Protection of Trade Secrets in the Employer-Employee Relationship

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PROTECTION OF TRADE SECRETS IN THE EMPLOYER-EMPLOYEE RELATIONSHIP

In recent years, the trend toward greater mobility, especially in changing jobs, has created a perplexing problem for the American businessman. To survive competitively in our increasingly complex economy, it is almost essential for each business to develop its own "bag of tricks" which gives it a competitive advantage. To protect this "bag of tricks" the businessman usually must rely either on the patent law, or the law of trade secrets. The former when the "bag of tricks" includes something which is patentable; the latter when the businessman does not wish to secure a patent or when a patent is unobtainable.

When the law of trade secrets is thus utilized by an employer, he faces the possible loss of his trade secrets each time a trusted employee who either has helped develop, or has dealt with the employer's trade secrets in the regular course of business, terminates his employment. Thus, the employer is confronted with the possibility of an employee's disclosing these trade secrets to a competitor, with whom he may seek future employment, or his using them to compete with his former employer; such possibility presents the employer with a serious threat of loss of his competitive advantage.

I. Definition of a Trade Secret

Once a former employer seeks judicial recognition and protection of his alleged trade secret his foremost obstacle is establishing that he possesses a juridically protectable trade secret. For most purposes it may be stated that:

A trade secret may consist of any formula or pattern, any machine or process of manufacturing or of any device or compilation of information which is used in one's business and which may give to the user an opportunity to obtain an advantage over competitors who do know or use it.

As the term "trade secret" indicates, matters of public knowledge or general knowledge in an industry cannot be appropriated as a trade secret. Any idea, information or process, however, which is not obvious, has value and would require some substantial expenditures of time, work, or money by another to arrive at the same result independently can be considered a trade secret; the expenditure


2 While a patent has a limited duration (17 years), a trade secret may have indefinite existence, depending on the business's ability to keep it confidential.

3 Mycalex Corp. of America v. Pemco Corp., 64 F. Supp. 420, 423 (D. Md. 1946). See also, Boost Co. v. Faunce, 13 N.J. Super. 63, 80 A.2d 246 (1951); Sandlin v. Johnson, 141 F.2d 660 (8th Cir. 1944). For a more detailed definition of a trade secret, see RESTATEMENT, TORTS, Explanatory Note § 757, comment b at 5 (1939):

A trade secret may consist of 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. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from the secret information in a business... in that it is not simply information as to single or ephemeral events in the conduct of the business, as, for example, the amount or other terms of a secret bid for a contract or the salary of certain employees, or the security investments made or contemplated, or the date fixed for the announcement of a new policy or for bringing out a new model or the like. A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article. It may, however, relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other concessions in a price list or catalogue or a list of specialized customers, or a method of bookkeeping or other office management.


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of time, effort or money rather than the brilliance of conception or execution is the key factor. Once such expenditure produces a result which, if used, continuously in the operation of business, would give the possessor an opportunity to obtain an advantage over competitors who do not know or use it, that result may be considered a trade secret.

The application of this definition to particular cases is illustrated by these factors which the courts have considered in determining whether or not a trade secret exists: the extent to which the information is known outside the business; the extent to which it is known by employees or others involved in the business; the extent of measures taken to guard the secrecy of the information; the value of the information to the owner and to his competitors; the amount of effort or money expended in developing the information; and the ease or difficulty with which the information could be properly acquired or duplicated by another. And through this application the following have been recognized as trade secrets: new methods of combining known ingredients, formulas, bookkeeping methods, chemicals, patterns, customer lists, blueprints, machinery, raw material sources, secret pricing codes, processes and ingredients.

Although the definition seems explicit and the factors enumerated above seem inclusive, there is still no uniformity in determining whether or not a trade secret exists in a particular case; this indicates that the enumerated factors do not exhaust all possible considerations. What courts actually do in these cases is to consider not only the interest of the employer, but also the relative interest of the individual employee and of the public as a whole in what might be called a "balancing of the interests approach" to trade secret cases.

This balancing of the interest approach is explained in Ellis, Trade Secrets: Cases involving right of employees to leave and compete are examples of balancing interests or equities. The court is faced with two conflicting policies. On the one hand, we have the desire to encourage competition and to facilitate the exercise by an individual of all his skill and knowledge and on the other hand there is the wish to give reasonable protection against unfair competition to established business.

* * *

The doctrine of balancing the interests or equities is well known to equity in other situations. It is conceded that when the problem is approached on these considerations precise mathematical certainty is unattainable.

6 Ellis, Trade Secrets 240 (1953).
7 von Kalinowski, Key Employees and Trade Secrets, 47 Va. L. Rev. 583, 587 (1961); Restatement, Torts, Explanatory Note § 757, comment b at 5 (1939). Compare, Harris Manufacturing Co. v. Williams, 757 F. Supp. 779 (W.D. Ark. 1957), which holds that trade secret protection is obtainable although the plaintiff is not currently using the process sought to be protected.
8 Restatement, Torts, Explanatory Note § 757, comment b at 6 (1939).
16 A. O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 (6th Cir. 1934), modified 74 F.2d 934 (6th Cir. 1935).
18 Simmons Hardware Co. v. Waibel, 1 S.D. 488, 47 N.W. 814 (1891).
19 Allen-Qualley Co. v. Shellmar Products Co., 31 F.2d 293 (N.D. Ill. 1929), aff'd 36 F.2d 623 (7th Cir. 1930).
21 Ellis, op. cit. supra note 6, at 18.
able in setting the limits of the protection afforded, but this approach does seem more practical and to be more in keeping with the reality of what the courts are doing beneath such surface terms as "property," "secrets," "implied contract," and so on.

Through the application of this balancing the interests approach, the courts have drawn a fine line of demarcation between ideas and information in the mind of the employee which constitute protectable trade secrets of the former employer and an employee’s aptitude, his dexterity, his manual and mental ability, and such other subjective knowledge as he obtains which he has the right to use and expand in a competitor’s employment. This line becomes increasingly more obscure as the employee’s work is more closely identified with basic research. The closer the scientific and technical information, claimed to be a trade secret, approaches “pure science,” the easier it is for a court to equate it with the basic mental equipment of the particular employee and thus, not a trade secret.

One factor which is often outcome determinative in a borderline situation where the court, it seems, may go either way as to the existence of a protectable trade secret is the degree to which the employee has violated business ethics and morals. Judicial emphasis of this factor in determining whether or not a protectable trade secret exists seems to point out the fact that the courts are weighing the interest of the public in fair competition. And the tendency of these cases to give protection to questionable trade secrets where the employee’s conduct is deemed grossly unethical by the courts, tends to show that the courts are implementing a general policy of imposing standards of ethics and morals on the business community. Two cases involving Adolph Gottscho Inc. exemplify the effect ethical considerations have on the determination of whether or not a trade secret exists in a particular case. Both cases involved Adolph Gottscho Inc. as plaintiff suing its former employees and their new employers to protect his alleged trade secrets; both cases concerned essentially much of the same information. Yet, information held to be trade secrets in the earlier case, was refused that status in the later case. The only reason the second court gave for its opposite finding was the differences in the moral conduct of the employees involved in each case. The court stated:

[The relief granted was based on the inequitable conduct of one Jackson, who was in confidential relationship to the plaintiff and left to join American Marking Corporation, taking to his new employment all the knowledge and skill he had acquired while working for the plaintiff (quoting the earlier case). His conduct was grossly improper and gave rise to the plaintiff’s cause of action based on long settled equitable principles and supported by marked changes in the attitude of the law towards the need for commercial morality.]

The court concluded that the conduct of the employees involved in the later case was not as morally objectionable as Jackson’s earlier conduct; it then found that no trade secrets existed in the later case.

22 von Kalinowski, supra note 7, at 589, alludes to this problem and predicts future difficulty with it in the courts.


Recent cases emphasizing the lack of unethical conduct on the part of the employee in finding that no trade secret existed include: Adolph Gottscho, Inc. v. Bell-Mark Corp., 79 N.J. Super. 156, 191 A.2d 67 (1963); Spring Steels, Inc. v. Molloy, 400 Pa. 354, 162 A.2d 370 (1960).


II. **Employer Actions**

The typical trade secret case stemming from an employer-employee relationship involves three parties: the employer, the employee and a competitor of the employer. The employee gains knowledge of the employer's trade secrets through his employment. Then the employee either approaches or is approached by a competitor of the employer concerning possible employment with the competitor; the thought being that the disclosure and use of the employer's trade secrets will mutually benefit the employee and the competitor — the employee receives an increased salary and the competitor obtains the beneficial use of the former employer's trade secrets. The employer will usually sue both the employee and the competitor in such a situation. He seeks to enjoin the employee's disclosure and use of the alleged trade secret and he also seeks to enjoin the competitor's elicitation of such disclosure; the former employer also may seek to recover either damages, or unjust profits for the improper utilization of his trade secrets, while concurrently seeking an injunction against any future use of disclosure, in a case where improper disclosure is consummated and improper utilization has begun. Thus, the usual relief sought is the injunction against wrongful disclosure or use, or a similar injunction coupled with either damages or an accounting for profits. However the facts of a particular case may warrant other relief such as an order for the return of plans or copies of the secret; the destruction of instruments embodying the trade secret; and the assignment of patents wrongfully acquired.

**Basis for Relief Against the Former Employee—Non-Contractual**

All through the development of the law of trade secrets, courts have used various legal bases for granting relief for the protection of trade secrets. The more important of these grounds have been: breach of confidence, property right, implied contract, and contract. However, the recent judicial attitude bespeaks an almost complete reliance on breach of confidence as the grounds for decision. Such attitude is exemplified in *E. I. Du Pont de Nemours Powder Co. v. Masland* in which the court states:

> The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiff's secrets he must take the burden with the good.

Often it is stated that the employee's duty of nondisclosure of his former employer's trade secrets, which he acquired knowledge of through his employment, arises from an implied term of the employment contract. However, it seems immaterial whether this duty is found to arise from an implied contract or from an employer-employee relationship of trust and confidence, similar to a fiduciary relationship. Generally, courts will rely on the employer-employee relationship in finding

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28 Allen-Qualley Co. v. Waibel, 31 F.2d 293 (N.D. Ill. 1929).
30 E. I. Du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917).
this duty of nondisclosure;32 then, they will determine whether or not relief should be given by looking at other factors, especially by determining whether or not a trade secret is involved in the particular case. Since the choice of grounds for granting relief is immaterial, it is submitted that the superior rationale would be the breach of the confidential relationship between the employee and former employer rather than either the breach of an implied contract, or the conversion of a property right; this is due to the tendency of the courts to expand the definition of a trade secret where the factor of grossly unethical conduct on the part of the employee is present. This would seem to be more in accord with a breach of confidence than either implied contract or property right.

Basis for Relief Against the Former Employee — Contractual

Ofttimes, trade secret protection apparently need not be predicated on the finding of a breach of confidence for there exists a written contract of employment in which the employee either covenanted not to disclose or use the employer's trade secrets after the termination of his employment, or covenanted not to compete with the employer after termination of his employment. However, the existence of a covenant not to disclose or use the employer's trade secrets, standing alone, usually does not render a result different from that reached when no such contract exists. The general rule is that such a covenant will be held valid only if it goes no farther than is necessary to protect the trade secrets involved.33 The point at which such a covenant becomes excessively restrictive, so as to become invalid as a restraint of trade, depends on the degree of restriction balanced against the value of the secret information.4 If the covenant purporting to protect trade secrets is made so broad in its language as to cover also other knowledge of the business in addition to the trade secrets which the employee has learned from his employment with the employer, it may then be held invalid.35 Similarly a covenant not to disclose or use trade secrets may fail because what the employer deemed to be a trade secret proves in fact not to be such;36 the courts seemingly look to the existence of a confidential relationship as a prerequisite for finding protectable business information which is classified as a trade secret. Thus, the courts revert to the balancing of interests approach even in a situation in which the employee expressly contracted not to disclose or use the employer's secrets.

In a sense, a covenant not to compete is merely an indirect form of a covenant not to disclose or use trade secrets; an employee who cannot compete, directly or indirectly with his former employer does not have the opportunity to disclose or use the employer's trade secrets. Realizing this, it is not surprising that the approach of courts, when considering the enforceability of covenants not to compete is very similar to their balancing of the interests approach to the law of trade secrets. The courts will look at the scope of the restraint to see if it is greater than necessary to protect the legitimate interests of the employer, the harshness of the results of the restraint on the employee and the effect of the restraint on the public welfare,

32 Marcuse, The Protection of Trade Secrets: Theory and Practice, 36 Conn. B. J. 348, 354 (1962), states that, "In these cases the confidentiality of the relationship can virtually be taken for granted. No case has been discovered in which a trade secret learned in the course of an employer-employee relationship did not involve the requisite degree of confidentiality."

33 Larx Co. v. Nicol, 224 Minn. 1, 28 N.W.2d 705 (1946); Harrison v. Glucose Sugar Refining Co., 116 Fed. 304 (7th Cir. 1902); Restatement, Contracts § 516 (a), (f) (1932).


36 Victor Chemical Works v. Iliff, 299 Ill. 532, 132 N.E. 806 (1921). See Conmar Products Corp. v. Tibony, 63 F. Supp. 372 (E.D.N.Y. 1945) for the proposition that if the employer does not keep information secret, then the employee need not, no matter what the contract says.
to determine if it is reasonable and then, enforceable.\textsuperscript{37} However, when such covenants are found to be enforceable they form a basis for possible relief which is substantially different than the relief given when other trade secrets protection are involved. Where a covenant not to compete is enforced the employee may be prevented from working for a competitor of the employer, while the usual relief in the absence of such a covenant merely prevents an employee from disclosing the employer's trade secrets or using them in competition with the employer. This limitation on the injunctive relief, in the absence of a covenant not to compete, involves a judicial effort to compromise the right of the employer for trade secret protection with the right of the employee to utilize his full capabilities to earn a living and provide for his family. Because of the severity of restricting the scope of a man's employment opportunities so drastically, courts should closely scrutinize such covenants not to compete when considering their enforceability. Such an approach is generally taken; the courts will not enforce a covenant not to compete unless the restraint appears reasonable under the circumstances.\textsuperscript{38} Such covenants are usually considered unreasonable and thus, unenforceable unless the covenant is limited in scope to, at least, a geographical area\textsuperscript{39} and, in many cases, to both a geographical area and a period of time.\textsuperscript{40} In many cases, even when the scope of the covenant not to compete is no greater than is necessary to protect the employer's interests, it may still operate so harshly upon the employee that the courts cannot conscientiously term it reasonable.\textsuperscript{41}

Even though a covenant, either one prohibiting disclosure or one prohibiting competition is avoided as unduly restrictive, courts, in a trade secret case, will often apply the breach of confidence basis for relief to work out an equitable result.\textsuperscript{42} While in other cases, rather than holding such a covenant designed to prevent disclosure and use of trade secrets invalid as being too broad and thus too restrictive there has been a trend in recent cases to judicially mold the covenant in such a way that enforcing it as molded will give a result closer to that which would have been given without the covenant.\textsuperscript{43} The \textit{State Farm Mutual Automobile Insurance Co.} court\textsuperscript{44} states the process as follows:

(The lower court) cut the contractual cloth to the special equitable pattern of the trade secret, thus following the rule that construction of a non-competitive covenant to render it lawful is preferable to an interpretation causing the opposite result.

Thus what the courts seem to be doing in this area of covenants intended to prevent employees from disclosing or using the employer's trade secrets, is to formulate the result which they would have given without such a covenant by balancing all the interests involved; to compare this result with that which the

\textsuperscript{37} Arthur Murray Studios v. Witter, 105 N.E.2d 685 (Ohio C.P. 1952) for a good example of this three-point approach.

\textsuperscript{38} See 6 \textit{Corbin, Contracts} § 1392-95 (1962); \textit{Restatement, Contracts} § 513-16 (1932).

\textsuperscript{39} The trend seems to be that a restraint no more extensive than the area in which the employer does business, or may reasonably anticipate doing business, is reasonable. DeLong Corp. v. Lucas, 176 F. Supp. 104 (S.D.N.Y. 1959), upheld a nationwide restraint; and Thoms v. Sutherland, 52 F.2d 592 (3d Cir. 1931), upheld a world-wide restraint.

\textsuperscript{40} Nesko Corp. v. Fontaine, 19 Conn. Supp. 160, 110 A.2d 631 (1954). The court in DeLong Corp. v. Lucas, \textit{supra}, opined in dictum that a period of relatively short duration stated in the covenant may operate affirmatively to offset harsher aspects of the restraint.

\textsuperscript{41} Arthur Murray v. Witter, 105 N.E.2d 685 (Ohio C.P. 1952) (in which the covenant would have forced the employee to give up the work he is best-trained for); Standard Oil Co. v. Bertelsen, 186 Minn. 483, 243 N.W. 701 (1932) (in which the employee would be forced to move from his long-standing home).


\textsuperscript{44} \textit{Supra}, 344 P.2d at 826.
covenant would give; and then to uphold, mold, or void the covenant according to the degree of similarity of the results.

Basis of Relief Against the Competitor Hiring the Former Employee

As stated above, in the typical trade secret case, relief is sought against both the former employee and the competitor who has or is about to hire the employee. This is a matter of economic necessity when damages are sought by the employer, as the competitor is more likely to be financially able to satisfy a money judgment than an employee. Similarly, where restitution of profits is sought, the competitor may be the only party to have been substantially benefited from the wrongful use of the trade secret. And when injunctive relief is sought by the employer, complete protection of the trade secret is impossible, if a competitor, who has already received knowledge of the trade secret from the employee, is not prevented from disclosing or using it.

However, as the competitor in this situation is usually not in a fiduciary or contractual relation with the employer, some ground other than the one upon which relief against the employee is predicated, must be found to warrant relief from the competitor. The governing principle is that the competitor is at liberty to discover a trade secret by any fair and honest method and, once so found, to use it in the same manner as the original discoverer. However, when a trade secret is acquired from an employee by inducing him to breach his fiduciary or contractual obligations, or with notice that the trade secret was revealed by the employee in breach of his obligations, relief may be granted against him on the basis of wrongful acquisition or inequitable retention of such information. Even when the competitor has gained knowledge of the trade secret without notice that it was revealed by the employee in breach of such trust, it would seem inequitable, where the competitor has parted with no consideration for the trade secret, that he not be allowed to profit from such knowledge; however, equitable considerations necessitate actual notice of the wrong to the competitor before initiating his liability.

Monetary Relief

In these employer-employee trade secret cases, monetary relief may assume two forms: actual damages suffered by the employer from the wrongful disclosure and use of his trade secrets, or an accounting for unjust profits realized by the competitor or the former employee from the wrongful use of the former employer's trade secrets. Generally a prayer for monetary relief is in conjunction with, or subordinate to, a prayer for injunctive relief; however, it would seem that damages could be sought at law in either tort or contract if the employer would be content with them. The difficulty of proof of damages is usually considered to account for the scarcity of cases allowing damages, either at law or in conjunction with an injunction. In some cases however, damages may be the fairer relief when injunctive relief should be denied because of the disclosure of the trade secret to the

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45 As by way of independent discovery or analysis of the product sold by the originator. American Dirigold Corp. v. Dirigold Metals Corp., 125 F.2d 446 (6th Cir. 1942); Gilbert v. General Motors Corp., 41 F. Supp. 525 (W.D.N.Y. 1941).
46 RESTATEMENT, TORTS, §§ 757 (a), 759 (1939).
world by either the possessor or the wrongdoer, or because of the nature of the trade secret itself.

**Injunctive Relief — Present Danger**

Once the employer has established the existence of his trade secrets, the employer must show a present danger of wrongful appropriation before injunctive relief is obtainable. Typically, no problem exists since the employee has usually already disclosed the trade secret to the competitor and the competitor is already using it when the employer brings his action. Proof of this alone is enough to show present danger of future disclosure and use to warrant the imposition of an injunction against such future disclosure and use. Similarly, when an enforceable covenant not to compete is involved, mere proof that the employee has started working in competition with the employer is sufficient to secure an injunction. However, absent an enforceable covenant not to compete, if the employee has not yet disclosed or used the employer's trade secrets, the present danger factor is imperative to enjoining such future action. Suits seeking such injunctive relief have been relatively rare; however, recently the remedy has become more popular and several cases have considered the remedy. The usual rule followed has been that the mere employment or prospective employment of the former employee, who has knowledge of the former employer's trade secrets, by a competitor of such employer without more is insufficient to justify an injunction against the employee or the competitor.

The court in *H. B. Wiggins Sons Co. v. Cott-A-Lapp Co.*, in which no evidence whatsoever of an intent on the part of the employee to disclose the former employer's secret chemical process was offered, discussed the above rule as follows:

> If the injunction issues, it means that hereafter no man can work for one and learn his business secrets and after leaving that employment engage himself to a rival in business, without carrying on his back into that business the injunctive mandate of a court of equity. There is nothing whatever in the facts of this case, except opportunity to do wrong and a suspicion in the mind of the rival that wrong will be done. The remedy asked for is an extraordinary one, and should not be lightly indulged in. The chancellor ought never come into such a frame of mind that he assumes human nature to be essentially and inherently evil.

This rule was restated in *McCombs v. McCleland*, "If plaintiffs are to prevail, it must appear that the danger is probable or threatened. (Citation omitted.) Injunctions will not be granted merely to allay the fears and apprehensions of an individual. (Citation omitted.)" In this case the court reversed the trial court and set aside an injunction against a former employee since there was no direct evidence that confidential information had or would be disclosed by the employee.

However, during the past several years, there have been a number of trade secret cases in which a present threat of disclosure was found to exist, although there was no actual disclosure. The most noteworthy of these cases is *B. F. Goodrich Kaumagraph Co. v. Stampagraph Co.*, 235 N.Y. 1, 138 N.E. 485 (1923).

52 RESTATEMENT, TORTS, Explanatory Note § 757, comment b at 7 (1939), states that if: [T]he secret consists of mechanical improvements that a good mechanic can make without resort to the secret, the wrongdoer’s liability may be limited to damages, and an injunction against the future use of the improvements made with the aid of the secret may be inappropriate.
53 Eastman Kodak Co. v. Powers Film Products, 189 App. Div. 556, 179 N.Y. Supp. 325 (1919) (the problem that it may be impossible to prove that the trade secret has been disclosed by the former employee).
54 ELLIS, op. cit. supra note 6, at 451.
56 ELLIS, TRADE SECRETS, 127 (1953).
58 223 Or. 475, 354 P.2d 311, 316 (1960).
Co. v. Wohlgemuth, the "space suit case." The employee, Wohlgemuth, had been employed by the plaintiff, B. F. Goodrich Co., for eight years; late in 1962, he received an offer of employment, at an increased salary, from a competitor of Goodrich, in the space suit field. During that time, Wohlgemuth held various positions in Goodrich's pressure space suit department, his last position was that of manager; his work contributed to maintaining Goodrich's position as the leader in this field. Wohlgemuth resigned upon receiving an offer of employment as head of the space suit department of Goodrich's competitor, who, although a newcomer in the field, had obtained an important government contract. Thereupon Goodrich brought suit to enjoin his disclosure and use of their trade secrets. The court found sufficient evidence of threatened disclosure of trade secrets from the fact that Wohlgemuth stated, in effect, that he expected to use all the knowledge that he had at his command in his new job; this, the court concluded, included some knowledge of trade secrets which warranted the granting of an injunction against disclosure. In coming to this conclusion, however, the court relied on evidence concerning Wohlgemuth's mental attitude in that Wohlgemuth stated, "(L)oyalty and ethics had their price; insofar as he was concerned International Latex (the competitor of Goodrich) was paying the price," when he was told by a member of the Goodrich staff that he was taking with him a body of information which did not belong to him.

The other recent cases granting injunctions against the threatened disclosure of trade secrets have found similar evidence evincing an "evil" intent, on the part of the employee, to disclose what were considered to be trade secrets. In Allen Manufacturing Co. v. Lolka, an injunction against disclosure was granted when the evidence showed that the employees involved actually sought out a competitor of the plaintiff and pointed out the advantages plaintiff's secret process made in the product and stated that they could solve the problems of duplicating plaintiff's process if they were hired. In contrast the court in the McCombs case, denied such an injunction where there was evidence of the employee's good faith in that she asked her new employer that she not be required to disclose any confidential information about her former employer's business.

Thus it appears that the rule stated in H. B. Wiggins Sons Co., that there must be something more than the mere occasion to do wrong, is still substantially followed. However, the McCombs and Allen Manufacturing Co. cases illustrate that this "something more," for which the courts are looking, is usually some evidence that the employee has an "evil intention" to act in a manner hostile to the standards of ethics and morals which the courts are imposing upon the business community through the law of trade secrets.

**Injunctive Relief — Scope**

The scope of an injunction for the protection of trade secrets depends on the facts of each individual case. However, as stated before, a court will usually try to grant an injunction which will, as nearly as possible, give the necessary protection to the employer's trade secrets without unduly prejudicing the employee's employment possibilities or the new employer's opportunities for fair competition. But in the usual trade secret case, absent a covenant not to compete, the injunction will not go as far as to prevent the defendant from competing with the employer, but merely prevents the defendant from disclosing the trade secrets to others and from using the trade secret in competition with the employer. This has been the result, even in a case in which it seems that the employer's trade secrets can be

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60 Supra note 59, at 104.
properly protected only by preventing the employee defendant from working in competition with the employer.\textsuperscript{64} In respect to duration the usual rule is that the injunctive relief granted will not be limited by a definite time period.\textsuperscript{65} However, when the relief is based on a covenant limited to a definite time period,\textsuperscript{66} or the trade secret involved is of such a temporary nature as to require protection for only a relatively short time,\textsuperscript{67} the injunction granted may be limited to a definite period of time.

\textit{Conclusion}

The trend in this area of the law involving the protection of trade secrets in the employer-employee relationship would seem to point to more cases to arise in the future as both the value of trade secrets to employers and the tendency toward piracy of employees by competitors tend to increase. For this reason each employer should consider how his trade secrets can be effectively protected. In all cases the legal protection of trade secrets in the employer-employee relationship follows the general equitable pattern of balancing the interests involved. When no contract is involved, the interests of the employer are balanced against those of the defendant within the various ethical guidelines judicially imposed on the business community. With the evolution of this approach, the morality of the defendant's actions has become the single most important factor affecting the possibility of relief. This is especially evidenced by the trend of the law of trade secrets to become more uncertain as to the particular items which may be protected as a trade secret in a particular case, and by the necessity of finding what might be called "evil intention" on the part of the defendant where an injunction against threatened disclosure of trade secrets is sought. It would seem that this factor will continue to be at least as prominent, if not even more so, in future decisions involving trade secrets; the effect being — even more uncertain results as to what might be considered a protectable trade secret. It can be expected, and rightly so, for the courts to give less and less weight to arbitrary distinctions between the type of secret protected and to extend protection to almost any secret information used in any way by the business when its disclosure and use by the employee would be morally objectionable in the opinion of the courts.

When a covenant not to disclose or use is also involved in a particular case, the result is generally almost identical to that when no such covenant is involved. For this reason it is the opinion of this writer that such a covenant in itself is of little or no value for the protection of trade secrets other than as notice to the employee that the employer believes he has trade secrets which he would like to protect. This would seem to be a great limitation of the rights of individuals to freely make contracts; however public policy considerations demand this treat-


\textsuperscript{65} Franke v. Wiltschek, 209 F.2d 493 (2d Cir. 1953).

\textsuperscript{66} DeLong Corp. v. Lucas, 176 F. Supp. 104 (S.D.N.Y. 1959) seems to stand for the point that an employer may limit his right to have an injunction to a definite time where a written covenant not to disclose is thus limited in the employment contract. Cf., Securities Acceptance Corp. v. Brown, 171 Neb. 701, 107 N.W.2d 540 (1961), opined in dictum that parties to employment contract may contractually limit common law duty on the employee after leaving employment not to disclose or use trade secrets for his benefit or that of a rival.

\textsuperscript{67} Where the employer's competitors could be expected to duplicate the employer's work within the foreseeable future, the injunction not to disclose or use was limited in Fairchild Engine & Airplane Corp. v. Cox, 50 N.Y.S.2d 643 (Sup. Ct. 1944) to five years; and in Allen Manufacturing Co. v. Loika, 145 Conn. 509, 44 A.2d 306 (1958), to one year. See the discussions in Franke v. Wiltschek, 209 F.2d 493 (2d Cir. 1953) (dissenting opinion); and in Hyde Corporation v. Huffines, 158 Tex. 566, 314 S.W.2d 763, 771-7 (1958) on the possibility of granting an injunction of limited duration when a patent has either been applied for or issued on an alleged trade secret.
ment at least in the cases where the bargaining positions of the contracting parties are lopsided.

Covenants not to compete on the other hand can be extremely important for the protection of trade secrets in the employer-employee relationship. When such a covenant is enforced, the employee is not faced with the opportunity to disclose or use the employer’s trade secrets. And because of the nature of the trade secret, this may be the only way to be sure that the trade secret is not being wrongfully disclosed or used. For this reason a covenant to compete should always be considered by the employer. However here again public policy considerations demand close scrutiny of these covenants by the courts. Thus when drafting such a covenant, an employer should be as objective as possible and give considerable recognition to the rights and needs of the employee; for an enforceable covenant not to compete with some effectiveness is better than an unenforceable covenant.

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