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An Emerging Split on the Applicability of the Inevitable Disclosure Doctrine Under the DTSA

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Federal courts remain split on whether the Defend Trade Secrets Act (DTSA) allows for trade secret misappropriation claims brought under a theory of inevitable disclosure. Given this current patchwork of treatment of inevitable disclosure claims across the nation, owners of trade secrets and litigators of trade secret claims should continue to stay up to date on the treatment of this issue in the jurisdictions in which they practice.

Background

The inevitable disclosure doctrine allows a plaintiff to "prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets." *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995)**.** The doctrine is not predicated on the former employee physically taking anything when leaving an employer, *e.g.* stealing a customer list or proprietary formula; rather, it relies on the notion that the former employee's knowledge of trade secret gained over the course of his or her employment will inevitably lead to improper disclosure or use when later employed by a competitor or other entity in a position to exploit the trade secrets. *Id*. at 1270. While several states, such as Illinois, Pennsylvania, and New York, appear to recognize the theory under their respective state trade secrets laws, others, such as California, do not. *See Phoseon Tech., Inc. v. Heathcote*, 2019 WL 72497, *11 (D. Or. Dec. 27, 2019) ("Seventeen states appear to have adopted the inevitable disclosure doctrine in one form or another… Five states appear to have rejected the doctrine.")

Several federal courts have also allowed inevitable disclosure claims under the DTSA. In *Packaging Corp. of Am., Inc. v. Croner*, a court in Illinois found that "[t]he DTSA allows courts to grant injunctions in certain circumstances for 'threatened' misappropriation. 18 U.S.C. § 1836(b)(3). Illinois courts have found that plaintiffs can state a claim for threatened misappropriation by demonstrating the inevitability of trade secret disclosure." 419 F. Supp. 3d 1059, 1069 (N.D. Ill. 2020). The 3rd Circuit has similarly allowed DTSA claims brought under the inevitable disclosure doctrine, highlighting the "threatened" misappropriation language in the DTSA. *Fres-co Sys. USA, Inc. v. Hawkins,* 690 F. App'x 72, 76 (3rd Cir. 2017).

Recent Developments

A common argument against the application of the inevitable disclosure doctrine under the DTSA relies on the prohibition in the statute against injunctions that "prevent a person from entering into an employment relationship" and requirement that any employment restraints be supported by "evidence of threatened misappropriation and not merely on the information the person knows." 18 U.S.C. § 1836(b)(3)(A)(i)(I). Two federal courts recently analyzed the effects of this language.

Earlier this year, a federal court in Oregon found that the DTSA does not allow claims brought under a theory of inevitable disclosure. *Kinship Partners, Inc. v. Embark Veterinary, Inc.*, 2022 WL 72123 (D. Or. Jan. 3, 2022).

> The [inevitable disclosure] doctrine requires a court to recognize and enforce a de facto noncompetition agreement to which the former employee is bound, even where no express agreement exists…the DTSA specifically forecloses courts from granting relief based on the inevitable disclosure doctrine *because* such relief restrains employment. Under the DTSA, "a court may grant an injunction to prevent any actual or threatened misappropriation ... *provided the order does not prevent a person from entering into an employment relationship*[.]" 18 U.S.C. § 1836(b)(3)(A)(i)(I) (emphasis added). Based on the plain language of the statute, the DTSA provides no avenue for the Court to grant Plaintiff its requested relief.

Id. at *7 (emphasis in original). The court then turned to the question of whether claims under the inevitable disclosure doctrine were viable under state law, and found that they are not. "Because Oregon law favors employee mobility, the Court declines to adopt the inevitable disclosure doctrine or apply it to this case." *Id.*

Similarly, in *IDEXX Lab'ys v. Bilbrough*, a federal magistrate Judge in Maine reasoned that the DTSA does not allow claims brought under the inevitable disclosure doctrine:

> [t]he plain language of section 1836(b)(3)(A)(ii)(I) states that an injunction, the only relief Plaintiff seeks, may not issue "to prevent a person from entering into an employment relationship" based "merely on the information the person knows." Because the inevitable disclosure doctrine permits relief without any proof of actual or an identified threat of disclosure under the theory that a person with certain information will necessarily use the information at some point in his or her new employment, the doctrine allows relief based "merely on the information the person knows." The plain language of the statute, therefore, forecloses application of the inevitable disclosure doctrine to Plaintiff's DTSA-based claim requesting that the Court enjoin Plaintiff from working on Antech product offerings that are competitive with Plaintiff's products.

2022 U.S. Dist. LEXIS 136676, *11 (D. Me. Aug. 2, 2022). The magistrate judge then acknowledged that whether claims arising under the inevitable disclosure doctrine could proceed under state law is an open question. He declined to take a position, noting that the issue was best decided by the state courts.

Takeaways

The fate of the inevitable disclosure doctrine under the DTSA remains subject variation by jurisdiction. While many federal courts have recognized the applicability of the inevitable disclosure doctrine under the DTSA, others have rejected it. The similarities between the statutory language of the DTSA and many state trade secret laws, as well as its relatively recent enactment in 2016, both

play a role in the lack of consensus within the federal courts.

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