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Put employee's possible use of company info in contract

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In reversing the trial court's grant of a preliminary injunction, the Illinois Appellate Court in *Archer Daniels Midland Co. v. Sinele, et al.*, (2019 IL App 4th 180714, decided Feb. 1) reminds employers that the doctrine of inevitable discovery is not a foolproof substitute for enforceable post-employment restrictions on competition.

The facts

Sinele worked for Archer Daniels Midland, or ADM, for 28 years as a manager for its national accounts for corn sweeteners before he retired in August 2018. While employed at ADM, Sinele has access to an ADM database that contained information including ADM's customers' procurement of corn, manufacturing costs and customer margins.

ADM considered the information to be confidential and limited access to the information. Following his retirement from ADM, Sinele formed a consulting business to helper buyers of corn sweeteners in their negotiations with the five manufacturers of corn sweeteners, including ADM.

Sinele had signed two nondisclosure agreements during his ADM employment that prohibited his use of ADM's confidential information. ADM sued Sinele and his new consulting company alleging a violation of the Illinois Trade Secrets Act and breach of the nondisclosure agreements.

While ADM had no evidence that Sinele had disclosed any of ADM's trade secrets, it claimed that through his consulting business, Sinele would inevitably use them. Because the Illinois Trade Secrets Act authorizes a court to enjoin the threatened use of a trade secret, regardless of whether the defendant ever would disclose the trade secret to anyone, the trial court entered a preliminary injunction that enjoined Sinele and his company "from transacting any business activity" involving the sale or purchase of corn sweeteners by any customer serviced by Sinele within the last two years of his ADM employment.

Inevitable disclosure doctrine

The inevitable disclosure doctrine provides that an employer may prove a claim of trade secret misappropriation by demonstrating that the former employee's new employment "will inevitably lead him to rely" on the prior employer's trade secrets — regardless of whether the former employee acts consciously or unconsciously.

The doctrine's application is particularly appropriate where the former employee is using the former employer's trade secrets to assist a direct competitor of the employer.

A key earlier decision applying inevitable discovery compared the former employer's situation to that of "a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game."

Appellate court's reasoning

The appellate court reversed the trial court's decision and concluded that this was not an appropriate case for the application of the inevitable disclosure doctrine.

The court reasoned that Sinele had not joined "the opposing team" as he did not go to work with an ADM competitor (and might be a closer case if he had) and could fully perform his duties without disclosing any information that he might remember from the ADM database.

Moreover, there was no evidence that Sinele had actually taken any ADM confidential information (in which case, ADM would not have had to rely on a theory of inevitable disclosure, but could have sued on the taking of the confidential information).

Finally, and significantly, the court observed that if ADM "really feels vulnerable" because of any memory Sinele might have of ADM confidential information, ADM could have "easily" headed off this concern by including a provision in his employment agreement that after his ADM employment ended he would refrain from representing ADM customers in negotiations with ADM.

As the court noted, including such a provision in Sinele's employment agreement would have given Sinele "advance notice" of the limitations on his future employment as opposed to allowing ADM to derive the benefits of a restrictive covenant without having obtained one from the employee.

Litigation, the court stated, should not be permitted to "re-write" the parties' employment agreement under the rubric of inevitable disclosure.

The takeaway: Inevitable disclosure doctrine is no substitute for a well-drafted noncompete provision.

Employers concerned about their employees using what they remember from their employment in a new position would be well-advised not to rely simply on having their employees sign nondisclosure agreements.

They should also consider using a carefully drafted noncompetition agreement to further protect their confidential information.