KNOWLEDGE AS A BARRIER TO EMPLOYMENT MOBILITY: DOES VIRGINIA RECOGNIZE THE DOCTRINE OF INEVITABLE DISCLOSURE IN TRADE SECRETS CASES?

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INTRODUCTION

Imagine that you work as a project manager for an energy subcontractor in Virginia and liaise between your employer and the prime contractors it supports on projects. In this role, you are privy to internal management documents and contract pricing strategies that your employer reasonably attempts to keep private. The contract for the project that you manage is up for rebidding in a year. One day, you get a job offer from one of the prime contractors that you have been liaising with. If you accept the position, you would be in charge of running the prime contractor's bidding process and selecting subcontractors for a number of projects, including the project your current employer has a subcontract for and will be competing to win again. You decide that the opportunity is an excellent career move and accept the prime contractor's offer.

Upon accepting the prime contractor's offer, you receive a notice informing you that your now-former-employer is seeking to enjoin your employment with the contractor. Your former employer contends that in your new role you would inevitably use your knowledge of its pricing strategies and management style. If true, this would be a misappropriation of trade secrets. If the court determines that Virginia recognizes the doctrine of inevitability in trade secrets cases, your former employer could be successful in preventing you from accepting employment with the contractor. As you also would likely not want to return to your former employer, a serious toll has been taken on your employment mobility.[1]

In order to protect your employment mobility, and be able to move to your new job with the contractor, you will need to convince a judge that Virginia does not recognize the doctrine of inevitable disclosure. Currently, this could prove difficult for your attorney as there is no binding case law stating whether Virginia recognizes the doctrine of inevitable disclosure.

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[1] This hypothetical is loosely based off the facts in *Information Management Group, Inc. v. Lauzon*. Complaint at 2–5, Info. Mgmt. Grp., Inc. v. Lauzon, CL-2016-02445 (Fairfax Cty. Cir. Ct., Va. Feb. 16, 2016).

It is currently unclear in Virginia whether courts employ the doctrine of inevitable disclosure in determining when to issue an injunction in trade secrets cases.[2] The Virginia Supreme Court has yet to take a case that directly involves the issue. While there is no binding precedent,[3] it is clear from a review of case law that Virginia does not currently recognize the doctrine of inevitable disclosure. Nor is it likely the Virginia Supreme Court would recognize the doctrine of inevitable disclosure if it were to hear a case involving the issue. There is also considerable debate over the economic benefit of the doctrine of inevitable disclosure.[4] Many argue that it benefits employers and creators of trade secrets by allowing them to enjoin potential disclosure before the secret is disseminated.[5] Others contend that the doctrine of inevitable disclosure limits employee mobility, in essence creating an implied non-compete agreement.[6] Virginia strongly disfavors non-compete agreements and other restraints on trade because it finds them contrary to the public interest.[7] Virginia courts also prefer not to imply covenants into contracts[8] and look for proof that it was what the parties intended at the outset of the contract.[9]

This Comment determines whether Virginia currently recognizes the doctrine of inevitable disclosure and then analyzes whether it would recognize the doctrine were a case to make it to the Virginia Supreme Court, as well as whether it should. Part I of this Comment describes the doctrine of inevitable disclosure and its history, provides the relevant Virginia case law on the doctrine, and shares the differing economic views of the doctrine. Part II demonstrates that Virginia does not currently recognize the doctrine of inevitable disclosure. Part III analyzes why Virginia would likely not recognize the doctrine of inevitable disclosure due to its strong disfavor of non-competition agreements. Part IV concludes that Virginia should not recognize the doctrine of inevitable disclosure because it inappropriately lowers the burden on employers, would have a negative effect on the Virginia economy, and shifts an ex ante bargain to an implied ex post covenant.

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2 *See* SanAir Techs. Lab., Inc. v. Burrington, 91 Va. Cir. 206, 210 (Chesterfield Cty. 2015).

3 The only reported Virginia cases involving the doctrine of inevitable disclosure are from circuit courts, which are Virginia's trial courts. Decisions from these courts are not binding on any other court, nor on the court handing down the decision. *See* Jeanne Ullian, *Feeling Short-Circuited? Assessing the Availability of Virginia Circuit Court Opinions*, 57 VA. LAW., June–July 2008, at 38, 38.

4 *Compare* Michael J. Garrison & John T. Wendt, *The Evolving Law of Employee Noncompete Agreements: Recent Trends and an Alternative Policy Approach*, 45 AM. BUS. L.J. 107, 112–13 (2008), *with* Elizabeth A. Rowe, *When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine*, 7 TUL. J. TECH. & INTELL. PROP. 167, 182–85 (2005).

5 *See* Garrison & Wendt, *supra* note 4, at 179.

6 *See* Norman D. Bishara & Michelle Westermann-Behaylo, *The Law and Ethics of Restrictions on an Employee's Post-Employment Mobility*, 49 AM. BUS. L.J. 1, 24–25 (2012).

7 James Irving, *Restrictive Covenant as a Restraint of Trade*, BKK BUS. L. NEWSL. (Bean Kinney & Korman PC, Arlington, VA), Sept. 2010, https://www.beankinney.com/pp/publication-147.pdf.

8 Southern R. Co. v. Franklin & P. R. Co., 82 S.E. 485, 486 (Va. 1899).

9 Todd v. Summers, 43 Va. (2 Gratt.) 167, 169–70 (1845).

I. BACKGROUND

This Part provides a statutory and historical background of the doctrine of inevitable disclosure and lays the foundation for the debate as to the negative effects of the doctrine. It then explores Virginia case law on the doctrine and non-compete agreements.

A. *The Doctrine of Inevitable Disclosure*

This Section provides the statutory definition of a trade secret, describes the development of the Virginia Uniform Trade Secrets Act, and presents a brief history of the doctrine of inevitable disclosure.

1. Trade Secrets According to the VUTSA

The Uniform Trade Secrets Act ("UTSA") was developed by the Uniform Law Commissioners in 1979.[10] The UTSA was later amended in 1985.[11] As of 2016, forty-seven states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands have enacted the UTSA.[12] The Commonwealth of Virginia enacted the UTSA in 1986 as the Virginia Uniform Trade Secrets Act ("VUTSA").[13] The purpose of the VUTSA was to codify and clarify existing common law rights to remedies in cases involving the misappropriation of trade secrets.[14]

The VUTSA defines a trade secret as

> information, including but not limited to, a formula, pattern, compilation, program, device, method, technique, or process, that: (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.[15]

Under current Virginia law, many things can become trade secrets based on the surrounding factual circumstances.[16] A court must consider a number

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10 UNIF. TRADE SECRETS ACT, prefatory n. (UNIF. LAW COMM'N, amended 1985).

11 *Id.*

12 UNIFORM LAW COMMISSION, 2015–2016 GUIDE TO UNIFORM AND MODEL ACTS 38 (2015), http://www.uniformlaws.org/Shared/Publications/GUMA_2015web.pdf.

13 VA. CODE ANN. § 59.1-336 (2009).

14 UNIF. TRADE SECRETS ACT, prefatory n. (UNIF. LAW COMM'N, amended 1985).

15 VA. CODE ANN. § 59.1-336 (2009).

16 SanAir Techs. Lab., Inc. v. Burrington, 91 Va. Cir. 206, 209 (Chesterfield Cty. 2015) (citing Int'l Paper Co. v. Gilliam, 63 Va. Cir. 485, 490 (Chesterfield Cty. 2003) (finding that a customer list may be a trade secret)).

of factors to make this determination.[17] These factors include the uniqueness of the information, the information's availability to the public, and reasonable steps taken by the information owner to keep the information a secret.[18] This is an expansion from the common law definition of trade secret, which was "any formula, pattern, device or compilation of information which is used in one's business and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."[19] The common law definition limited protection to specific technical information as opposed to general business information, such as customer contacts.[20] The modern expansion of the definition of a trade secret has made it difficult for employees to avoid acquiring knowledge of trade secrets at their jobs, and has exposed them to misappropriation of trade secrets claims when moving to a new employer.[21]

According to the Uniform Law Commission, "'[m]isappropriation' means acquiring a trade secret by 'improper means' or from someone who has acquired it through 'improper means.'"[22] "Improper means" includes activities such as theft, bribery, and misrepresentation.[23] "Misappropriation, also, includes disclosure and use of a trade secret acquired through 'improper means.'"[24] Virginia case law shows that one need not compete with the creator/owner of the trade secret to have misappropriated trade secrets under the VUTSA.[25] However, the VUTSA, by its own terms, requires the improper acquisition of a trade secret, which an employee likely would not be guilty of unless he stole documents upon leaving, or the improper disclosure of the trade secret.[26]

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17 *Id.*

18 *Id.* Reasonable steps to keep the information secret include restricting exposure to information through use of special passwords or limited access to physical facilities, marking documents confidential, employing policies to track and retrieve copies of documents, and using employee exit interviews and document return procedures. Linda K. Stevens, *Trade Secrets and Inevitable Disclosure*, 36 TORT & INS. L.J. 917, 920 (2001).

19 RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. LAW. INST. 1939). This section was not included in the RESTATEMENT (SECOND) OF TORTS (AM. LAW INST. 1979).

20 Katherine V. W. Stone, *The New Psychological Contract: Implications of the Changing Workplace for Labor and Employment Law*, 48 UCLA L. REV. 519, 592 (2001).

21 *Id.* at 593.

22 *Trade Secrets Act Summary*, UNIF. LAW COMM'N, http://www.uniformlaws.org/ActSummary.aspx?title=Trade%20Secrets%20Act (last visited Jan. 28, 2018).

23 *Id.*

24 *Id.*

25 Collelo v. Geographic Servs., 727 S.E.2d 55, 61 (Va. 2012).

26 VA. CODE ANN. § 59.1-336 (2009).

2. History of the Doctrine of Inevitable Disclosure

The doctrine of inevitable disclosure recognizes that when one moves from his place of employment to another similar position in the same industry, it would be impossible for that individual to not misappropriate trade secrets, even if he intends not to.[27] This is especially true in cases where the employee's new employer is a competitor of his former employer, and as seen in the hypothetical above, it can also entangle employees that would wish to move to clients of their former employer.

The doctrine of inevitable disclosure predated the UTSA.[28] The rationale for the doctrine is found in *Fountain v. Hudson Cush-N-Foam Corp.*[29] There, the court reasoned that because a former employee learned the trade secrets while on the job, it was likely that employment by a competitor would result in disclosure of the trade secrets at some point.[30] The court explained "that [the employee's] knowledge of the trade secrets would be so entwined with his employment as to render ineffective an injunction directed only toward a prevention of disclosure."[31]

It is important to note that the UTSA allows an "[a]ctual or threatened misappropriation" to be enjoined.[32] It is the language "[t]hreatened misappropriation" that some jurisdictions believe enables them to enjoin individuals from taking new employment based on the trade secrets they learned from their former employers.[33]

There is disagreement among the states regarding whether to accept the doctrine of inevitable disclosure.[34] Both California and South Carolina strongly disfavor restraints on trade,[35] as does Virginia,[36] but they have come to different opinions on the doctrine of inevitable disclosure. California rejected the doctrine of inevitable disclosure because of the way it acts like non-compete agreements, which are generally prohibited in California.[37] On the other hand, a federal court in South Carolina found that the state courts would have accepted the doctrine of inevitable disclosure.[38] That court also

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27 Stevens, *supra* note 18, at 929.

28 *See* Fountain v. Hudson Cush-N-Foam Corp., 122 So. 2d 232, 234 (Fla. Dist. Ct. App. 1960); Eastman Kodak Co. v. Powers Film Products, Inc., 179 N.Y.S. 325, 330 (App. Div. 1919).

29 *Fountain*, 122 So. 2d at 234.

30 *Id.*

31 *Id.*

32 UNIF. TRADE SECRETS ACT § 2 (UNIF. LAW COMM'N 1985).

33 PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1268 (7th Cir. 1995).

34 *Compare* Whyte v. Schlage Lock Co., 125 Cal. Rptr. 2d 277, 293 (Ct. App. 2002), *with* Nucor Corp. v. Bell, No. 2:06-CV-02972-DCN, 2008 U.S. Dist. LEXIS 119952, at *60–62 (D.S.C. Mar. 14, 2008).

35 *See Whyte*, 125 Cal. Rptr. 2d at 292; *Nucor Corp.*, 2008 U.S. Dist. LEXIS 119952, at *60–62.

36 Modern Env'ts, Inc. v. Stinnett, 561 S.E.2d 694, 695 (Va. 2002).

37 *Whyte*, 125 Cal. Rptr. 2d at 292.

38 *Nucor Corp.*, 2008 U.S. Dist. LEXIS 119952 at *55–56.

adopted six factors to consider when employing the doctrine of inevitable disclosure:

> (1) whether the former employer possesses a "trade secret," (2) the employee's position at his former employer; (3) whether the employee possesses an "extensive and intimate knowledge" of his former employer's trade secrets; (4) the degree to which the employee's former employer and new employer are in competition; (5) whether the employee can effectively perform the duties of his new position without disclosing, using, or relying on his former employer's trade secrets; (6) whether there are other circumstances that indicate the employee or his new employer are unable or unwilling to safeguard the former employer's trade secrets.[39]

The South Carolina court went on to call the doctrine of inevitable disclosure a "common-sense tool."[40] This division between the states on how to approach the doctrine of inevitable disclosure has only increased the confusion for Virginia courts over whether to adopt the doctrine.

B. *Economic Impact of the Doctrine of Inevitable Disclosure*

There is great debate over the economic benefit of the doctrine of inevitable disclosure.[41] Many contend that the doctrine protects employers as they invest in developing their businesses by creating new methods for work, inventing machines, and gathering information that can be profitably employed.[42] These proponents further argue that this was the intent of the drafters of the UTSA.[43]

Others argue that the doctrine of inevitable disclosure harms the economy by limiting employee mobility.[44] The contention here is that as the economy grows and changes, it is important that employees can move to new firms.[45] Also, as the economy itself has changed, gone are the days of the "company man."[46] It is imperative in the modern economy, where knowledge is king, for employees to be able to shift career paths within an industry.[47] The doctrine of inevitable disclosure could limit the ability of employees to move between employers where there may be overlap in necessary information.[48] This could potentially limit economic growth, as employees would

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39 *Id.* at *60–61. These factors are derived from *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270–72, which is considered the seminal case on the doctrine of inevitable disclosure. These factors were also cited in *MeadWestvaco Corp. v. Bates*, 91 Va. Cir. 509, 524 (Chesterfield Cty. 2013).

40 *Nucor Corp.*, 2008 U.S. Dist. LEXIS 119952 at *55.

41 *See* Garrison & Wendt, *supra* note 4, at 168–170.

42 *Id.* at 168.

43 *PepsiCo, Inc.*, 54 F.3d at 1268.

44 Whyte v. Schlage Lock Co., 125 Cal. Rptr. 2d 277, 281 (Ct. App. 2002).

45 Stone, *supra* note 20, at 553–55.

46 *Id.* at 541.

47 *Id.* at 593–94.

48 *Id.*

not be able to move to where they are most valuable because they are locked in to their current employer because of knowledge they have gained.[49]

C. *Virginia Cases Involving the Doctrine of Inevitable Disclosure*

There are currently only three reported cases in Virginia that involve the issue of whether the state recognizes the doctrine of inevitable disclosure.[50] As noted above, none of these cases are mandatory authority as they are from the trial court level.[51] The first reported case, and the most on point, to determine whether the doctrine of inevitable disclosure is available in Virginia is *Government Technology Services, Inc. v. IntelliSys Technology Corp.*[52] This brief opinion written at the demurrer stage of litigation does not provide the relevant facts of the case.[53] However, the court noted that "only actual or threatened misappropriation may be enjoined" under the VUTSA as enacted in Virginia.[54] The court went on to plainly state that "Virginia does not recognize the inevitable disclosure doctrine."[55] This statement was not supported by any case law, statutes, or other support.[56] Despite this, *Government Tech.* could be considered the seminal case in Virginia law on this topic as it is cited in the two other cases involving the doctrine of inevitable disclosure, as well as numerous articles surveying various states' law on the issue.[57]

The second case to wrestle with whether the doctrine of inevitable disclosure is available in Virginia is *MeadWestvaco Corp. v. Bates*.[58] In this case, an employee moved from a packaging manufacturer to a direct global competitor.[59] In his former position, one of the employee's tasks was comparing products the employer made with those produced by other companies.[60] There was a dispute about what the employee's duties would be at the new job.[61] His former employer assumed that his new job would task him similarly, while the employee believed that his new position would be more

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49 *Id.*

50 SanAir Techs. Lab., Inc. v. Burrington, 91 Va. Cir. 206, 210 (Chesterfield Cty. 2015); MeadWestvaco Corp. v. Bates, 91 Va. Cir. 509, 525 (Chesterfield Cty. 2013); Gov't Tech. Servs., Inc. v. IntelliSys Tech. Corp., 51 Va. Cir. 55, 56 (Fairfax Cty. 1999).

51 *See* Ullian, *supra* note 3.

52 51 Va. Cir. 55 (Fairfax Cty. 1999).

53 *Id.* at 56.

54 *Id.*

55 *Id.*

56 *Id.*

57 *See, e.g.*, Ryan M. Wiesner, Comment, *A State-By-State Analysis of Inevitable Disclosure: A Need for Uniformity and a Workable Standard*, 16 MARQ. INTELL. PROP. L. REV. 211, 227 (2012) (stating, based solely off of *Gov't Tech. Servs.*, that Virginia does not recognize the doctrine of inevitable disclosure).

58 MeadWestvaco Corp. v. Bates, 91 Va. Cir. 509 (Chesterfield Cty. 2013).

59 *Id.* at 512.

60 *Id.* at 514.

61 *Id.* at 514–15.

managerial, involving tasks that he had not previously performed.[62] The employee signed numerous non-competition and non-solicitation agreements during his employment with the former employer, the majority of which acknowledged that it would be difficult for a competitor to employ him and for him not to disclose trade secrets.[63]

The court discussed in depth the doctrine of inevitable disclosure, looking to various extraterritorial jurisdictions, citing numerous cases mentioned elsewhere in this Comment, and explaining the different policy ramifications of a decision to adopt or reject the doctrine.[64] The court noted that at least fifteen states at the time allowed for injunctions of threatened misappropriation.[65] The court also found that many states that had rejected the doctrine did so because it was an implied non-competition agreement that the employee had not had an opportunity to negotiate.[66] The court decided that the implied non-competition critique did not apply in the instant case, as the employee had signed numerous non-competes.[67] The court then found that Virginia would likely apply the doctrine of inevitable disclosure "to determine whether threatened misappropriation exists" in cases where the parties had previously signed non-competes.[68] The caveat of previously signed non-competes is important as it shows that the court was unwilling to use the doctrine of inevitable disclosure in a way that might imply certain elements to a non-compete agreement where they were not explicit.

The last Virginia case to address the availability of the doctrine of inevitable disclosure is *SanAir Technologies Laboratory, Inc. v. Burrington*.[69] In this case, the court had to decide whether to institute a temporary restraining order preventing a former employee from accepting a new job.[70] The employee worked in the environmental microbial testing industry and had knowledge of his former employer's customer lists.[71] The court provided very few facts in the opinion, but noted that the industry was very small and the majority of firms knew the former employer's customer base.[72] The former employer sought to enjoin the individual from moving to his new employer because he would have to use his knowledge of the customer lists in his new position.[73] The court chose not to determine whether the customer lists were in fact trade secrets at that stage, saving it for more discovery.[74] The court

62 *Id.*

63 *Id.* at 510–16.

64 *MeadWestvaco Corp.*, 91 Va. Cir. at 520–25.

65 *Id.* at 522.

66 *Id.* at 522–23.

67 *Id.* at 523–24.

68 *Id.* at 525.

69 SanAir Techs. Lab., Inc. v. Burrington, 91 Va. Cir. 206 (Chesterfield Cty. 2015).

70 *Id.* at 206–07.

71 *Id.* at 209.

72 *Id.*

73 *Id.*

74 *Id.*

also discussed the doctrine of inevitable disclosure and *MeadWestvaco*.[75] The court noted that Judge Burgess in *MeadWestvaco* said that Virginia would likely apply the doctrine of inevitable disclosure, but that the *MeadWestvaco* opinion did not apply or rely on the doctrine.[76] The *SanAir* court then opted not to apply the doctrine of inevitable disclosure at that stage of the proceedings.[77]

Other Virginia cases have enjoined "threatened" misappropriation without applying the doctrine of inevitable disclosure.[78] In *Dionne v. Southeast Foam Converting & Packaging Inc.*,[79] the Supreme Court of Virginia enjoined a former employee from starting a new business because the former employee had threatened to misappropriate trade secrets.[80] The former employee worked in the packaging material industry.[81] The employer had a patent on packaging material that was unlike any other product in the industry.[82] The former employee left the company in a disgruntled manner and told his former employer's customers that he planned to begin a new company that would make a similar product that would cost less.[83] The Virginia Supreme Court held that the former employee's actions constituted a threat of misappropriation and enjoined him from beginning a company based solely on selling a competitive product until the employer's product was no longer a trade secret.[84]

In *Motion Control Systems v. East*,[85] the Virginia Supreme Court reversed an injunction because it found that the element of actual or threatened misappropriation had not been satisfied.[86] A test technician was part of a management team at his former employer and signed a non-compete agreement as part of his employment.[87] The technician then moved to another firm in the same industry.[88] The technician's former employer was concerned that his new employer produced similar products, and might begin to make the same products, and that the technician's knowledge of the former employer's trade secrets would create a competitive advantage for his new employer.[89] The trial court held the non-compete agreement to be unenforceable as it was

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75 *SanAir Techs. Lab., Inc.*, 91 Va. Cir. at 210.

76 *Id.*

77 *Id.*

78 Dionne v. Se. Foam Converting & Packaging, Inc., 397 S.E.2d 110, 114 (Va. 1990).

79 397 S.E.2d 110 (Va. 1990).

80 *Id.* at 112–14.

81 *Id.* at 111.

82 *Id.* at 111–12.

83 *Id.* at 112.

84 *Id.* at 114.

85 546 S.E.2d 424 (Va. 2001).

86 Motion Control Sys., Inc. v. East, 546 S.E.2d 424, 426 (Va. 2001).

87 *Id.* at 425.

88 *Id.*

89 *Id.*

overbroad; however, it protected the former employer by enjoining the technician from disclosing any trade secrets learned from the former employer.[90] The Virginia Supreme Court upheld the trial court's determination that the non-compete agreement was overbroad, but reversed the injunction.[91] The Court found that there was no evidence of actual or threatened misappropriation of trade secrets.[92] The Court went further, noting that "[m]ere knowledge of trade secrets is insufficient to support an injunction under the terms of [the VUTSA]."[93]

D. *Virginia Cases Involving Non-Competition Agreements*

The law in Virginia on the validity and enforceability of non-compete agreements is "well settled."[94] Restrictive covenants that restrain trade are disfavored and must be strictly construed to determine validity.[95] Non-compete agreements with ambiguity will be read in a light favorable to the employee.[96] After determining if the non-compete is valid, the courts turn to enforceability where the burden is on the employer to prove that "the restraint is no greater than necessary to protect a legitimate business interest, is not unduly harsh or oppressive in curtailing an employee's ability to earn a livelihood, and is reasonable in light of sound public policy."[97] A determination of the validity and enforceability of non-compete agreements has no bright line rule and must be determined on the facts in each case.[98] In determining whether a non-compete agreement is valid, courts in Virginia consider the geographic region covered by the non-compete, the length of time the agreement will restrict the employee's mobility, the limits placed on the type of employment that the employee can accept, and whether the agreement protects a legitimate business interest.[99]

In *Modern Environments v. Stinnett*,[100] the employer appealed a trial court decision that found its non-compete agreement to be facially unreasonable.[101] The employer argued that the non-compete was reasonable because

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90 *Id.*

91 *Id.* at 426.

92 *Motion Control Sys., Inc.*, 546 S.E.2d at 426.

93 *Id.*

94 Modern Env'ts, Inc. v. Stinnett, 561 S.E.2d 694, 695 (Va. 2002).

95 *Id.* (citing Richardson v. Paxton Co., 127 S.E.2d 113, 117 (Va. 1962)).

96 *Id.*

97 *Id.* (citing Roanoke Eng'g Sales Co. v. Rosenbaum, 290 S.E.2d 882, 884 (Va. 1982)).

98 *Id.* (citing *Roanoke Eng'g Sales Co*, 290 S.E.2d at 884; Meissel v. Finley, 95 S.E.2d 186, 188 (Va. 1956)).

99 Cliff Simmons Roofing, Inc. v. Cash, 49 Va. Cir. 156, 157 (Rockingham Cty. 1999) (discussing how a non-compete agreement that would prevent an executive from being a janitor at a competitor is unreasonable).

100 561 S.E.2d 694 (Va. 2002).

101 *Modern Env'ts, Inc.*, 561 S.E.2d at 695.

the time and geographic restrictions were reasonable, and the court agreed.[102] However, the employer did not provide evidence of how the non-compete agreement furthered or protected a legitimate business interest, a necessary element.[103] The Virginia Supreme Court held that, lacking a demonstration of the non-compete protecting a legitimate business interest, the non-compete was unreasonable.[104]

In order to be successful on a trade secrets claim, one must be specific about the trade secrets that have been misappropriated, as well as how the misappropriation occurred.[105] In *Preferred Systems Solutions, Inc. v. GP Consulting, LLC*,[106] GP Consulting, a subcontractor of Preferred Systems Solutions, cancelled its contract with Preferred Systems Solutions and entered into a contract with Accenture.[107] Both subcontracts were for work on the same government blanket services agreement.[108] Preferred Systems Solutions accused GP Consulting of violating a non-compete agreement and misappropriating trade secrets.[109] The Virginia Supreme Court first held that the non-compete agreement was reasonable.[110] The court acknowledged that restraints on trade are disfavored in Virginia and that non-compete agreements must be narrowly construed.[111] The court found that the non-compete agreement at issue was neither ambiguous nor overly broad.[112] The non-compete agreement was limited in time to twelve months and limited in scope to competitors on the same project covered by the blanket services agreement.[113] On the issue of trade secrets, the court upheld GP Consulting's demurrer as Preferred Systems Solutions had not alleged sufficient facts to establish which trade secrets GP Consulting had misappropriated, or how it had done so.[114] This lack of specificity was fatal to Preferred System Solutions's trade secret claim.[115]

The finding of reasonableness in a non-compete is aided when the type of employment is one that would "inform the employee of business methods and trade secrets which, if brought to the knowledge of a competitor, would

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102 *Id.* at 696.
103 *Id.*
104 *Id.*
105 *See* Preferred Sys. Sols., Inc. v. GP Consulting, LLC, 732 S.E.2d 676, 688–89 (Va. 2012).
106 732 S.E.2d 676 (Va. 2012).
107 *Preferred Sys. Sols., Inc.*, 732 S.E.2d at 679–80.
108 *Id.*
109 *Id.* at 680.
110 *Id.* at 680–82.
111 *Id.* at 681.
112 *Id.* at 680–82.
113 *Preferred Sys. Sols., Inc.*, 732 S.E.2d at 681.
114 *Id.* at 688–89.
115 *Id.* at 689.

prejudice the interests of the employer."[116] In *Worrie v. Boze*,[117] a dance instructor at a franchise of Arthur Murray left and opened his own dance school.[118] The dance instructor had signed a non-compete with the franchisees.[119] The non-compete acknowledged the harm that could come to the franchisees if the dance instructor were to begin his own dance school with the information learned while at Arthur Murray, and allowed for injunctive relief.[120] The Virginia Supreme Court noted the standards of enforceability of non-compete agreements, and found the instant non-compete to be reasonable under those standards.[121] The court paid close attention to the fact that the information the dance instructor had is what would likely cause the injury, and how that "tends to give an element of reasonableness" to non-compete agreements.[122]

Virginia treats confidentiality agreements under the same standards as non-compete agreements.[123] This similar treatment is because the courts view confidentiality agreements as restraints on trade.[124] Thus, "protection afforded to confidential information should reflect a balance between an employer who has invested time, money, and effort into developing such information and an employee's general right to make use of knowledge and skills acquired through experience in a field or industry for which he is best suited."[125]

In order to save non-compete agreements that would otherwise be invalid and unenforceable due to their overbreadth, many jurisdictions have adopted the "blue pencil" doctrine.[126] The blue pencil doctrine is a "'judicial standard for deciding whether to invalidate the whole contract or only the offending words'" that would make the agreement invalid.[127] When applying the blue pencil doctrine, courts simply run a blue pencil through offending words removing them from the agreement, "'as opposed to changing, adding, or rearranging'" them.[128] The blue pencil doctrine allows courts to make modifications to restrictive covenants, whether non-compete, confidentiality, or other similar agreement, when they appear to be reasonable in the situation presented to the court, in order to allow for the agreement to be enforceable

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116 Worrie v. Boze, 62 S.E.2d 876, 882 (Va. 1951) (quoting Stoneman v. Wilson, 192 S.E. 816, 819 (Va. 1937)).

117 62 S.E.2d 876 (Va. 1951).

118 *Id.* at 879.

119 *Id.* at 878–79.

120 *Id.*

121 *Id.* at 882.

122 *Id.* (quoting Stoneman v. Wilson, 192 S.E. 816, 819 (Va. 1937)).

123 Lasership, Inc. v. Watson, 79 Va. Cir. 205, 215 (Fairfax Cty. 2009).

124 *Id.*

125 *Id.*

126 Griffin Toronjo Pivateau, *Putting the Blue Pencil Down: An Argument for Specificity in Noncompete Agreements*, 86 NEB. L. REV. 672, 681–88 (2007) (discussing a number of jurisdictions and how they have employed the blue pencil doctrine).

127 *Id.* at 681 (quoting *Blue-Pencil Test*, BLACK'S LAW DICTIONARY (8th ed. 2004)).

128 *Id.*

when it otherwise would not be.[129] Courts will often look at whether the parties acted in good faith when creating the agreement before they determine whether to employ their blue pencil.[130] However, courts in Virginia have refused to "blue-pencil" restrictive covenants, stating that they do not have the authority to rewrite covenants to eliminate legally overbroad terms.[131] Instead, Virginia courts must strike overly broad covenants completely.[132]

Courts have chosen not to use the blue pencil doctrine because they believe it creates an "*in terrorem*" effect, under which an employee must interpret the legal enforceability of ambiguous contractual provisions before deciding whether to take an employment position.[133] Virginia's refusal to utilize the blue pencil doctrine demonstrates its strong disfavor of non-compete agreements and how it is stricter than other states in this regard.[134] A number of other jurisdictions will employ the blue pencil doctrine if they find the agreement reasonable under the circumstances, and others will even employ the doctrine if they find the agreement unreasonable.[135] Virginia will not use a "blue pencil" even if a court would find an invalid agreement reasonable under the circumstances.[136]

II. VIRGINIA DOES NOT RECOGNIZE THE DOCTRINE OF INEVITABLE DISCLOSURE

Virginia courts may enjoin only the actual or threatened misappropriation of trade secrets.[137] As demonstrated in Part I, it is unclear what the current boundaries are for determining threatened misappropriation. Some courts have required affirmative evidence that a misappropriation will occur, while others have held that passive moves by an employee to a new job can be evidence of threatened misappropriation.[138] These latter holdings are the basis of the doctrine of inevitable disclosure.[139]

In determining whether to recognize the doctrine of inevitable disclosure, courts must decide what constitutes a threatened misappropriation.

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129 Lanmark Tech., Inc. v. Canales, 454 F. Supp. 2d 524, 529 (E.D. Va. 2006).

130 Pivateau, *supra* note 126, at 681.

131 *See* Lasership, Inc. v. Watson, 79 Va. Cir. 205, 215 (Fairfax Cty. 2009) (quoting Strategic Enter. Sols., Inc. v. Ikuma, 77 Va. Cir. 179, 185 (Fairfax Cty. 2008)); *see also* Pivateau, *supra* note 126, at 683.

132 *See* Pivateau, *supra* note 126, at 683.

133 *See Lasership, Inc.*, 79 Va. Cir. at 216–17 (citing *Lanmark Tech., Inc.*, 454 F. Supp. 2d at 529); *see also* Pivateau, *supra* note 126, at 691–92.

134 *See* Pivateau, *supra* note 126, at 683.

135 *Id.* at 684, 688.

136 *Lanmark Tech. Inc.*, 454 F. Supp. 2d at 529; *see also* Pivateau, *supra* note 126, at 683.

137 VA. CODE ANN. § 59.1-337(A) (2009); Motion Control Sys., Inc. v. East, 546 S.E.2d 424, 426 (Va. 2001).

138 *Motion Control Sys. Inc.*, 546 S.E.2d at 426.

139 *See, e.g.*, Pepsico, Inc. v. Redmond, 54 F.3d 1262, 1270–71 (7th Cir. 1995).

Should courts allow employers to prevent former employees from taking certain positions merely because there is a high likelihood that they will use trade secret information in their new job? Or, should employees be allowed to move freely until they take an active step towards demonstrating a threat of misappropriation? The former position would mean recognizing the doctrine of inevitable disclosure.

While there are only three persuasive Virginia cases on the issue, one court directly stated that Virginia does not recognize the doctrine of inevitable disclosure.[140] Although this case, *Government Tech.*, provided no support for its position, it is likely correct.[141] The second reported case to take on the issue, *MeadWestvaco* came over ten years later.[142] This case relied primarily on other jurisdictions and the premise that Virginia tends to follow its sister states when deciding matters of first impression within the state.[143] The court in *MeadWestvaco* determined, based on that premise, Virginia would likely recognize the doctrine of inevitable disclosure, but seemed to limit the doctrine's application to cases in which there was already a non-compete agreement.[144] These disparate treatments of the doctrine of inevitable disclosure do not clarify whether Virginia recognizes the doctrine; courts must still determine the boundaries of "threatened" misappropriation.

The Virginia Supreme Court did enjoin an individual from pursuing threatened misappropriation of trade secrets in *Dionne*.[145] However, the threat in that case was a direct threat.[146] The individual had knowledge of the trade secret, was disgruntled towards his former employer, and had spoken to suppliers and customers informing them that he planned to develop a similar competitive product.[147] A threat that is this direct is a relatively simple case for an injunction; however, it does little to define the boundaries of what constitutes a threat. The doctrine of inevitable disclosure would go far beyond this and enjoin individuals from pursuing new career opportunities based on their former employer's belief or fear that they would use trade secrets learned from the former employer.

Mere knowledge of a trade secret would not allow a court to issue an injunction.[148] The Virginia Supreme Court reversed an injunction in a case dealing with a confidentiality agreement for this reason.[149] As noted above, in *Motion Control Systems*, a former employer sought to enjoin an individual from working for a competitor based on his knowledge of trade secrets.[150]

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140 Gov't. Tech. Servs., Inc. v. IntelliSys Tech. Corp., 51 Va. Cir. 55, 56 (Fairfax Cty. 1999).

141 *Id.*

142 MeadWestvaco Corp. v. Bates, 91 Va. Cir. 509, 509 (Chesterfield Cty. 2013).

143 *Id.* at 525.

144 *Id.*

145 Dionne v. Se. Foam Converting & Packaging, Inc., 397 S.E.2d 110, 114 (Va. 1990).

146 *Id.* at 110–12.

147 *Id.*

148 Motion Control Sys., Inc. v. East, 546 S.E.2d 424, 426 (2001).

149 *Id.*

150 *Id.* at 424–25.

The former employer feared that the employee would share trade secrets with the new employer and that the new employer would begin making products similar to the former employer.[151] The court ruled that the non-compete agreement did not permit an injunction absent a showing of actual or threatened misappropriation.[152] Simply working for a competitor was not enough to evidence that the employee would disclose trade secrets.[153] This is directly analogous to the doctrine of inevitable disclosure.

The doctrine of inevitable disclosure would have courts believe that if an employee changes jobs within the same industry, there is no way that the employee will not disclose trade secrets. As demonstrated by *Motion Control Systems*, the Virginia Supreme Court does not accept that rationale.[154] Virginia courts must look for more than a former employee's mere knowledge of trade secrets; there must be some affirmative action taken by the former employee to actually misappropriate or threaten misappropriation of trade secrets before an injunction may be issued.

Virginia does not recognize the doctrine of inevitable disclosure because it is contrary to the express terms of the VUTSA. A court may enjoin only the actual or threatened misappropriation of trade secrets.[155] Mere knowledge of a trade secret does not rise to the level of misappropriation through disclosure.[156] Thus, a Virginia court may not enjoin a former employee based solely on knowledge of trade secrets, which is a rejection of the doctrine of inevitable disclosure.

III. VIRGINIA WOULD NOT RECOGNIZE THE DOCTRINE OF INEVITABLE DISCLOSURE

This Part discusses why Virginia would not recognize the doctrine of inevitable disclosure, because it functions similarly to non-compete agreements, and how, contrary to the analysis in *MeadWestvaco*, sister states that also strongly disfavor non-compete agreements have rejected the doctrine.

A. *The Doctrine of Inevitable Disclosure Functions Like a Non-compete Agreement*

If Virginia courts were to recognize the mere act of changing employment within an industry as a threatened misappropriation of a trade secret, they would still not recognize the doctrine of inevitable disclosure due to its similarity to a non-compete agreement. Virginia strongly disfavors restrictive

151 *Id.* at 425.

152 *Id.* at 426.

153 *Id.*

154 *Motion Control Sys., Inc.*, 546 S.E.2d at 426.

155 VA. CODE ANN. § 59.1-337(A) (2009); *Motion Control Sys., Inc.*, 546 S.E.2d at 426.

156 *Motion Control Sys., Inc.*, 546 S.E.2d at 426.

covenants that restrain trade or employment.[157] Courts are to strictly interpret non-compete agreements, and anytime there is ambiguity, it is resolved in favor of the employee.[158] Employers must also prove that the restrictive covenant protects a legitimate business interest, is not harsh in preventing a former employee from making a livelihood, and is reasonable in light of sound public policy.[159] Courts in Virginia are loath to imply covenants into contracts as the practice creates problems in the freedom of contracting.[160]

The doctrine of inevitable disclosure acts similarly to a non-compete agreement because it restrains a former employee from accepting a position with a competitor or another company in the industry.[161] The court in *MeadWestvaco* stated that courts in Virginia "would likely apply the doctrine of inevitable disclosure," but provided a caveat that they would do so in cases where there was a previously signed non-compete agreement.[162] There is little concern about the doctrine of inevitable disclosure being used in cases where there was a signed non-compete. The fear of the doctrine of inevitable disclosure arises mainly when individuals have not had the opportunity to negotiate such an agreement.[163] Thus, the *MeadWestvaco* court's caveat does not truly resolve the issue.

Virginia courts are highly deferential to the freedom of contracting and will not imply into simple contracts covenants that are not present.[164] The doctrine of inevitable disclosure, as noted in *MeadWestvaco*, would imply a covenant into the contract that the parties had not negotiated.[165] This would be troubling as it would add extra bargaining power to employers and could place employees in situations they did not intend.[166]

As Virginia courts already strongly disfavor non-compete agreements, it would be unlikely that they would accept a doctrine that could imply them into many employment contracts. This is especially true as Virginia courts rejected "blue-penciling."[167] If courts are unwilling to make modifications to existing, written non-compete agreements due to the "*in terrorem*" effect it would have,[168] they are very unlikely to imply non-compete agreements where they did not expressly exist.

Virginia courts strongly disfavor restraints on trade, such as non-compete agreements. This disfavor has led to the rejection of "blue-penciling"

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157 Modern Env'ts, Inc. v. Stinnett, 561 S.E.2d 694, 695 (2002).

158 *Id.*

159 *Id.*

160 *Id.*

161 Whyte v. Schlage Lock Co., 125 Cal. Rptr. 2d 277, 292 (Cal. Ct. App. 2002).

162 MeadWestvaco Corp. v. Bates, 91 Va. Cir. 509, 525 (Chesterfield Cty. 2013).

163 *Id.*

164 Bd. of Dirs. of Birdneck Villas Condo. Ass'n v. Birdneck Villas, LLC, 73 Va. Cir. 175, 181 (Virginia Beach 2007).

165 *MeadWestvaco Corp.*, 91 Va. Cir. at 525.

166 *Whyte*, 125 Cal. Rptr. 2d at 293.

167 Lasership, Inc., v. Watson, 79 Va. Cir. 205, 216–17 (Fairfax Cty. 2009).

168 *Id.*

because courts do not want to create new contract terms that the parties did not agree to. As the doctrine of inevitable disclosure is in effect an implied, unwritten non-compete agreement, Virginia courts would likely reject the doctrine as it would require them to create a new contract term in restraint of trade.

B. *Sister States That Also Disfavor Non-Compete Agreements Have Rejected the Doctrine of Inevitable Disclosure*

MeadWestvaco is the only case to suggest that Virginia would recognize the doctrine of inevitable disclosure, and does so because many sister states have done so.[169] The court in *MeadWestvaco* relied on Virginia case law from different areas of law where courts had adopted various doctrines that other state courts had similarly adopted in order to follow the majority rule.[170] The court determined that it was likewise appropriate for Virginia to recognize the doctrine of inevitable disclosure because a federal court had determined that South Carolina would recognize it if given the chance.[171] The *MeadWestvaco* court dismissed the fact that a California case rejected the doctrine of inevitable disclosure by stating that California has an unusually strong approbation against non-compete agreements.[172] This analysis ignores that Virginia is more akin to California in its strong disfavor of non-compete agreements.

As noted in Part I, Virginia does not apply the blue pencil doctrine because it takes an all-or-nothing approach to determining the reasonability of a non-compete agreement.[173] Courts in Virginia will not revise or eliminate any provisions of the agreement in order to enforce it.[174] However, South Carolina, which also disfavors restraints on trade and non-compete agreements,[175] takes a slightly different approach. South Carolina courts have enforced non-compete agreements that are unreasonable in their totality if the offending terms are severable from the rest of the agreement.[176] This difference in acceptance of the blue pencil doctrine demonstrates that Virginia is more similar to California in its strong disfavor of non-compete agreements.

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169 *MeadWestvaco Corp.*, 91 Va. Cir. at 525.

170 *Id.*

171 *Id.* at 524–25 (citing Nucor Corp. v. Bell, No. 2:06-CV-02972-DCN, 2008 U.S. Dist. LEXIS 119952, at *60–61 (D.S.C. Mar. 14, 2008).

172 *Id.* at 523 (citing *Whyte*, 125 Cal. Rptr. 2d at 281).

173 *See* Pivateau, *supra* note 126, at 683.

174 *See* Lanmark Tech., Inc. v. Canales, 454 F. Supp. 2d 524, 529 (E.D. Va. 2006); *see also* Pivateau, *supra* note 126, at 683.

175 Rental Unif. Serv. of Florence, Inc. v. Dudley, 301 S.E.2d 142, 143 (S.C. 1983); Team IA, Inc. v. Lucas, 717 S.E.2d 103, 107 (S.C. Ct. App. 2011).

176 E. Bus. Forms, Inc. v. Kistler, 189 S.E.2d 22, 24 (S.C. 1972); Somerset v. Reyner, 104 S.E.2d 344, 347 (S.C. 1958); *see also* Uhlig, LLC v. Shirley, No. 6:08-1208-HFF-WMC, 2008 U.S. Dist. LEXIS

The California court that rejected the doctrine of inevitable disclosure did so because it found the doctrine to be contrary to the state's policy disfavoring restraints on employee mobility.[177] The court noted that the state's policy favoring employee mobility was not dispositive on whether to reject the doctrine as the state also protected trade secrets.[178] The court went on to say that "[t]he chief ill in the covenant not to compete imposed by the inevitable disclosure doctrine is its after-the-fact nature."[179] The court disapproved of the change in the employment relationship that the employee did not consent to.[180] Virginia, which also disfavors non-competes but protects trade secrets, would more than likely assume the same position as California and reject the doctrine of inevitable disclosure.

The *MeadWestvaco* court was likely correct that Virginia would opt to adopt doctrines similar to its sister states; however, Virginian courts would likely choose the doctrine of its sister states that more closely mirrors its approach to non-compete agreements. Virginia would likely reject the doctrine of inevitable disclosure, as California did, because it acts as an implied non-compete.

IV. VIRGINIA SHOULD NOT RECOGNIZE THE DOCTRINE OF INEVITABLE DISCLOSURE

This Part discusses why Virginia should not recognize the doctrine of inevitable disclosure: it creates an inappropriate burden-lowering rule, would negatively affect the state's economy, and shifts what is typically an ex ante bargain to an ex post implied covenant not to compete.

A. *The Doctrine of Inevitable Disclosure Is an Inappropriate Burden-Lowering Rule Favoring Employers*

Under the common law, employers seeking to have enforceable non-compete agreements had to demonstrate that the agreements protected a legitimate business interest and were reasonable in time, geographic, and employment-type limitations.[181] Some jurisdictions required employers to prove

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123898 at *9 (D.S.C. May 27, 2008); Rockford Mfg., Ltd. v. Bennet, 296 F. Supp. 2d 681, 687 (D.S.C. 2003).

177 *Whyte*, 125 Cal. Rptr. 2d at 292.

178 *Id.* at 292–93.

179 *Id.* at 293.

180 *Id.*

181 *See generally* Omniplex World Servs. Corp. v. U.S. Investigations Servs., Inc., 618 S.E.2d 340, 342 (Va. 2005) (discussing elements of a reasonable non-compete agreement); Pais v. Automation Prods., 36 Va. Cir. 230, 236 (Newport News 1995) (discussing how the type of employment restricted must be reasonably connected to the employee's current job); Linville v. Servisoft of Va., Inc., 174 S.E.2d 785, 786 (Va. 1970) (stating the burden of proof lies with the employer).

an additional element of an employee's wrongful intent, in essence that the employee intended to harm his former employer's business.[182] Employers attempting to utilize the doctrine of inevitability do so when seeking an injunction, a form of equitable relief.[183] Irreparable harm to the employer is an element that must be proved for an injunction to be granted when there is no evidence of misappropriation.[184] Proponents of the doctrine of inevitability claim that it is necessary to prevent the harm that comes from a trade secret being misappropriated.[185] Once a trade secret is misappropriated, it is less valuable, as the value lies in its secrecy.[186] The doctrine of inevitable disclosure seeks to lower the burden on an employer seeking injunctive relief in order to prevent this irreparable harm.[187] Lowering this burden is inappropriate as it favors employers at the outset and creates a valuable delaying tactic employers can use to disadvantage employees who leave.

Under current law, an actual threat of misappropriation will result in the granting of an injunction.[188] Requiring that an employer produce evidence of an actual or threatened misappropriation is a requirement that the employer demonstrate there was bad faith on the part of the employee or new employer.[189] Bad faith is a common requirement for equitable relief, and protects defendants from having unwarranted injunctions issued against them when other remedies may be more appropriate.[190] The doctrine of inevitable disclosure lowers the burden on employers by eliminating the bad faith requirement.[191] Some believe that the requirement of bad faith in the application of the doctrine of inevitable disclosure is inappropriate because the doctrine

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182 *See* Garrison & Wendt, *supra* note 4, at 155–56.

183 Margo E. K. Reder & Christine Neylon O'Brien, *Managing the Risk of Trade Secret Loss Due to Job Mobility in an Innovation Economy with the Theory of Inevitable Disclosure*, 12 J. HIGH TECH. L. 373, 396 (2012).

184 *Id.*

185 *See* Garrison & Wendt, *supra* note 4, at 117.

186 Wiesner, *supra* note 57, at 212–13.

187 Reder & O'Brien, *supra* note 183, at 396.

188 Dionne v. Se. Foam Converting & Packaging, Inc., 397 S.E.2d 110, 114 (Va. 1990).

189 *See* Abigail Shechtman Nicandri, Comment, *The Growing Disfavor of Non-Compete Agreements in the New Economy and Alternative Approaches for Protecting Employers' Proprietary Information and Trade Secrets*, 13 U. PA. J. BUS. L. 1003, 1004 (2011); Jay L. Koh, *From Hoops to Hard Drives: An Accession Law Approach to the Inevitable Misappropriation of Trade Secrets*, 48 AM. U.L. REV. 271, 288 (1998).

190 *See* Jordan Leibman & Richard Nathan, *The Enforceability of Post-Employment Noncompetition Agreements Formed After At-Will Employment Has Commenced: The "Afterthought" Agreement*, 60 S. CAL. L. REV. 1465, 1558–59 (1987); Robert S. Summers, *"Good Faith" in General Contract Law and the Sales Provisions of the Uniform Commercial Code*, 54 VA. L. REV. 195, 263 (1968) ("In most cases the party acting in bad faith frustrates the justified expectations of another.").

191 Nicandri, *supra* note 189, at 1016 (discussing how the *PepsiCo* court required only inevitability and noting that some jurisdictions have added the bad faith requirement back into the required showing); *see also* Kahnke et al., *supra* note 4, at 14.

says that disclosure is inevitable regardless of the employee's intent.[192] The bad faith requirement appears most consistent with a requirement that an actual threat be shown. Many courts are uncomfortable with merely allowing employees to be enjoined because of inevitability of disclosure alone.[193] And even the court in *PepsiCo, Inc. v. Redmond*,[194] roundly considered the most favorable decision for the doctrine, cited the employee's lack of good faith in his conduct.[195]

Removal of the bad faith element is not in line with textual reading of the VUTSA. The VUTSA requires "[a]ctual or threatened misappropriation."[196] This would appear to require some element of intent on behalf of the employee. Some courts have also noted that removal of the element of bad faith removes any limit to the doctrine, even a reasonableness test.[197]

Courts should refrain from using the doctrine of inevitable disclosure because the removal of the bad faith element is unfair to employees and not in line with the VUTSA. Instead, courts should require an affirmative act by an employee threatening misappropriation before enjoining his behavior.[198]

Another reason that the doctrine of inevitable disclosure is inappropriate is that it can be a delaying tactic.[199] An employer can apply for an injunction or preliminary restraining order under the doctrine of inevitable disclosure and then wait out the often-lugubrious process of litigation.[200] During this time, the former employee is taking hits on multiple fronts. Former employees are both without an income and paying for legal counsel.[201] In industries that are rapidly changing, such as the technology sector, the value of the information the employee has is also likely dwindling as innovation often outpaces litigation.[202] Thus, the employer only has to engage in litigation long enough for the trade secret to become less valuable, and then it does not matter if litigation is ultimately successful.[203] This creates unfair incentives for employers to engage in litigation that is unlikely to succeed on the merits, in order to punish leaving employees or to be overprotective of their trade secrets.

The doctrine of inevitable disclosure should not be adopted because it inappropriately lowers the burden on the employer seeking the injunction by

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192 *See* Randall E. Kahnke et al., *Doctrine of Inevitable Disclosure*, FAEGRE & BENSON, LLP 14 (Sept. 2008), https://www.faegrebd.com/webfiles/Inevitable%20Disclosure.pdf.

193 *Id.* at 14–15 (collecting cases).

194 54 F.3d 1262 (7th Cir. 1995).

195 PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1270 (7th Cir. 1995).

196 VA. CODE ANN. § 59.1-337(A).

197 *See* Reder & O'Brien, *supra* note 183, at 436–37.

198 Dionne v. Se. Foam Converting & Packaging, Inc., 397 S.E.2d 110, 114 (Va. 1990).

199 *See* Rebecca J. Berkun, Comment, *The Dangers of the Doctrine of Inevitable Disclosure in Pennsylvania*, 6 U. PA. J. LAB. & EMP. L. 157, 158 (2003).

200 *Id.*

201 *Id.* at 175.

202 *Id.* at 176.

203 *Id.* at 175.

removing the bad faith requirement and can be a delaying tactic that harms employees while employers wait for the trade secrets to lose their value.

B. *The Doctrine of Inevitable Disclosure Would Harm Virginia Economically*

As noted in Part II, the doctrine of inevitable disclosure functions similarly to an implied non-compete agreement. Non-compete agreements may negatively affect the economy of jurisdictions that enforce them.[204] This negative effect is even greater when the non-compete agreements are implied through the doctrine of inevitable disclosure. Some argue that the need to protect employers counterbalances any potential negative effects;[205] this is likely untrue.[206]

While at one time employees were able to work solely in one specific area of a company, the modern economy often requires that employees are more flexible and develop cross-departmental skills and connections.[207] In many companies, employees are required to have deeper knowledge of numerous aspects of the business from customer relations, to business practices, to competitor comparisons.[208] Many employers also seek to employ those who have experience at varied firms, thus bringing diverse experiences to the firm.[209] Thus, to be successful in the modern economy, an employee must be exposed to many more things that could at some point be considered trade secrets.[210] Even employees who are not required as a condition of their employment to work in a broad range of areas may still be exposed to confidential information in different areas due to the greater amount of access employees have to digital records in the modern workplace.[211]

Proponents of the doctrine of inevitable disclosure contend that without a way to prevent employees from misappropriating trade secrets, there would be little economic motivation to invest in developing new technology and better business practices.[212] However, mobility fuels innovation.[213] Scholars

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204 *See* Reder & O'Brien, *supra* note 183, at 440–43.

205 *Id.* at 377; *see also* Kahnke et al., *supra* note 192, at 16.

206 *See generally* Alan Hyde, *Should Noncompetes Be Enforced?* REG., Winter 2010–2011, at 6, https://object.cato.org/sites/cato.org/files/serials/files/regulation/2010/12/regv33n4-2.pdf.

207 *See* Stone, *supra* note 20, at 594.

208 *Id.*

209 *Id.*

210 *Id.*

211 *See generally* Jason Mazzone & Matthew Moore, *The Secret Life of Patents*, 48 WASHBURN L.J. 33, 34–35 (2008) (describing the creation of information vulnerability in the context of trade secrets).

212 *See* Kahnke et al., *supra* note 192, at 16.

213 *See* Reder & O'Brien, *supra* note 183, at 377; Hyde, *supra* note 206, at 6, 9.

believe that this fuel comes from a "spillover effect" of information-sharing.[214] Numerous economic studies have found that in areas with flexible and mobile corporate structures and employment, there is a synergy that allows for faster innovation.[215] This is because of the constant "recharging" of talent that gets infused into firms as they continue to create solutions to varying problems.[216] Employee mobility also allows for human capital to move to where it is most valued,[217] increasing the likelihood that new areas where innovation is flourishing will be more quickly recognized.[218]

Many consider the Dulles Corridor in Virginia to be the "Silicon Valley of the East."[219] To be as successful at innovation, Virginia should adopt policies that advance the economy in a manner similar to that of California. Comparisons have been made between Silicon Valley in California and other technological innovation hubs, such as Boston, Massachusetts.[220] At one time, Boston led Silicon Valley in innovation, but Silicon Valley has since pulled far ahead to be the nation's leader in company formation and largest source of exports.[221] This is likely due to the different approach their jurisdictions take towards non-compete agreements.[222] As previously noted, California strongly disfavors non-competes.[223] This is in stark contrast to Massachusetts where non-competes are vigorously enforced and the aforementioned blue pencil is used frequently.[224] The infrequency with which non-compete agreements are enforced in California has led to the construction of a social network that promotes information-sharing of the sort necessary for innovation and assists in "navigat[ing] market turbulence."[225] In contrast, firms in Massachusetts were more isolated, which led to slower rates of innovation.[226]

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214 *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, 579 (1999); Yuval Feldman, *Experimental Approach to the Study of Normative Failures: Divulging of Trade Secrets by Silicon Valley Employees*, 2003 U. ILL. J.L. TECH. & POL'Y 105, 105–06 (2003).

215 Jason S. Wood, *A Comparison of the Enforceability of Covenants Not to Compete and Recent Economic Histories of Four High Technology Regions*, 5 VA. J.L. & TECH. 14, ¶ 10 (2000).

216 *Id.*

217 Mark A. Glick, Darren Bush & Jonathan Q. Hafen, *The Law and Economics of Post-Employment Covenants: A Unified Framework*, 11 GEO. MASON L. REV. 357, 377 (2002).

218 *See* Reder & O'Brien, *supra* note 183, at 444.

219 Derek Thompson, *'The Silicon Valley of the East' Is Washington, D.C.*, THE ATLANTIC (June 7, 2011) http://www.theatlantic.com/business/archive/2011/06/the-silicon-valley-of-the-east-is-washington-dc/240055/.

220 Charles Tait Graves & James A. DiBoise, *Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation?*, 1 ENTREPREN. BUS. L.J. 323, 326 (2006).

221 *See* Vivek Wadhwa, *The Valley of My Dreams: Why Silicon Valley Left Boston's Route 128 in the Dust*, TECHCRUNCH (Oct. 31, 2009), https://techcrunch.com/2009/10/31/the-valley-of-my-dreams-why-silicon-valley-left-bostons-route-128-in-the-dust/.

222 Reder & O'Brien, *supra* note 183, at 443; Gilson, *supra* note 214, at 575.

223 Reder & O'Brien, *supra* note 183, at 431.

224 Pivateau, *supra* note 126, at 688.

225 Reder & O'Brien, *supra* note 183, at 442.

226 *Id.*

Massachusetts has recognized that strictly enforcing non-compete agreements has harmed its rate of innovation, and statelegislators have tried limiting the enforcement of non-compete agreements since 2009.[227] If Virginia wants to continue to grow the Dulles Corridor as a national hub of innovation, then policymakers and courts should adopt policies that promote that growth. As a result, Virginia courts should not recognize the doctrine of inevitability due to the negative economic effects it would have by creating implied non-compete agreements that may stifle innovation.

Virginia courts should also reject the doctrine of inevitable disclosure because it negatively affects industries outside the technology sector. As noted above, under certain factual circumstances, a customer list could be considered a trade secret.[228] To be considered a trade secret, the information on the list must not be readily available to the public.[229] However, if there is unique, nonpublic information included in the customer list, it could be a trade secret.[230] The ability for employers to consider customer lists to be trade secrets broadens the economic sectors affected by trade secrets laws. Industries affected by this could include retail,[231] manufacturing,[232] real estate, and many other fields. The wide range of industries affected cut against adoption of the doctrine of inevitable disclosure as it would give the doctrine broad power and sweep up unsuspecting employees who do not realize that they are working with trade secrets.

The breadth of what can be considered a trade secret weighs against the adoption of the doctrine of inevitable disclosure due to the ambiguity it creates. The fact-based determination of whether something is a trade secret leads to ambiguity for both employers and employees.[233] Both parties must be able to determine whether the information an employee has access to meets the definition of a trade secret, and whether employee actions qualify as misappropriations.[234] However, there is a "lack of guidance from courts"

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227 Former Governor Deval Patrick of Massachusetts recognized the negative effects that vigorously enforced non-competes were having on the Massachusetts economy as compared with California and introduced a bill to the Massachusetts legislature that would ban non-competes in April 2014. *See* Erik J. Winton et al., *Down to the Wire for Proposed Non-Compete Reform Legislation in Massachusetts*, LEXOLOGY (July 27, 2016), http://www.lexology.com/library/detail.aspx?g=510e276c-5eb9-47d4-939a-53d91f529155. Current Massachusetts Governor Charlie Baker has expressed his support for bills disallowing non-competes. *Id.* A bill recently passed that, if signed, will require employers who enforce non-compete agreements to compensate employees in some form. Jena McGregory, *Massachusetts Bill Would Require Employers to Pay Up When Enforcing Noncompetes -- But There's a Loophole*, WASH. POST (Aug. 2, 2018), https://www.washingtonpost.com/business/2018/08/02/massachusetts-bill-would-require-employers-pay-up-when-enforcing-noncompetes-theres-loophole/?utm_term=.e02edf70fe8c.

228 SanAir Techs. Lab., Inc., v. Burrington, 91 Va. Cir. 206, 209 (Chesterfield Cty. 2015).

229 *Id.*

230 *Id.*

231 James, Ltd. v. Saks Fifth Ave., Inc., 67 Va. Cir. 126, 140 (Arlington Cty. 2005), *rev'd on other grounds*, 630 S.E.2d 304 (Va. 2006).

232 Int'l Paper Co. v. Gilliam, 63 Va. Cir. 485, 490 (Roanoke 2003).

233 Feldman, *supra* note 214, at 130–31.

234 *Id.* at 130.

on how to make these determinations.[235] This lack of guidance is a result of the expense of litigation for marginal cases and the flexible definition of trade secrets.[236] A study has shown that the lack of guidance and flexible definition of a trade secret has led to employees not actually knowing the meaning of a trade secret.[237] If employees do not know the meaning of a trade secret, the likelihood that they know they are working with trade secrets is slim. This lack of awareness means that the doctrine of inevitable disclosure could affect individuals who may not even realize they are working with trade secrets, creating situations where employees inadvertently limit their mobility, especially without a signed explicit non-disclosure or non-compete agreement.

The doctrine of inevitability would likely negatively affect innovation within Virginia by limiting mobility of individuals in a wide range of economic sectors. Also, a large number of employees may inadvertently expose themselves to trade secrets and limit their employment mobility because they do not fully understand what a trade secret is. Courts in Virginia should reject the doctrine of inevitable disclosure in order to stave off these potential negative effects on the state's economy.

C. *The Doctrine of Inevitable Disclosure Shifts the Non-compete Agreement from an Ex Ante Affirmative Covenant to an Ex Post Implied Covenant*

While many jurisdictions disfavor non-compete agreements as restraints on trade, they will often enforce them under the bargain principle.[238] Noting that the bargain principle is one of the major reasons behind enforcement of non-compete agreements is important because it demonstrates why courts would be hesitant to enforce agreements that are implied.[239] It is often said that non-compete agreements are part of a total employment agreement, and the employee bargains for higher position or salary in exchange for his agreement not to compete.[240] In actuality, however, empirical studies have shown

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235 *Id.* at 132.

236 *Id.* (discussing how trade secret misappropriation cases are typically filed only if the employer has a "smoking gun," such as stolen documents, due to the expense of litigation when cases are more ambiguous).

237 *Id.* at 141–42.

238 Leibman & Nathan, *supra* note 190, at 1509.

239 *Id.* at 1506 (noting that the bargain principle is closely related to the freedom of contract theory and promotes autonomy in contracting).

240 Viva R. Moffat, *The Wrong Tool for the Job: The IP Problem with Noncompetition Agreements*, 52 WM. & MARY L. REV. 873, 887 (2010); *see also* RESTATEMENT (SECOND) OF CONTRACTS § 79 cmt. c (Am. Law Inst. 1981) ("To the extent that the apportionment of productive energy and product in the economy are left to private action, the parties are free to fix their own valuations. . . . Valuation is left to private action in part because the parties are thought to be better able than others to evaluate the circumstances of particular transactions.").

that non-compete agreements lead to lower levels of executive mobility and compensation.[241]

Non-compete agreements should be scrutinized with care because of the unequal bargaining power between employers and prospective employees.[242] Employees who sign a non-compete have a reasonable opportunity to decide if the non-compete coincides with their interests, and they are put on notice that there may be some forms of employment that they cannot take upon leaving their current post.[243] An implied non-compete agreement that is brought into effect ex post denies an employee the opportunity to know the bargain being entered into and increases the already significant inequities between employers and employees.[244] Courts in Virginia should not adopt a doctrine that shifts what should be an ex ante bargaining discussion to an ex post implied covenant. Doing so would deny employees autonomy and potentially disallow employees from moving their labor resources where they are most valued.

Courts in Virginia should not adopt the doctrine of inevitable disclosure because it inappropriately lowers the burden of proof on employers to get injunctive relief, reduces innovation and employee mobility, and improperly shifts an ex ante bargain to an ex post implied covenant.

CONCLUSION

Virginia courts do not recognize the doctrine of inevitable disclosure. This is because mere knowledge of a trade secret by a former employee does not allow for an injunction to be issued. A former employee must take affirmative steps that provide evidence of actual or threatened misappropriation before an injunction can be issued against them. Simply assuming employment with a competitor is not that affirmative step as individuals must be able to make use of skills acquired through work in an industry as they progress through their careers. Even if Virginia courts were to find that simply being employed by a competitor was enough to be a significant threat of misappropriation, they still would likely not employ the doctrine of inevitable disclosure. Virginia strongly disfavors non-compete agreements and is loath to imply restrictive covenants into contracts. The doctrine of inevitable disclosure is similar in nature to a non-compete agreement as it has the ability to restrain an employee from moving to a different firm within the same industry. Because of the similarity of the doctrine of inevitable disclosure to non-compete agreements, Virginia is unlikely to employ the doctrine in order to imply a non-compete agreement that would restrict employee movement. Not only is Virginia unlikely to recognize the doctrine, it should not as it

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241 Moffat, *supra* note 240, at 887.

242 *Id.* at 885–87 (noting that inequities arise from use of boilerplate language in contracts and individuals not being fully equipped to reason through the potential long-term, negative outcomes that come from non-compete agreements).

243 Leibman & Nathan, *supra* note 190, at 1506.

244 Moffat, *supra* note 240, at 887.

creates an inappropriate burden-lowering rule, would negatively affect the state's economy, and shifts an ex ante bargaining discussion to an ex post implied covenant.