine to protect their trade secrets when important employees depart to work for competitors.[7] Application of the doctrine, however, is complicated by the state's strong policy favoring worker mobility, as manifested in California Business and Professions Code section 16600,[8] which states, "every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void."[9] California courts consistently interpret this statute as an expression of a public policy invalidating contractual covenants not to compete.[10] Because the inevitable disclosure doctrine functions as a noncontractual covenant not to compete, it is obviously in tension with section 16600.[11]

Despite this tension, one California appellate court, in *Electro Optical Industries, Inc. v. White*, recently chose to adopt the inevitable disclosure doctrine.[12] This was the first California court to do so.[13] The doctrine's status in the state was thrown into question, however, when the California Supreme Court ordered the case depublished.[14]

This Note will argue that the doctrine of inevitable disclosure as applied by other states would conflict with California's strong policy favoring worker mobility as expressed in section 16600 and that it should not be adopted without first significantly narrowing its application. This Note will then suggest that if the doctrine were applied only where there is intent to disclose or where disclosure is truly inevitable, it would no longer conflict with the policy behind section 16600, while still allowing California employers to protect their trade secrets.

Part II of this Note will describe the development of the inevitable disclosure doctrine outside of California. Part III will discuss the history of

6. *See* Robert C. Welsh, Larry C. Drapkin & Samantha C. Grant, *Are Noncompete Clauses Kaput?*, NAT'L L.J., Aug. 14, 2000, at B13.

7. *See, e.g.*, Electro Optical Indus., Inc. v. White, 90 Cal. Rptr. 2d 680, 681 (Ct. App. 1999), *withdrawn*, 2000 Cal. LEXIS 3536 (Cal. Apr. 12, 2000).

8. *See* CAL. BUS. & PROF. CODE § 16600 (Deering 1992).

9. *Id.*

10. *See* Metro Traffic Control, Inc. v. Shadow Traffic Network, 27 Cal. Rptr. 2d 573, 577 (Ct. App. 1994).

11. *See* Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not To Compete*, 74 N.Y.U. L. REV. 575, 625 (1999).

12. 90 Cal. Rptr. 2d at 684.

13. *Id.*

14. *See* Electro Optical Indus., Inc. v. White, No. S085582, 2000 Cal. LEXIS 3536, at *1 (Cal. Apr. 12, 2000).

the doctrine in California. Part IV will examine section 16600 and California's policy of worker mobility. Part V will argue that the doctrine conflicts with California's worker mobility policy. Part VI will outline proposed modifications to the doctrine and argue that they would harmonize the doctrine with section 16600 and California case law. Part VII will conclude that while a broad application of the inevitable disclosure doctrine would represent an impermissible restriction of worker mobility, some form of the doctrine is necessary to protect employer trade secrets.

II. THE DEVELOPMENT OF THE INEVITABLE DISCLOSURE DOCTRINE

A. THE UNIFORM TRADE SECRETS ACT AND THE INEVITABLE DISCLOSURE DOCTRINE

Trade secret law was first developed through common law.[15] As each state developed its own law, protection varied throughout the country.[16]

In 1979, the National Conference of Commissioners on Uniform State Laws made another attempt to unify trade secret law. It approved the Uniform Trade Secrets Act ("UTSA"), a model trade secret statute that has since been adopted in some form by forty-four states and the District of Columbia.[17]

The UTSA allows courts to issue injunctions for either "[a]ctual or threatened misappropriation" of a trade secret.[18] Misappropriation under the UTSA falls into two main categories: improper means and breach of the duty of confidentiality.[19] Using improper means usually deals with espionage or theft of the trade secret.[20] Breach of the duty of confidentiality is defined as use of secret information that a party acquired lawfully but is bound not to disclose. This occurs most commonly in the employment context, where the employer/employee relationship gives rise to a duty of confidentiality and creates a duty not to disclose that lasts

15. Matheson, *supra* note 1, at 147.

16. *Id*.

17. MELVIN F. JAGER, TRADE SECRETS LAW § 3.05, at 3-69 to 3-70 (2000).

18. UNIF. TRADE SECRETS ACT § 2 (1985).

19. *See id.* § 1(1). Technically, a breach of the duty of confidentiality is an improper means under the UTSA. In practice, however, a misappropriation that breaches a duty of confidentiality is distinct from an improper means misappropriation and warrants separate treatment.

20. *See, e.g.*, E. I. duPont deNemours & Co. v. Christopher, 431 F.2d 1012, 1015 (5th Cir. 1970) (holding that aerial photographs of competitor's building was improper means).

beyond the termination of the relationship.[21] An employee is prohibited from disclosing any of the employer's trade secrets learned during the course of employment; however, employees are still free to use any skills or general knowledge that they developed during their employment.[22]

The inevitable disclosure doctrine comes in to play when an employer fears that an employee that is leaving to work for a competitor will disclose trade secrets in breach of a duty of confidence.[23] The doctrine allows the employer to get an injunction preventing the employee from working for the competitor upon a showing that the new employment will inevitably lead to the disclosure of the trade secret.[24] The employer does not need to show that the employee intends to disclose the trade secret in order to prevent the employee from working for the competitor.[25] Some courts have even granted injunctions when both the departing employee and the new employer have taken steps to prevent the disclosure.[26]

B. PEPSICO

The current form of the doctrine of inevitable disclosure is traced to the Seventh Circuit case of *PepsiCo, Inc. v. Redmond*.[27] Although other courts have applied the doctrine before, *PepsiCo* is most often given credit for its resurgence.[28]

PepsiCo arose from an atmosphere of "fierce beverage-industry competition."[29] At the time, PepsiCo was fighting for a piece of the "sports" and "new age" drink markets.[30] Its biggest competitor in this area was the Quaker Oats Company, whose Gatorade and Snapple drinks dominated both markets.[31] PepsiCo hoped to threaten Quaker's market position with the introduction of "All Sport" and New Age drinks produced through a joint venture with Lipton and Ocean Spray.[32]

21. RESTATEMENT (SECOND) OF AGENCY: USING CONFIDENTIAL INFORMATION AFTER TERMINATION OF AGENCY § 396(b) (1957).

22. *Id.* at cmt. b.

23. *See, e.g.*, PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1270 (7th Cir. 1995).

24. *See id.* at 1269.

25. *See id.* at 1270.

26. *See, e.g.*, *id*. at 1266.

27. *See id.* at 1269.

28. *See* Lawrence I. Weinstein, *Revisiting the Inevitability Doctrine: When Can a Former Employee Who Never Signed a Noncompete Agreement Nor Threatened to Use or Disclose Trade Secrets Be Prohibited from Working for a Competitor?*, 21 AM. J. TRIAL ADVOC. 211, 212 (1997).

29. *See PepsiCo*, 54 F.3d at 1264.

30. *Id.*

31. *Id.*

32. *Id.*

The defendant, William Redmond Jr., worked in PepsiCo's Pepsi-Cola North America division ("PCNA") from 1984 to 1994.[33] At the time of the litigation, he had recently been promoted to the position of General Manager for a business unit that covered all of California and had annual revenues that represented twenty percent of PCNA's profit for the United States.[34]

Through his high level position, Redmond gained access to trade secrets, including PCNA's "Strategic Plan," which dealt with the company's financial plans and goals for the next three years, and the Annual Operating Plan, which included sensitive pricing information.[35] The court later determined that these plans were both secret and valuable and that they derived much of their value from being secret.[36]

In 1994, ten years after Redmond began work in PCNA, Quaker successfully recruited him to fill the position of vice president of field operations. As he negotiated his salary with Quaker, Redmond continued to work for PepsiCo but kept the job offer a secret.[37] On the day he accepted a written offer of employment from Gatorade, Redmond told his superior at PepsiCo that he had been offered a job but had not accepted it.[38] He similarly misstated the situation to several other PCNA colleagues and did not reveal his acceptance of the position until two days later.[39]

PepsiCo immediately filed a diversity suit, seeking to prevent Redmond from assuming his position at Quaker.[40] The trial court issued an injunction preventing him from working for Quaker and from disclosing any of PCNA's trade secrets.[41]

On appeal, the *PepsiCo* court applied Illinois law, focusing on Illinois' version of the Uniform Trade Secret Act, the Illinois Trade Secrets Act ("ITSA"),[42] holding that the ITSA had replaced any common law misappropriation action in Illinois.[43] It treated this as a case of threatened misappropriation under the ITSA, even though Redmond had signed an agreement with Quaker not to disclose "any confidential information

33. *Id.*
34. *Id.*
35. *Id*. at 1265.
36. *See id*.
37. *Id.* at 1264.
38. *Id*.
39. *Id*.
40. *Id*. at 1265.
41. *See id.* at 1267.
42. *See id*.
43. *See id*. at 1271.

belonging to others"[44] and Quaker's code of ethics prohibited the acquiring of any competitor's confidential information.[45] In addition, he had promised to refrain from making any decisions that might involve the use of any of PCNA's trade secrets.[46] Despite these assurances, the appeals court felt that the trade secrets were threatened because the assumption of his new position at Quaker would inevitably lead to their disclosure.[47]

In deciding that this was a threatened misappropriation, the court focused on two main factors. First, it focused on the similarity between Redmond's previous position at PepsiCo and his new position at Quaker. The court felt that he would be called upon to make decisions that would involve his knowledge from PepsiCo and would "necessarily force him to breach his agreement not to disclose confidential information."[48]

The court also focused on Redmond's behavior at PepsiCo during his salary negotiations with Quaker. The court felt that his actions demonstrated a "willingness to misuse PCNA trade secrets."[49] The court did not make it clear why it felt that his failure to reveal a job offer and his two days of misstatements about his acceptance made it more likely that he would reveal trade secrets. Presumably, they felt that a man who was dishonest about a job offer would be willing to breach two written agreements in which he promised to keep the PCNA trade secrets confidential, one with PepsiCo and one with Quaker.

Whatever the reasoning, the court felt that in light of the "demonstrated inevitability" of Redmond's disclosure coupled with his lack of candor, PepsiCo had demonstrated a likelihood of success on its claim of misappropriation under the ITSA.[50] Because there was no claim of actual use of the information by Redmond, the court must have determined that his action rose to the level of threatened misappropriation.

The *PepsiCo* court's reasoning is not entirely satisfying. First, there seems to be a tension between the two factors upon which it based its decision. If there was a "demonstrated inevitability" that Redmond was going to reveal PCNA trade secrets, why was his lack of candor relevant? If the disclosure were truly inevitable, it would occur regardless of any bad faith on his part; his behavior could not make disclosure more or less

44. *Id.* at 1266.
45. *Id*.
46. *See id*.
47. *See id.* at 1271.
48. *Id.*
49. *See id.* at 1270–71.
50. *Id*. at 1270.

likely. If the court found his questionable behavior significant, they must have also felt that the disclosure was less than inevitable.

Secondly, the court decided these facts constituted a "threat" of misappropriation without analyzing whether the ITSA, or its predecessor, the UTSA, was meant to encompass such a situation. Traditionally, threatened misappropriation required a finding of intent.[51] While the term "threat" arguably encompasses any actions that would lead to disclosure, regardless of intent, this is hardly clear from the statute's meaning without further discussion. Even the court seems to realize the leap in its reasoning when it states that this is *not* a case where "Quaker *threatens* to use PCNA's secrets."[52] While this is most likely a slip on the part of the court, it demonstrates that there is considerable ambiguity in the term "threat." The issue of whether a showing of intent should be required for this kind of action will be dealt with in a later section of this paper.

Finally, regardless of the basis of the court's decision, many commentators have argued that the end result of this decision will be an unreasonable restraint on worker mobility.[53] Even the court acknowledges that this decision is in considerable tension with a worker's right to pursue their livelihoods and the public policy favoring competition.[54]

C. INEVITABLE DISCLOSURE AFTER *PEPSICO*

The inevitable disclosure doctrine has been met with controversy in other courts that have considered it.[55] Even in courts that have applied the doctrine, there has been little agreement about how inevitable disclosure should be analyzed. Consequently, in determining whether disclosure is inevitable, different courts have considered different factors.[56] Some focus a great deal on the bad faith or dishonesty on the part of the departing

51. Pascal W. Di Fronzo, *When Lips Aren't Sealed*, LEGAL TIMES, Apr. 8, 1996, at 46.

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

53. *See* Matheson, *supra* note 1, at 161; Stephen L. Sheinfeld & Jennifer M. Chow, *Protecting Employer Secrets and the "Doctrine of Inevitable Disclosure," in* WRONGFUL TERMINATION CLAIMS 1999: WHAT PLAINTIFFS AND DEFENDANTS HAVE TO KNOW, at 367, 423 (PLI Litig. & Admin. Practice Course, Handbook Series No. 600, 1999); Matthew K. Miller, Note, *Inevitable Disclosure Where No Noncompetition Agreement Exists: Additional Guidance Needed*, 6 B.U. J. SCI. & TECH. L. 9, ¶ 31 (2000), http://www.bu.edu/law/scitech/; Susan Street Whaley, Comment, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 810–11 (1999).

54. *See PepsiCo*, 54 F.3d at 1268.

55. *See* Gilson, *supra* note 11, at 624.

56. See Harvey, *supra* note 2, at 226–30.

employee.[57] Others focus on the similarity between the employee's previous job and new job.[58] Still others focus on measures taken by both the employee and the new employer to prevent disclosure in the new position.[59] Regardless of how the finding of inevitability is reached, the courts that have adopted this doctrine respond by preventing the employee from assuming his or her duties at the new employer. It is this result that creates tension with California's policy of worker mobility.

III. THE INEVITABLE DISCLOSURE DOCTRINE IN CALIFORNIA

A. THE CALIFORNIA TRADE SECRETS ACT AND THE INEVITABLE DISCLOSURE DOCTRINE

Trade secret law in California is governed by California's version of the UTSA, the California Trade Secrets Act ("CTSA"),[60] which was adopted in 1985.[61] The CTSA is largely identical to the model UTSA.[62] The only significant change made by the California legislature was in the definition of a trade secret.[63] The UTSA limits trade secret protection to information that is not generally known and not readily ascertainable through legitimate means.[64] The CTSA, on the other hand grants protection even to information that is readily ascertainable through legitimate means.[65] Hence, anyone who uses improper means to acquire a trade secret is guilty of misappropriation, even if the information could have been acquired properly.[66]

Other than this change, the CTSA is very similar to the UTSA and also includes an action for threatened misappropriation of trade secrets.[67] But like the UTSA, the CTSA does not provide any further definition of what threatened misappropriation entails.

57. *See, e.g.*, DoubleClick, Inc. v. Henderson, No. 1161914/97, 1997 N.Y. Misc. LEXIS 577, at *21 (Sup. Ct. 1997).

58. *See, e.g.*, Merck & Co. v. Lyon, 941 F. Supp. 1443, 1460–61 (M.D.N.C. 1996).

59. *See, e.g.*, Bridgestone/Firestone, Inc. v. Lockhart, 5 F. Supp. 2d. 667, 682 (S.D. Ind. 1997) (as amended May 7, 1998).

60. CAL. CIV. CODE §§ 3426.–.11 (Deering Supp. 2001).

61. JAGER, *supra* note 17, § 3.05, at 3-70 to 3-71.

62. *Compare* UNIF. TRADE SECRETS ACT §§ 1–12 (amended 1985), *with* CAL. CIV. CODE §§ 3426.–.11.

63. *See* CAL. CIV. CODE § 3426.1(d).

64. *See* UNIF. TRADE SECRETS ACT § 1(4)(i).

65. *See* CAL. CIV. CODE § 3426.1(d).

66. *See id.*

67. *See id.* § 3426.2.

The question of whether the CTSA action for threatened misappropriation of trade secrets should encompass the inevitable disclosure doctrine has been hotly debated.[68] Some commentators feel that California courts should adopt the doctrine because it is the only adequate means of protecting companies' valuable trade secrets.[69] Others feel that it clearly conflicts with California's strong policy of worker mobility.[70]

B. ELECTRO OPTICAL

In 1999, one California Court of Appeal, in the case *Electro Optical Industries, Inc. v. White*,[71] attempted to put this debate to rest. This case dealt with Stephen White, a sales manager for Electro Optical Industries ("EOI"), who left his job to work for a competitor, Santa Barbara Infrared ("SBIR").[72]

White was the sales manager for EOI, which supplies infrared devices to military and defense contractors, for fifteen years and knew about its sources, production costs, customer lists, sales prices, and other marketing information.[73] Although he did not have training as an engineer, he obtained some information about the design and manufacture of the infrared devices.[74] SBIR offered him a job in early May 1999 that involved developing a marketing plan and a profile of their competitors.[75] He informed EOI that he was accepting this offer and quit his position on June 3, 1999.[76] At this time, he also signed a "termination statement" that stated he could not disclose any of EOI's trade secrets.[77]

Although the *Electro Optical* court eventually rejected the plaintiff company's inevitable disclosure claim,[78] it stated that "[a]lthough no California court has yet adopted [the doctrine of inevitable disclosure],. . .

68. *Compare* Gilson, *supra* note 11, at 623–26 (arguing that inevitable disclosure conflicts with California's policy of worker mobility), *with* Benjamin A. Emmert, Comment, *Keeping Confidence with Former Employees: California Courts Apply the Inevitable Disclosure Doctrine to California Trade Secret Law*, 40 SANTA CLARA L. REV. 1171, 1213 (2000) (arguing that inevitable disclosure does not conflict with California's worker mobility policy).

69. *See, e.g.*, Emmert, *supra* note 68, at 1213.

70. *See* Bayer Corp. v. Roche Molecular Sys., Inc., 72 F. Supp. 2d. 1111, 1120 (N.D. Cal. 1999); Gilson, *supra* note 11, at 625–26.

71. 90 Cal. Rptr. 2d 680 (Ct. App. 1999).

72. *See id*. at 682.

73. *See id.*

74. *See id*.

75. *See id*.

76. *See id.* at 683.

77. *Id*.

78. *See id*. at 686.

[w]e adopt the rule here."[79] It felt that the rule was "rooted in common sense" and adopted it without addressing any possible conflict with California's policy favoring worker mobility.[i] It cited the CTSA action for threatened misappropriation as support for adopting the rule, indicating that it viewed inevitable disclosure as a form of threat as defined by the CTSA.[80] It did not, however, perform any analysis of whether inevitable disclosure can, in fact, be properly viewed as threatened misappropriation.

Perhaps because it ultimately ruled against a finding of inevitable disclosure in this case, the *Electro Optical* court was not especially clear in laying out the dimensions of the doctrine that it had adopted. It used two different phrases to describe the finding required to support an injunction under inevitable disclosure.[81] It stated that in order to prevail, a plaintiff must show that the disclosure of trade secrets "is 'likely to result' or 'impossible' not to result from [the departing employee's] employment at [the new employer].'"[82] It treated the phrases "likely to result" and "impossible not to result" as if they were synonymous and interchangeable.[83] Despite its treatment of these two terms, they seem to have very distinct meanings and the choice of one or the other could have a significant impact on inevitable disclosure analysis. If an injunction can be granted whenever a disclosure is "likely to result" from subsequent employment, plaintiffs need only show that there are factors that make the disclosure of the trade secret probable; they need not show that it is truly inevitable. However, if a court requires that it be impossible for disclosure not to result, then the plaintiff would have to show that there is no possible way in which the job could be performed without revealing the former employer's trade secrets. The difference between these two standards is significant and obvious; it is puzzling that the court treated them as interchangeable.

In determining that disclosure was not inevitable in *Electro Optical*, the court focused on the departing employee's lack of technical training and his inability to pass on the trade secrets, which were technical in nature.[84] It also mentioned that the new employer "had no desire or need for" the trade secrets in question.[85] These two factors combined seemed

79. *See id*. at 684.
80. *See id.*
81. *See id.*
82. *Id*.
83. *See id*. (stating that "[the plaintiff] must demonstrate . . . that White would inevitably make a disclosure, i.e., that it is 'likely to result' or 'impossible' not to result from White's employment").
84. *See id.* at 685.
85. *Id*.

sufficient to reject the inevitable disclosure claim for the technical trade secrets.[86] The court dismissed the claim for the remaining nontechnical trade secrets because the plaintiff had failed to show that the information had independent economic value to the new employer, and thus the threat of disclosure was insufficient to warrant injunctive relief.[87]

The court did not discuss White's behavior after receiving the job offer from SBIR, even though this was a major element of the *PepsiCo* court's reasoning. This was probably because nothing in the facts as stated by the court indicated that White's behavior had been suspicious or that he had acted in bad faith. This left unanswered the question of whether it would have been influenced by any "bad faith" on the part of the departing employee.

In summary, the *Electro Optical* court adopted a doctrine that would allow an injunction against a departing employee preventing their employment at a competitor if disclosure of trade secrets was "likely to result" or "impossible" not to result. In determining if disclosure was inevitable, the court looked to the value of the trade secret to the new employers and the ability of the employee to convey the information to them. It did not mention bad faith on the part of employees at all.

C. THE DEMISE OF *ELECTRO OPTICAL*

If the *Electro Optical* court thought it settled the dispute over the inevitable disclosure doctrine in California, it was soon proved wrong when the California Supreme Court ordered the decision depublished on April 12, 2000.[88] This order left the court's judgment unchanged, but prevented the opinion from being cited by any California court.[89]

The depublication of *Electro Optical* dealt proponents of the inevitable disclosure doctrine a harsh blow since this left them with no California cases to cite for support.[90] Even worse, the most recent cases to deal with the doctrine in California have been critical of it.[91] For example, in *Danjaq, L.L.C. v. Sony Corp.*, a federal district court stated that

86. *See id.*
87. *See id.* at 685–86.
88. *See* Electro Optical Indus., Inc. v. White, No. S085582, 2000 Cal. LEXIS 3536, at *1 (Cal. Apr. 12, 2000).
89. *See* County of Los Angeles v. Surety Ins. Co. of Cal., 199 Cal. Rptr. 351, 356 (Ct. App. 1984).
90. Welsh et al., *supra* note 6, at B14.
91. *See id.*

"PepsiCo is not the law of the State of California or the Ninth Circuit."[92] A few months later, in *Bayer Corp. v. Roche Molecular Systems, Inc.*, a federal district court stated that California trade secret law did not recognize the doctrine of inevitable disclosure.[93] It then went further, stating that the doctrine would run counter to California's strong public policy favoring employee mobility.[94]

Although both of these cases clearly state that inevitable disclosure is not the law in California, they both involve federal courts deciding state law issues and as such, their decisions are not binding on state courts.[95] Therefore, with the depublication of *Electro Optical*, the doctrine remains in limbo. There is neither controlling authority adopting the doctrine nor any such authority clearly rejecting it.

IV. BUSINESS AND PROFESSIONS CODE SECTION 16600 AND CALIFORNIA'S POLICY OF WORKER MOBILITY

Section 16600 of California's Business and Professions Code states that "every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void."[96] California courts have consistently held that this statute represents a public policy of ensuring "that every citizen shall retain the right to pursue any lawful employment and enterprise of their choice."[97] This policy of worker mobility is deeply rooted in California law, having been traced back to 1872.[98] Section 16600 has been held to specifically prohibit almost all contracts that prohibit competition by departing employees, regardless of their reasonableness.[99] The strength of the California courts' commitment to this policy can be seen in their application of choice of law rules when applying section 16600.[100] Even if a contract explicitly selects the law of another state to govern it, California courts will "apply Section 16600 on behalf California residents to invalidate the covenant."[101]

92. Danjaq, L.L.C. v. Sony Corp., No. CV 97-8414-ER (Mcx), 1999 U.S. Dist. LEXIS 22486, at *7 n.1 (C.D. Cal. 1999).

93. *See* 72 F. Supp. 2d. 1111, 1120 (N.D. Cal. 1999).

94. *See id.*

95. *See* People v. Kroncke, 83 Cal. Rptr. 2d 493, 504 n.11 (Ct. App. 1999).

96. CAL. BUS. & PROF. CODE § 16600 (Deering 1992).

97. Metro Traffic Control, Inc. v. Shadow Traffic Network, 27 Cal. Rptr. 2d 573, 577 (Ct. App. 1994).

98. Campbell v. Bd. of Trs. of Leland Stanford Junior Univ., 817 F.2d 499, 502 (9th Cir. 1987).

99. *See Metro Traffic Control*, 27 Cal. Rptr. 2d at 577; Scott v. Snelling & Snelling, Inc., 732 F. Supp. 1034, 1040 (N.D. Cal. 1990).

100. Gilson, *supra* note 11, at 608.

101. *Id*.

Although section 16600 applies to all contracts that restrict a person's ability to pursue their livelihood, it is most often invoked to invalidate "noncompete clauses," otherwise known as "covenants not to compete," between employers and employees. A noncompete clause is a provision in a contract that prevents employees from working for an employer's competitor after their departure from their current job.[102] Even in states that allow such clauses, they are "looked upon with disfavor, cautiously considered, and carefully scrutinized" by courts.[103] In order to be enforced, they must be found to be reasonable.[104]

In California, however, courts have rejected a reasonableness analysis of noncompete clauses.[105] Courts have viewed section 16600 as a legislative mandate determining how the balance between employer and employee rights should be resolved.[106] One recent decision declared that "the 'interests of the employee in . . . mobility and betterment are deemed paramount to the competitive business interests of the employers, where neither the employee nor [the] new employer has committed any illegal act accompanying the employment change.'"[107]

Despite this strong policy favoring worker mobility, employers' rights are not completely neglected. Business and Professions Code section 16601 contains exceptions for covenants that accompany the sale of a business, allowing covenants not to compete in certain limited situations.[108] Similarly, section 16602 contains an exception allowing these covenants to limit a partner's mobility when a partnership is dissolved.[109]

In addition to those found in the statutes, California courts may have created another exception to section 16600. Courts have suggested that covenants not to compete might be enforceable if they are "necessary to protect the employer's trade secrets."[110] For the most part, courts that mention this exception do so hypothetically, and do not apply it to the facts of the case before them.[111] A few courts have been asked to apply the

102. Matheson, *supra* note 1, at 154.

103. Bennett v. Storz Broad. Co., 134 N.W.2d 892, 898 (Minn. 1965).

104. Matheson, *supra* note 1, at 155.

105. Campbell v. Bd. of Trs. of Leland Stanford Junior Univ., 817 F.2d 499,502 (9th Cir. 1987).

106. *See* Metro Traffic Control, Inc. v. Shadow Traffic Network, 27 Cal. Rptr. 2d 573, 577 (Ct. App. 1994).

107. *Id.* at 577 (quoting Diodes, Inc. v. Franzen, 67 Cal. Rptr. 19, 19 (1968)).

108. *See* CAL. BUS. & PROF. CODE § 16601 (Deering 1992).

109. *See id*. § 16602.

110. Muggill v. Reuben H. Donnelley Corp., 398 P.2d 147, 149 (Cal. 1965).

111. *See* Fowler v. Varian Assocs., Inc., 241 Cal. Rptr. 539, 545 (Ct. App. 1987) (noting that agreements designed to protect employer's proprietary information do not violate section 16600); *Muggill*, 398 P.2d at 149.

exception, but refused to do so after finding that no trade secrets were at issue.[112] Thus, there does not seem to be any case where California courts have actually enforced a noncompete clause under this exception; it appears to remain entirely hypothetical.[113]

The benefits of section 16600 to California workers are clear. It allows employees to move freely from job to job, taking their skills to the employer that is able to pay the most for them.[114] They are not faced with the unsavory choice between working for an employer who no longer meets their needs, or changing careers entirely because of a contractual noncompete clause.[115] The policy also seems to recognize that employees often lack the bargaining power to negotiate for compensation for noncompete clauses when they start a new job or may not recognize the significance of the clause at all.[116]

Although section 16600 and California's worker mobility policy seem to favor departing employees at the expense of employers' legitimate business interests, one commentator has suggested that it actually creates an atmosphere that promotes economic growth and helps businesses to succeed.[117] Ronald J. Gilson has suggested that California's worker mobility policy was at least a factor in the wild success of Silicon Valley, while similar high technology industrial areas in other states have stagnated.[118] While he recognizes that unfettered worker mobility might reduce incentive for companies to invest in worker training and trade secrets to which employees have access, he feels that the benefits of the policy, in the form of knowledge spillover between companies and the proliferation of start up companies, outweigh this concern.[119]

Regardless of the merits of section 16600, there can be no question that California courts are deeply committed to upholding its underlying policy. The doctrine of inevitable disclosure, which favors employers' right to protect their confidential information over the right of an employee to pursue his or her livelihood, seems to be in tension with this policy.[120]

112. *See Metro Traffic Control, Inc.*, 27 Cal. Rptr. 2d at 578–80; Scott v. Snelling & Snelling, Inc., 732 F. Supp. 1034, 1045 (N.D. Cal. 1990).

113. Gilson, *supra* note 11, at 607–08.

114. *See* Matheson, *supra* note 1, at 162.

115. *See id.*

116. *Id*.

117. *See* Gilson, *supra* note 11, at 578.

118. *See id.*

119. *See id.* at 627–28.

120. *See* Bayer Corp. v. Roche Molecular Sys., Inc., 72 F. Supp. 2d. 1111, 1120 (N.D. Cal. 1999); Gilson, *supra* note 11, at 625; Matheson, *supra* note 1, at 162.

V. ANALYSIS OF THE CONFLICT BETWEEN INEVITABLE DISCLOSURE AND SECTION 16600

Despite the tension between the inevitable disclosure doctrine and California's policy favoring worker mobility, some commentators have suggested that the doctrine is necessary to protect businesses.[121] In today's high technology industries, trade secrets are becoming more and more valuable.[122] They must be protected in order for companies to survive, and departing employees are one of the greatest threats to the maintenance of their secrecy.[123] Although California law still allows confidentiality agreements, which theoretically prevent employees from disclosing trade secrets,[124] these are hard to enforce because monitoring departed employees is difficult. An injunction preventing a departing employee from working for a competitor is probably the employer's most effective weapon in protecting its trade secrets.[125] A rejection of the inevitable disclosure doctrine would effectively deprive them of a remedy that one Seventh Circuit court called the only "proper balance between the purposes of trade secrets law and the strong policy in favor of fair and vigorous business competition."[126] In addition, though inevitable disclosure provides a great deal of protection for employers, it does so at relatively little cost to employees. The injunctions granted usually only prohibit them from working for direct competitors for a limited amount of time, presumably leaving a large portion of the job market open to them.[127]

There is also a strong argument that inevitable disclosure does not conflict with existing California law. Although courts have applied the policy against covenants not to compete very broadly, they have made moves to recognize an exception that would enforce such covenants when they are necessary to protect an employer's trade secrets.[128] The inevitable disclosure doctrine could be seen as providing an "objective" way of determining when an injunction is necessary: only when an employee is likely to disclose the trade secrets in the performance of a new job.[129] Even though courts describe the section 16600 exception as requiring a pre-

121. *See* Emmert, *supra* note 68, at 1213.

122. *See* Matheson, *supra* note 1, at 145.

123. *See* Sheinfeld & Chow, *supra* note 53, at 371.

124. *See* Kolani v. Gluska, 75 Cal. Rptr. 2d 257, 260 (Ct. App. 1998); John F. Matull & Assocs., Inc. v. Cloutier, 240 Cal. Rptr. 211, 214 (Ct. App. 1987).

125. Sheinfeld & Chow, *supra* note 53, at 371.

126. AMP Inc. v. Fleischhacker, 823 F.2d 1199, 1205 (7th Cir. 1987).

127. *See*, *e.g.*, Merck & Co. v. Lyon, 941 F. Supp. 1443, 1464–65 (M.D.N.C. 1996).

128. *See supra* notes 103–08 and accompanying text.

129. Welsh et al., *supra* note 6, at B14.

existing noncompete agreement and the inevitable disclosure doctrine does not, the two policies could be harmonized by restricting the doctrine to cases where there is an existing covenant not to compete. Alternatively, a court could justify the doctrine as being based on policy similar to the section 16600 exception that has already been approved by California courts.

The CTSA's creation of an action for threatened misappropriation might also be seen as approval of the inevitable disclosure doctrine.[130] Although the word "threat" usually indicates some action or indication by the threatening party that they intend to act in the threatened way, it can also be defined merely as a "source of . . . danger."[131] The *PepsiCo* court must have meant this latter definition when it based its injunction on the threatened misappropriation action created by the ITSA, since it never indicated that either Redmond or Quaker had any intent to use PepsiCo's trade secrets.[132] If inevitable disclosure is viewed as falling within this threatened misappropriation action created by the CTSA, then this statute might represent a legislative intent to create another exception to California's worker mobility policy.

Despite these arguments, it would be dangerous to allow the inevitable disclosure doctrine, at least as it is now applied, to enter California law. This is especially so if, as argued by Professor Gilson, worker mobility is an important reason for California's success within the high technology field.[133] The inevitable disclosure doctrine severely limits worker mobility and chills competition,[134] in some ways even more than the noncompete clauses that California law declares invalid. Unlike those clauses, the inevitable disclosure doctrine places limits on mobility that have not been bargained for by the employer.[135] If workers are asked to sign a noncompete clause at the beginning of employment, they could, theoretically at least, bargain for increased compensation to make up for their loss.[136] The inevitable disclosure doctrine does not allow this; it effectively transforms a confidentiality agreement into a noncompete clause, giving the benefits to the employer without requiring any further compensation to the employee.[137]

130. *See* CAL. CIV. CODE § 3426.2(a) (Deering Supp. 2001).
131. Matheson, *supra* note 1, at 163.
132. *Id*.
133. *See* Gilson, *supra* note 11, at 578.
134. *See* Matheson, *supra* note 1, at 162.
135. *Id*. at 161.
136. *See id*. at 160.
137. *See* Sheinfeld & Chow, *supra* note 53, at 423.

The inevitable disclosure doctrine is also less able to provide clear results than covenants not to compete, making prediction more difficult.[138] Courts rely upon such a wide variety of factors when applying the doctrine, that it is applied seemingly on a case by case basis, rather than through the use of a clearly defined legal rule.[139] The *Electro Optical* court was equally unclear when it adopted the doctrine, not even defining the standard for determining inevitability.[140] Although covenants not to compete may prohibit workers from taking a broader range of jobs, at least the limitations are fairly well defined and known to employees when they accept a position. The inevitable disclosure doctrine's vagueness may have an even greater chilling effect on mobility because departing employees and new employers would have to second guess judicial application of a nebulous legal doctrine rather than the relatively straight forward application of a noncompete clause.[141]

Nor can the inevitable disclosure doctrine be easily justified by the threatened misappropriation action created by the CTSA. Traditionally, threatened misappropriation has required a showing of intent to disclose the trade secrets.[142] The most common definition of threat indicates an intent on the part of the threatening party.[143] Both the drafters of the UTSA and the California legislature that adopted the CTSA most likely had this meaning in mind when creating the threatened misappropriation action. This definition would punish workers who act in bad faith—intending to improperly use the trade secrets of their employer, rather than punish those who have exhibited no such intent and may, in fact, desire to honor their duty of confidentiality.[144] Given the commitment of California to worker mobility,[145] it seems unlikely that the legislature would create such a significant exception to the policy without expressly stating an intent to so severely limit it.

The California legislature and courts have been very clear in their rejection of covenants not to compete. It would be perverse to reject a bargained for, contractual provision, and then allow judicially created, ex post facto covenants not to compete that are harder to predict. There is no question that there are arguments in favor of allowing these covenants,

138. *See* Matheson, *supra* note 1, at 161.
139. *See supra* notes 53–57 and accompanying text.
140. *See supra* notes 79–81 and accompanying text.
141. *See* Matheson, *supra* note 1, at 161.
142. Di Fronzo, *supra* note 51, at 46.
143. Matheson, *supra* note 1, at 163.
144. *See id.* at 163–64.
145. *See, e.g.*, Scott v. Snelling & Snelling, Inc., 732 F. Supp. 1034, 1042 (N.D. Cal. 1990).

especially when trade secrets are at risk. The legislature, however, has passed a statute that takes the balancing act between worker mobility and employers' business interests out of the hands of the courts and resolved the problem in favor of worker mobility. It would be unwise to bypass this decision by adopting a judicially created equivalent to covenants not to compete that achieves the same ends in a less efficient and less fair way. As one court put it: "[S]ection 16600 represents a strong public policy of the state which should not be diluted by judicial fiat."[146] Although inevitable disclosure does not expressly deal with covenants not to compete, in practice it allows employers and courts to bypass section 16600, significantly limiting worker mobility in a way that conflicts with the public policy favoring it.[147]

VI. PROPOSAL FOR HARMONIZING INEVITABLE DISCLOSURE AND SECTION 16600

Although it would be improper for California courts to bypass the legislative intent of section 16600 by adopting the inevitable disclosure doctrine, a more limited version may take some strides toward protecting trade secrets while remaining true to the policy of worker mobility.

This Note proposes that injunctions preventing employees from working for competitors be granted only when 1) the departing employee or the new employer has shown an intent to disclose or use the former employer's trade secrets, or 2) disclosure of the trade secret is truly inevitable and it would be impossible for the employee to perform in the new job without violating the duty of confidentiality to the previous employer.

A. INTENT-BASED INEVITABLE DISCLOSURE

The first proposal is an uncontroversial application of the threatened misappropriation cause of action created by the CTSA.[148] Although a broad application of the inevitable disclosure doctrine seems to conflict with California's policy of worker mobility, by adopting the UTSA without removing the action for threatened misappropriation, the legislature has authorized some sort of preemptive action to prevent disclosure of trade secrets. An employee or competitor that shows an intent to disclose or use

146. *Id*.
147. *See* Bayer Corp. v. Roche Molecular Sys., Inc., 72 F. Supp. 2d. 1111, 1120 (N.D. Cal. 1999).
148. *See* CAL. CIV. CODE § 3426.2(a) (Deering Supp. 2001).

the former employer's trade secrets reduces their own right to unfettered mobility.

Admittedly, proving intent is difficult, which is one of the reasons the doctrine of inevitable disclosure was developed in the first place. Employers will not be able to prove intent in every case, nor should they be able to. The policy favoring worker mobility allows an employee to move to a competitor in most circumstances; this should be only rarely limited. Requiring an employer to prove intent to misappropriate will preserve mobility in cases "'where neither the employee nor [the] new employer has committed any illegal act accompanying the employment change.'"[149]

As the quote above indicates, a plaintiff should be able to get an injunction not only when the departing employee intends to misappropriate the trade secret, but also when the new employer intends to extract the trade secret from the newly acquired employee. Even if departing employees want to remain true to their duty of confidentiality, their resolve is not likely to be enough to protect the trade secrets if they are hired largely because of the confidential information they possess. A dishonest company should not be rewarded with its competitor's trade secrets just because those hired naïvely believe that they will be allowed to keep the information secret. Courts are justified in granting injunctions in these situations.

Because intent is a mental state, it will have to be proven through circumstantial evidence. The kind of evidence that might be examined by courts will be similar to the evidence used to determine "bad faith" in some inevitable disclosure cases. The most obvious, and least controversial, indication of intent to disclose would be statements that the employee intended to use or disclose the information or to take a course of action that requires use or disclosure of the information. Assuming that most employees will not make such statements, employers will most likely have to rely upon other, more circumstantial, evidence—such as the stockpiling of confidential information before departure. Even if the employee takes no physical copies,[150] evidence that steps were taken to refresh the memory of confidential information would be strong evidence of an intent to use it later. A refusal to sign a post-employment confidentiality agreement might also be taken as evidence of intent to disclose. This is much more

149. Metro Traffic Control, Inc. v. Shadow Traffic Network, 27 Cal. Rptr. 2d 573, 577 (Ct. App. 1994) (quoting Diodes, Inc. v. Franzen, 67 Cal. Rptr. 19, 19 (1968)).

150. This alone would most likely be cause for relief under the CTSA as actual misappropriation. *See* CAL. CIV. CODE § 3426.1(b) (Deering Supp. 2001).

problematic, however, because an employee might have many reasons not to sign such an agreement. Despite this concern, courts could rightfully see as suspicious a refusal to sign a relatively harmless, narrowly tailored, post-employment nondisclosure agreement that merely reiterates agreements made in pre-employment contracts already signed by the employee.

Evidence that the new employer intends the employee to disclose is also likely to be of a circumstantial nature. Absent a convenient internal memo stating the intention to acquire trade secrets by raiding employees, plaintiffs will have to show intent by other means. The most likely evidence of such intent is the competitor's hiring patterns. If they focused recruiting efforts on current employees of the plaintiff, this might indicate that they are primarily interested in the employees' confidential information. Furthermore, the salary offered to the employees might show intent. If a departing employee is offered a salary significantly above market value for their position, this indicates that trade secrets may be paid for by the increase.

Whatever evidence is used to show intent to disclose confidential information, an injunction for threatened misappropriation should be granted only when such a finding has been made. This should not merely become an investigation into the employee's general trustworthiness, such as occurred in *PepsiCo.*[151] An injunction should only be granted when either the employee or the employer intends an act that would sustain an injunction under the CTSA. This will protect employers against both dishonest employees and competitors, while still allowing most employees the freedom to work where they choose.

B. "STRICT INEVITABLE DISCLOSURE"

In cases of proven intent, the employee's or competitor's planned bad act provides a justification for limiting the employee's mobility. Absent such a bad act, California's strong policy should only be circumvented in exceptional cases. Granting injunctions when disclosure of the trade secret is merely possible or likely goes against the policy behind section 16600. Although it has been held by California courts to represent a legislative decision to force the employer to bear the cost of worker mobility,[152] judges have also indicated that this right to mobility is not entirely unlimited and may be curtailed when necessary to protect trade secrets.[153]

151. *See* PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1270 (7th Cir. 1995).
152. *See Metro Traffic Control*, 27 Cal. Rptr. 2d at 577.
153. *See id.* at 577.

Most courts that apply the inevitable disclosure doctrine, however, grant injunctions even when not truly necessary to protect trade secrets.[154] In most cases where the doctrine is applied, the court is not holding that disclosure is actually inevitable; instead, they often state that disclosure is "likely to result."[155] Even when a court holds that disclosure is in fact inevitable, the conclusion is called into question by the evidence upon which it is based.[156] Used in such a way, the doctrine conflicts with California's worker mobility policy.[157]

On the other hand, the policy has never been held to negate the duty of confidentiality owed to employers by former employees. Departing employees must still respect the confidentiality of their former employers' secrets when they exercise their right to mobility.[158] The proposed doctrine would allow injunctions only when disclosure is truly inevitable.[159] By granting injunctions in such cases, a court is holding that the worker could not possibly take this particular job without breaching their duty of confidentiality. In other words, the employee is intending an act, working for a competitor, which will violate the duty of confidentiality because taking the job will necessarily result in the use or disclosure of trade secrets. Only if disclosure is truly inevitable will intent to take a job with a competitor be sufficient grounds for a threatened misappropriation action. When an injunction is the only possible way to prevent a breach of the duty of confidentiality, courts are justified in making an exception to the general policy of worker mobility.

Findings of strict inevitability will most likely be very rare, and in order to preserve California's worker mobility, should only be made after a careful examination of the facts. An injunction based on strict inevitable disclosure should only be granted after the court has determined that the

154. *See* Electro Optical Indus., Inc. v. White, 90 Cal. Rptr. 2d 680, 684 (Ct. App. 1999) (stating that "an injunction . . . may issue where the new employment is 'likely to result' in the disclosure of . . . trade secrets"); *PepsiCo*, 54 F.3d at 1270–71 (looking at trustworthiness, which would be irrelevant if disclosure were actually inevitable).

155. *Electro Optical*, 90 Cal. Rptr. 2d at 684.

156. *See, e.g.*, *PepsiCo*, 54 F.3d at 1270–71 (basing a finding of inevitability in part on evidence of lack of trustworthiness, which would be irrelevant if disclosure were truly inevitable).

157. *See supra* Part V.

158. *See* John F. Matull & Assocs., Inc. v. Cloutier, 240 Cal. Rptr. 211, 214 (Ct. App. 1987).

159. This proposal is similar to the "degrees of disclosure" approach proposed by Susan Street Whaley in her comment. Whaley, *supra* note 53, at 847–56. Her proposal, however, would allow injunctions in cases of less than inevitable disclosure, which is not appropriate in the context of California worker mobility. *See id.* This Note also suggests a different set of criteria for determining true inevitability.

following requirements are satisfied:[160] 1) The employee knows the trade secret and is in a position to disclose or use it, either knowingly or otherwise; 2) The new position could not be performed effectively without the employee using or disclosing the trade secret; and 3) No measures taken by the employee or new employer could prevent the use or disclosure.

The first requirement, that the employee must possess the trade secret and be able to convey it, should be the starting point of any inevitability analysis. If an employee does not in fact have knowledge of the previous employer's trade secret or is unable to convey the information to the new employer, then the trade secret is not endangered by their departure, no matter what the demands of the new job. This factor led to the rejection of an injunction in *Electro Optical*.[161] Cases that fail to meet this requirement would have been rejected under almost any application of the inevitable disclosure doctrine.

The second requirement in the strict inevitability analysis, that the new position cannot be properly performed without using or disclosing trade secrets learned from the previous employer, is largely analogous to the similarity of positions examination used by the *PepsiCo* court in their inevitable disclosure analysis. This requirement focuses on the nature of the departing employee's new job and asks what it will actually entail and what information will be used. Similarity between the old and new positions is certainly one indicator that the trade secrets will be required, but even a very dissimilar job could, depending on its contours, require the use of trade secrets. This will require a fact finder to examine the new position carefully. Finding that this requirement has been met will mean that the fact finder has determined that taking the new job would, with no further bad acts on the part of the employee, violate the employee's duty of confidentiality owed to the previous employer.

The final requirement, that there be no measures that the employee or competitor could take that would protect the trade secrets, is in some ways the heart of the analysis. This is where the court must decide whether disclosure is merely likely or if it rises to the level of inevitability. If there is some measure short of enjoining the employee from assuming the new position that would prevent disclosure, then the court should require that

160. Of course, all other requirements for a misappropriation action would need to be satisfied, including, most significantly, the existence of a trade secret. If the information in question is not a trade secret, no injunction can be granted no matter how inevitable its disclosure.

161. *See* Electro Optical Indus., Inc. v. White, 90 Cal. Rptr. 2d 680, 685–86 (Ct. App. 1999), *withdrawn*, 2000 Cal. LEXIS 3536 (Cal. Apr. 12, 2000).

measure be taken. Possible protective measures would include having the employee isolated, via a so-called "Chinese Wall," from others in the new company who could make use of any trade secrets,[162] turning over certain sensitive decisions that would require use of trade secrets to other employees,[163] or having the departing employee assume only partial duties for some limited period of time.[164] Only if no other measures would suffice should the drastic measure of preventing the employee from assuming a position with the competitor be taken.

If all three of the requirements laid out above are met, a court may decide that disclosure is truly inevitable and that an injunction against working for the new employer is necessary to protect the trade secret. Requiring either a showing of intent or true inevitability will hopefully limit the number of injunctions granted under this proposal, allowing it to provide some protection to trade secrets while doing no great harm to California's worker mobility policy.

It should be noted that the employee's intent is not included in the strict inevitability analysis. If all three factors are met, intent is irrelevant. Regardless of intent, true inevitability will be revealed simply by the nature of the new position. If the job could be performed without disclosing but the court doubts the employee's trustworthiness, the proper remedy is an order not to reveal the trade secret.[165] If this order is violated, the employer can then seek damages. California's worker mobility policy places the risk of worker misconduct on employers;[166] courts should limit this only in cases where the risk of disclosure is a near certainty.

It should also be noted that this analysis would not require the departing employee to have signed a covenant not to compete. This proposed modification seeks to fill the same policy space as the judicially recognized, but not yet exercised, exception to section 16600 without creating incentives for employers to use such covenants. The exception to section 16600, as described by courts, would allow noncompete agreements to be enforced when necessary to protect the employer's trade secret. This

162. *Cf. In re* Trust Am. Serv. Corp., 175 B.R. 413, 420–21 (Bankr. M.D. Fla. 1994) (discussing the possibility of preventing disclosure of privileged information in attorney conflict of interest cases using a "[C]hinese wall").

163. *But cf.* PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1266 (7th Cir. 1995) (rejecting a similar plan suggested by the defendant).

164. *See* Merck & Co. v. Lyon, 941 F. Supp. 1443, 1462 n.7 (M.D.N.C. 1996) (describing the injunction granted by trial court as allowing the defendant employee to work on other projects).

165. *See id.* at 1464–65 (ordering the defendant employee to not disclose trade secrets).

166. *See* Metro Traffic Control, Inc. v. Shadow Traffic Network, 27 Cal. Rptr. 2d 573, 577 (Ct. App. 1994).

encourages every employer to include such agreements in their contracts, in hopes that they would be enforced under this exception or that it could be used to threaten legally naïve employees.[167] Such a result would chill worker mobility more than the black letter doctrine would indicate and undermine the policy behind section 16600.[168]

The advantage of the proposed strict inevitable disclosure doctrine is that it provides protection without encouraging employers to include noncompete agreements in their employment contracts. It is based on the duty of confidentiality, not a contractual noncompete agreement, and would not give employers a reason to use such agreements. A stricter doctrine that requires these clauses before a departing employee could be enjoined might, ironically, have a greater negative impact on worker mobility because more employers would have to use them to take advantage of the doctrine. The proposal protects employers only in cases where an injunction against competition is truly necessary and restricts worker mobility to a lesser degree than the usual application of the inevitable disclosure doctrine.

VII. CONCLUSION

The doctrine of inevitable disclosure, as applied in *Electro Optical*, conflicts with California's policy of worker mobility, embodied in section 16600. It represents an unreasonable and unbargained-for restriction on worker mobility that is, in some ways, worse than the covenants not to compete that are explicitly disallowed in the section. In certain limited circumstances, however, the only way to protect an employer from trade secret misappropriation would be to prevent an employee from working for a competitor. The proposed modification to the doctrine allows injunctions to be granted only when there is an intent to disclose or disclosure is truly inevitable, and is designed to protect employers in these rare circumstances without curtailing worker mobility to an impermissible extent.

167. *See* Gilson, *supra* note 11, at 626.

168. *See* Kolani v. Gluska, 75 Cal. Rptr. 2d 257, 260 (Ct. App. 1998).