

# Trade secrets: the inevitable disclosure doctrine

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It is a fundamental tenet of trade secrets law that the *threatened* or actual misappropriation of trade secrets may be enjoined. Trade secrets are fragile assets. The economic value of a trade secret is derived from the secrecy of the information, and a trade secret, once lost, is lost forever. It is too late to obtain injunctive relief once the horse is out of the barn.

## Injunctive relief

The primary remedy in a trade secrets case is an injunction. The value of a trade secret rests upon secrecy. Any unauthorized disclosure or use of a trade secret causes irreparable harm as a matter of law because once another person or entity obtains access to the trade secret without authorization the value of the trade secret is diminished or destroyed.

Injunctive relief is the lifeblood of trade secrets law. The primary objective in any trade secrets case is to protect the trade secret from unauthorized acquisition, disclosure or use. It is no accident that injunctive relief precedes damages in the Uniform Trade Secrets Act and the Defend Trade Secrets Act. The primary remedy is injunctive relief — “plug the dike” or “stop the bleeding” — and then to pursue damages for any misappropriation that occurred before injunctive relief was entered by the court.

The issuance of an injunction is an extraordinary remedy. An injunction cannot issue to enjoin a mere possibility of unauthorized disclosure or use. Injunctions are not available to allay the fears of the trade secret owner. There must be sufficient evidence of a probable loss or injury to justify the entry of injunctive relief and there must be a showing of irreparable harm if the injunction is not granted.

It is well established that a court of equity shall not grant injunctive relief without balancing the interests of the parties and the public interest. In an employment context, the trial court balances the employer’s interest (to protect trade secrets); the employee’s interests (to protect employee mobility and choice of livelihood) and the public interest (commercial morality and protection against unfair competition). The entry of injunctive relief without balancing the interests of the parties and the public interest constitutes an abuse of discretion as a matter of law.

## The inevitable disclosure doctrine

The inevitable disclosure doctrine is the sine qua non of trade secrets law. It emanates from centuries of case law, and it provides

a framework for the entry of injunctive relief to protect against the *threatened* misappropriation of trade secrets.

The inevitable disclosure doctrine is a coined term used to describe a factual record that supports the entry of injunctive relief to protect against the unauthorized disclosure or use of trade secrets by a former employee. It is that simple. The doctrine is not complex.

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Angst over use of the term “inevitable” is a red herring. Whether the record establishes an *inherent* risk of disclosure, a *probable* risk of disclosure, an *imminent* risk of disclosure, or an *inevitable* risk of disclosure the result is the same — the former employer is entitled to injunctive relief. Without equitable relief to enjoin against the threatened misappropriation of trade secrets before an actual misappropriation of trade secrets occurs — there is no protection of trade secrets.

There are three underlying rationales for the inevitable disclosure doctrine: negative know-how, unjust enrichment, and circumstantial evidence. In addition, there are several practice pointers that need to be addressed.

**Negative know-how.** A former employee cannot wipe the slate clean. The former employee carries the former employer’s trade secrets in his head. He knows quote “what works” and “what doesn’t not work.” He knows the blind alleys. This negative know-how is often the most valuable trade secret that a company possesses. The inevitable disclosure injunction is the only way to protect these trade secrets.

If an employee has had previous access to a highly developed technology, it should be common sense that the former employee will not start over again at “ground zero” when he commences work for a direct head-to-head competitor. Pre-final lobotomies cannot be performed on former employees. Using a neuralyzer (Men in Black) is a Hollywood fiction.

**Unjust enrichment.** Competitors will not start at square one if they can save money and shortcut the process of research and development by hiring a former employee of a direct competitor who already has the confidential answers and the solutions. Take the example of a 1,000-piece puzzle. Scatter the pieces of the puzzle on a table (and hide the box cover). It will take much longer, if at all, for a person to complete the puzzle with no exposure to the complete picture on the puzzle box cover.

**Circumstantial evidence.** The inevitable disclosure doctrine is *not* a cause of action. It is an evidentiary tool based upon circumstantial evidence. It is an inference drawn from the fact that former employees continue to possess trade secrets in their heads when they quit to go to work for a competitor considering there is no other means for eradicating the trade secrets from their memory.

As every trial lawyer knows, evidence can be direct or circumstantial. Direct evidence is direct proof of a fact. Circumstantial evidence is indirect proof of a fact based on inferences from other facts. Both types of evidence carry the same weight.

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The classic example of circumstantial evidence is proof of it raining during the night. If you wake up in the morning and see that the sidewalk is wet and you establish that the sidewalk was dry when you went to bed, these facts permit the inference that it rained during the night.

The inevitable disclosure doctrine creates an inference based upon circumstantial evidence that the former employee will inevitably disclose and use the trade secrets of his former employer in carrying out the same duties and responsibilities for his new employer.

### **Doctrine applicable only to injunctive relief**

The applicability of the inevitable disclosure doctrine is strictly limited to the entry of a temporary restraining order (TRO) or a preliminary injunction to provide emergency relief to protect against the threatened misappropriation of trade secrets. Full-blown discovery, summary judgment motions and a jury trial on the merits come later.

### **Proof of trade secrets**

The inevitable disclosure doctrine does not come into play unless and until the plaintiff has made a prima facie showing of the existence of trade secrets. If the information sought to be enjoined

from disclosure or use does not qualify as a trade secret, this ends the analysis and the motion for emergency injunctive relief will be denied. There can be no likelihood of success without showing the existence of at least one trade secret at risk.

### **Actual misappropriation of trade secrets**

If the record establishes an actual misappropriation of trade secrets, the predicate for injunctive relief is satisfied. Under these circumstances, injunctive relief is warranted, without more, to prevent actual misappropriation from occurring again. It is unnecessary to consider the “probabilities” of inevitable disclosure because there is already evidence in the record of actual misappropriation. No further proof is necessary for injunctive relief.

### **Activity-restriction injunctions**

The entry of injunctive relief is not absolute. The injunction must not be vague or overbroad. The inevitable disclosure injunction should be narrowly tailored to protect against the threat of misappropriation of specific trade secrets. This means that most inevitable disclosure injunctions will contain specific activity restrictions. A former employee is not barred from going to work for a competitor – instead, the former employee is enjoined from certain activities for a certain period. This is not an anti-competitive result as naysayers suggest. Instead, activity-restriction injunctions reflect a careful balancing of employer-employee interests and the public interest in fair competition and the preservation of commercial morality in the marketplace.

### **Bad intent is not an element of the inevitable disclosure doctrine**

Bad intent is not an element of the inevitable disclosure doctrine. The former employee’s actual duties and responsibilities working for the new employer, not intent, is the controlling factor in inevitable disclosure cases. The issue is whether the new employment will inevitably lead the former employee to disclose or use his former employer’s trade secrets whether consciously or unconsciously. Intent may be considered, but it is not dispositive.

### **The inevitable disclosure doctrine applies to technical and non-technical trade secrets**

A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others. There is no limitation in the law of trade secrets to the types of information that can be protected as trade secrets. The inevitable disclosure doctrine protects against the threatened misappropriation of technical trade secrets (formulas, processes, algorithms etc.) and non-technical trade secrets (customer lists, pricing and internal marketing plans etc.).

NOTE: An earlier version of this article was missing the last four paragraphs.

### About the author



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